

Second Quarter Financial Update 2020/21

Policy & Resources Committee

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Part A

Executive Summary & Overview



This report provides members with a financial update for the second quarter of 2020/21, covering activity for both the Council as a whole and this committee's revenue and capital accounts for this period, and a projected outturn for the year.

Members will be aware that since the budget was agreed in February, the position for 2020/21 and future years has changed significantly as a result of the Covid-19 pandemic. Specific impacts include:

- Redirection of existing resources to support vulnerable people
- Administering government support schemes, notably business rate reliefs and grants
- Increased activity in some council services
- Temporary closure of some Council facilities
- Reduction in levels of activity in some other Council services
- Income generating activities severely impacted by overall contraction in economic activity
- Change in working patterns, with almost all office-based staff now working from home
- Reduced levels of Council Tax and Business Rates collection.

This has resulted in many service areas reporting or projecting adverse variances against the budget for 2020/21, particularly in relation to income. The overall projection for the council as reported to government on our monthly financial monitoring returns is summarised in table 1 below, and shows that the potential impact of Covid-19 on the council's financial position is £7.237m. Councils have been asked to complete these returns to enable a comprehensive picture of the financial impact of Covid-19 on local authorities to be compiled by the Ministry of Housing, Communities and Local Government. The projections are based on the information available to finance officers at the time of submitting the return and are being regularly updated as the situation unfolds and further information becomes available.

	£000
Additional Spending	1,483
Income Reductions:	
Business Rates (MBC share)	760
Council Tax (MBC share)	721
Other Income	4,273
Total	7,237

Table 1, Covid-19 financial impact

It should be noted that the projections detailed within table 1 do not correspond to the in year budget outturn projections. This arises for several reasons.

- Due to the statutory accounting arrangements for council tax and business rates, these losses do not impact the general fund balance until next year.
- The variances above reflect an estimate of the financial impact of Covid-19, and do not take into account other factors which may impact on the budget outturn such as underspends that have the effect of mitigating Covid-19 related losses.
- The Covid-19 financial impact has been offset by both unringfenced government support and grants covering specific areas of expenditure.

To date, unringfenced financial support totalling £2.5m for MBC has been announced by the government. The council has also submitted a claim for lost income from sales, fees and charges under the government's compensation scheme. The initial claim covers the period between April and July and we are currently awaiting the outcome of this. Two further claims will be submitted (one in December 2020, the other in April 2021) covering the remainder of this financial year. Given the all-encompassing impact of Covid-19 across many of the council's services, mitigation for losses will be treated as a corporate exercise, and we will therefore not attempt to apportion unringfenced support received across service committees.

In addition to the unringfenced support, the council has received funding which can be clearly matched to additional expenditure, or outgoing grants. It is anticipated that these funding streams will be used in full to offset increased costs incurred in responding to the Covid-19 pandemic. Examples of such funding include the Reopening High Streets Safely Fund, Emergency Assistance Grant and the Local Authority Compliance and Enforcement Grant.

The impacts which arise from areas both within this committee's remit and the other three service committees are detailed within section B of this report.

The analysis also includes both revenue and capital year-end projections (to 30th September 2020), and updates the Committee on a range of other inter-related financial matters including Local Tax Collection, Reserves and Balances, Treasury Management and Maidstone Property Holdings.

The headlines for Quarter 2 are as follows:

Part B: Revenue Budget – Q2 2020/21

- At the Quarter 2 stage, the Council has incurred net expenditure of £1.812m against a profiled budget of £5.432m, representing an underspend of £3.62m. This underspend arises largely from the timing of government grants and does not reflect the underlying financial position.
- For the services reporting directly to PRC, net expenditure of -£1.912m has been incurred against a profiled budget of £2.303m, representing an underspend of £4.215m. However, the forecast outturn position for the Council at year-end is a projected shortfall of £0.156m. As explained above, the overspend for service reporting purposes differs from that shown in table 1.

Part C: Capital Budget – Q2 2020/21

- At the Quarter 2 stage, the Council has incurred overall expenditure of £9.608m against a budget allocation within the Capital Programme of £54.025m.
- It is anticipated that there will be slippage of £30.044m at year end. Expenditure for services reporting directly to PRC of £6.393m has been incurred against the budget at the end of Quarter 2, with forecast year end expenditure of £10.031m.

Part D: Local Tax Collection 2020/21

- Target collection rates for Council Tax were not met during the first half of the year. The target collection rate for business rates was slightly exceeded. Overall levels of both Council Tax and Business Rates collected are lower than at the corresponding point last year owing to Covid-19.

- Forecasts indicate that the Council will retain £0.3m through the Kent Business Rates Pool in 2020/21.

Part E: Reserves & Balances 2020/21

- The unallocated balance on the General Fund at 1 April 2020 was £8.8m. It is anticipated that this will decrease during the year, but that balances will remain above the minimum level set by Council.

Part F: Treasury Management 2020/21

- The Council held short-term investments of £10.43m and had £9.0m in outstanding borrowing as at 30th September 2020.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for the first quarter of 2020/21 was £72,577. Rent arrears at 30 September 2020 totalled £4,858.

Part B

Second Quarter Revenue Budget 2020/21



B1) Revenue Budget: Council

B1.1 At the Quarter 2 stage, the Council has incurred net expenditure of £1.812m against a profiled budget of £5.432m, representing an underspend of £3.620m.

B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 2 2020/21 by providing alternative analyses: by Committee, Priority and Subjective Heading.

Table 1: Net Expenditure 2020/21 (@ 2nd Quarter): Analysis by COMMITTEE

Committee	Full Year Budget	To 30 September 2020	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Policy & Resources	12,814	2,303	-1,912	4,215	10,330	2,484
Strategic Planning and Infrastructure	-1,068	-312	498	-810	405	-1,473
Communities, Housing & Environment	8,502	2,935	2,595	340	8,382	120
Economic Regeneration & Leisure	1,038	506	630	-124	2,326	-1,288
Net Revenue Expenditure	21,287	5,432	1,812	3,620	21,443	-156

Table 2: Net Expenditure 2020/21 (@ 2nd Quarter): Analysis by PRIORITY

Priority	Full Year Budget	To 30 September 2020	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	6,247	2,937	2,698	239	6,085	161
Homes and Communities	2,021	-61	-116	55	2,244	-223
Thriving Place	1,230	622	602	20	2,336	-1,106
Embracing Growth and Enabling Infrastructure	-997	-277	504	-782	475	-1,473
Central & Democratic	12,787	2,212	-1,877	4,089	10,303	2,484
Net Revenue Expenditure	21,287	5,432	1,812	3,620	21,443	-156

Table 3: Net Expenditure 2020/21 (@ 2nd Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget	To 30 September 2020	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Employees	21,994	10,973	10,679	294	21,713	281
Premises	5,268	3,393	3,387	6	5,184	84
Transport	754	347	240	107	754	0
Supplies & Services	12,693	4,354	3,602	752	11,832	861
Agency	6,301	3,127	2,646	481	7,115	-814
Transfer Payments	44,554	18,459	18,767	-307	44,554	0
Asset Rents	1,041	0	0	0	1,041	0
Income	-71,317	-35,221	-37,509	2,287	-70,749	-568
Net Revenue Expenditure	21,287	5,432	1,812	3,620	21,443	-156

B2) Revenue Budget: Policy & Resources (PRC)

B2.1 Table 4 below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into PRC at the end of Quarter 2. The financial figures are presented on an 'accruals' basis (e.g. expenditure for goods and services received, but not yet paid for, is included).

Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 2nd Quarter 2020/21)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 September 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Civic Occasions	42	31	13	18	42	0
Members Allowances	389	195	177	18	389	0
Members Facilities	29	15	18	-4	29	0
Contingency	333	165	-3,480	3,645	-2,192	2,525
Performance & Development	8	5	0	5	8	0
Corporate Projects	45	3	3	0	45	0
Press & Public Relations	38	21	11	10	38	0
Corporate Management	94	54	58	-4	94	0
Unapportionable Central Overheads	1,419	687	661	26	1,369	50
Council Tax Collection	54	29	45	-16	54	0
Council Tax Collection - Non Pooled	-358	27	42	-15	-358	0
Council Tax Benefits Administration	-152	-152	-146	-7	-152	0
NNDR Collection	1	1	1	-0	1	0
NNDR Collection - Non Pooled	-234	5	11	-6	-234	0
MBC- BID	0	-10	-14	5	0	0
Registration Of Electors	49	21	21	-0	49	0
Elections	168	1	2	-1	168	0
PCC Elections	0	0	6	-6	0	0
General Elections	0	0	0	-0	0	0
Emergency Centre	26	23	4	18	26	0
Brexit	0	0	-0	0	0	0
Medway Conservancy	120	60	60	0	120	0
External Interest Payable	2,062	0	32	-32	800	1,262
Interest & Investment Income	-100	-50	-18	-32	40	-140
Palace Gatehouse	-8	-4	-5	1	-8	0
Archbishops Palace	-97	-40	-44	4	-97	0
Parkwood Industrial Estate	-311	-151	-160	9	-279	-32
Industrial Starter Units	-34	-14	-8	-6	-34	0
Parkwood Equilibrium Units	-80	-38	-73	35	-118	38
Sundry Corporate Properties	-377	-189	-41	-148	-80	-296
Parks Dwellings	0	0	0	0	0	0
Phoenix Park Units	-208	-104	-115	10	-208	0
Granada House - Commercial	-109	-55	-67	12	-109	0
MPH Residential Properties	-280	-38	-45	7	-280	0
Heronden Road Units	-159	-82	-87	5	-159	0
Boxmend Industrial Estate	-92	-46	-63	17	-92	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 September 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Lockmeadow	-72	-36	49	-86	-42	-30
NEW Lockmeadow Complex	-812	-621	-997	375	-102	-710
Wren Industrial Estate	-143	-21	0	-21	-143	0
Pensions Fund Management	1,674	0	0	0	1,674	0
Non Service Related Government Grants	-4,472	-2,236	-2,244	8	-4,472	0
Rent Allowances	-147	-62	-280	218	-147	0
Non HRA Rent Rebates	-8	420	520	-100	-8	0
Discretionary Housing Payments	1	150	165	-15	1	0
Housing Benefits Administration	-357	-185	-181	-4	-357	0
Democratic Services Section	189	94	96	-1	189	0
Mayoral & Civic Services Section	115	57	48	9	115	0
Chief Executive	187	93	89	3	187	0
Communications Section	180	90	88	2	180	0
Policy & Information Section	271	120	84	36	271	0
Head of Policy and Communications	124	62	39	22	124	0
Revenues Section	504	341	331	10	504	0
Registration Services Section	142	71	58	13	142	0
Benefits Section	483	312	305	7	483	0
Fraud Section	32	-43	-48	6	32	0
Mid Kent Audit Partnership	233	122	-6	128	233	0
Director of Finance & Business Improvement	146	73	70	3	146	0
Accountancy Section	733	379	345	34	733	0
Legal Services Section	507	255	266	-11	507	0
Director of Regeneration & Place	145	72	70	3	145	0
Procurement Section	120	36	34	2	120	0
Property & Projects Section	466	231	207	23	466	0
Corporate Support Section	244	122	115	8	244	0
Improvement Section	351	179	189	-10	351	0
Executive Support Section	173	86	77	9	173	0
Head of Commissioning and Business Improvement	103	50	46	4	103	0
Mid Kent ICT Services	582	284	258	26	582	0
GIS Section	116	58	57	1	116	0
Customer Services Section	658	305	286	19	658	0
Director of Mid Kent Services	46	-24	-30	6	46	0
Mid Kent HR Services Section	398	199	181	18	398	0
MBC HR Services Section	111	55	3	52	111	0
Head of Revenues & Benefits	73	54	49	5	73	0
Revenues & Benefits Business Support	111	66	77	-10	111	0
Dartford HR Services Section	-20	-10	-10	0	-20	0
IT Support for Revenues and Benefits	39	29	31	-2	39	0
Emergency Planning & Resilience	21	10	-4	15	21	0
Salary Slippage 1PR	-261	-131	0	-131	-261	0
Town Hall	100	57	45	12	100	0
South Maidstone Depot	152	108	98	9	152	0
The Link	81	107	104	3	81	0
Maidstone House	1,083	852	811	41	1,050	33
Museum Buildings	273	181	222	-42	309	-36
I.T. Operational Services	577	299	310	-11	577	0
Central Telephones	15	7	3	5	15	0
Apprentices Programme	50	25	8	17	50	0
Internal Printing	-5	-3	-1	-1	-5	0
Debt Recovery Service	-36	49	-6	55	0	-36
Debt Recovery MBC Profit Share	-144	-72	45	-117	0	-144
General Balances	-215	-215	-215	0	-215	0
Earmarked Balances	6,244	-570	-570	0	6,244	0
Invest To Save	10	0	0	0	10	0
Appropriation Account	1,041	0	1	-1	1,041	0
Pensions Fund Appropriation	-1,674	0	0	0	-1,674	0
Totals	12,814	2,303	-1,912	4,215	10,330	2,484

B2.2 The table shows that, at the Quarter 2 stage, for the services reporting directly to PRC, net expenditure of -£1.912m has been incurred against a profiled budget of £2.303m, representing an underspend of £4.215m. It should be noted that this forecast does not take into account further government support for income losses announced recently. The planned scheme will see councils absorbing losses of up to 5% of planned sales, fees and charges income, with the government compensating for 75p in every pound of 'relevant losses' thereafter. We are therefore confident that the position will improve from the forecasts set out in the tables above.

B3) PRC Revenue Budget: Significant Variances

B3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning.

B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 1.

Table 5: PRC Variances (@ 2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Policy & Resources Committee	£000		
Contingency – The Council has received significant grant aid from the Government to deal with the financial pressures that have arisen from Covid-19. This funding will off-set Covid-19 related overspends in other service areas.	3,645		2,525
External Interest Payable – The budget for the year assumed a higher level of borrowing than we are now projecting, on the basis that the capital programme would have progressed further, therefore we are anticipating a significant underspend.		-32	1,262
Interest & Investment Income – There has been a drop in interest rates from what was initially forecast and combined with a Covid-19 related decision to keep funds in more liquid (but lower yield) accounts this means the projected year-end position will be lower than forecast.		-32	-140
Sundry Corporate Properties – Included within this budget is a budget strategy item from 2019/20 which was for additional income from property acquisitions. An acquisition was completed in August 2020 but there will only be a revenue benefit for part of the year.		-148	-296
Lockmeadow – This heading relates to MBC as freeholder. The budget was not yet fully in place following the purchase of the complex at the start of the year. Now that this exercise is complete it is anticipated that the budget variance will be zero at year-end.		-85	0
Lockmeadow Complex – This heading includes income due to the Council arising from the long leasehold interest that it acquired in 2019/20. Due to the closure of the complex during the lockdown period there will be a shortfall in the rental income expected for the current year in cash terms.	375		-710
Rent Allowances and Non-HRA Rent Rebates – The current variance is due to timing differences between payments made and income received from central government.	217		0
Mid Kent Audit Partnership – This variance has arisen from a budget underspend brought forward from 2019/20 and also from vacant posts. The year-end forecast assumes these posts will be filled during the remainder of the year.	128		0
Debt Recovery MBC Profit Share – This variance and the projected year-end outturn reflect the circumstances outlined above for the Debt Recovery Service.	-117		-144

B4) Other Revenue Budgets: Significant Variances

B4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances (i.e. those meeting or exceeding £30,000, at the end of Q2).

Table 6: SPI Variances (2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PLANNING SERVICES			
Development Control Advice – During the first part of the year there has been a 50% reduction in income for pre-application discussions and Planning Performance Agreements. This trend is expected to continue as the effects of Covid-19 continue to be felt. There are likely to be some underspends in running costs which will partly offset the reduction in income.		-42	-90
Development Control – Majors – The impact of Covid-19 has now started to be seen in this budget, with income levels now lower than had been seen earlier in the year. However, the reduction is around 25%, which is lower than had been initially forecast at this stage, and it is assumed this will remain the case.		-57	-148
Development Control – Other – The reduction in income has been less than was initially forecast, around 10% for the year to date.		-34	-72
Mid Kent Planning Support Service – This variance reflects a number of vacancies in the team. It is anticipated these posts will be deleted as part of the savings proposals for next year.	77		110

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
On Street Parking – The effects of Covid-19 have impacted all parking income, although it is recovering now, with a better level of income for the second quarter than was initially anticipated.		-137	-226

Residents Parking – Penalty Charge Notice income has dropped significantly, in part due to restrictions placed on collecting outstanding debts. Income from parking permits has remained at normal levels. This budget also saw a better than expected level of income in the second quarter.		-15	-50
Pay & Display Car Parks - The effects of Covid-19 have impacted all parking income, although it is recovering now. There was an initial increase in occupancy rates when the town centre re-opened, but this has now levelled off, with long stay car parks particularly affected.		-684	-800
Off Street Parking – Enforcement – Penalty Charge Notice income has dropped significantly, although as occupancy levels increase in the car parks the income levels should improve. This budget also saw a better than expected level of income in the second quarter.		-57	-113

Table 7: CHE Variances (@ 2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Licencing – Due to the impact of Covid-19 a shortfall in income is now forecast for the end of the year.		-12	-125
Recycling Collection – Demand for green bins and wheeled bins continues to be high and is forecast to continue to increase for the remainder of the year.	81		110
Community Hub – The hub was set up to help vulnerable people in the community during the early stages of the Covid-19 outbreak. All the costs are expected to be funded by the end of the year via the grants received that were referenced earlier in the Contingency budget		-116	-116
Homelessness Temporary Accommodation – The forecast overspend arises from additional costs to accommodate rough sleepers during the lockdown. Additionally, under the emergency Covid-19 measures, landlords were prevented from evicting tenants during lockdown. This presents a possible risk of increased demand for temporary accommodation.	24		-106
Depot Operations – This covers the Fleet Workshop, MBS Support Crew and Commercial Grounds Maintenance. There are reduced costs in the workshop, and grounds maintenance has generated more income than had been forecast.	77		97

Table 8: ERL Variances (@ 2nd Quarter 2020/21)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000		
Museum – The museum was closed during the lockdown period, so there has been no opportunity for any income generating activities to take place.		-12	-71
Hazlitt Arts Centre – Although the theatre had remained closed throughout the first lockdown period, the Council has agreed to continue to honour the contractual payments for the first two quarters of the year.	46		-142
Mote Park Adventure Zone – The facility was closed during the lockdown period, and the contractor was granted contract relief in recognition of this. Although it re-opened subsequently there is unlikely to be a significant reduction in the shortfall for the year.		-102	-114
Mote Park Café – The café continues to be closed, so there is no income from it.		-24	-68
Market - The market was closed during the lockdown period, and consequently there was a significant drop in income. Although it has now re-opened the current forecast assumes that there will only be a gradual recovery.		-66	-93
Leisure centre – Following the closure of the leisure centre at the start of the lockdown period, Serco Leisure have indicated that they propose to take advantage of their contractual position and recover their losses from MBC, less £5,000 which would be payable by the Leisure Trust. Details remain subject to negotiation and the projected variance represents a preliminary view of the likely outcome. The projected variance may be mitigated if we are successful in bidding against the £100 million fund that the government has established to compensate leisure providers for loss of income during the pandemic. There is also a variance of £0.2m representing contractual payments due from Serco which are currently being withheld pending the outcome of the negotiations.			-700

B5) Virements

B5.1 In accordance with the Council's commitment to transparency and recognized good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the Policy & Resources Committee on a quarterly basis.

B5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.

B5.3 The virements made in Quarter 2 are presented in Table 9 below. These were all temporary virements.

Table 9: Virements (@ 2nd Quarter 2020/21)

Description	From Budget	To Budget	Value £	Perm/Temp*
Financial Contribution toThames Gateway Kent Partnership	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	28,000	Temporary
Economic Recovery Interim Report	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	9,420	Temporary
Funding for Tractivity licence 2020/21	YA11 (Business Rates Growth Earmarked Balances)	EL21 (Town Centre Management Sponsorship)	6,950	Temporary
Subscription for Springboard Footfall Service	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	1,700	Temporary
Additional BRP funding for Heritage & Culture Officer	YA11 (Business Rates Growth Earmarked Balances)	SA14 (Cultural Services Section)	550	Temporary
Promotional Items for Events	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	250	Temporary
			46,870	

Part C

Second Quarter Capital Budget 2020/21



C1) Capital Budget: Council

- C1.1 The overall five-year Capital Programme for 2020/21 to 2024/25 was approved by the Council on 26th February 2020. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding does continue to be available from the New Homes Bonus (NHB).
- C1.2 The 2020/21 element of the Capital Programme (including unused resources brought forward from 2019/20) has a total budget of £54.025m. At the Quarter 2 stage, capital expenditure of £9.608m had been incurred, an underspend of £44.359m. There is currently forecast to be total expenditure of £23.923m leaving slippage of £30.044m by the end of the year.

C2) Capital Budget: Policy & Resources Committee (PRC)

- C2.1 Progress towards the delivery of the 2020/21 PRC element of the Capital Programme at the Quarter 2 stage is presented in Table 10 below. The budget for 2020/21 includes resources brought forward from 2019/20.
- C2.2 At the Quarter 2 stage, expenditure of £6.393m has been incurred against a budget of £24.996m million for PRC. This is an underspend of £18.603m. There is currently forecast to be total expenditure of £10.031m, leaving slippage of £14.965m by the end of the year.

Table 10: Capital Expenditure (@ 2nd Quarter 2020/21)

Capital Programme Heading	Estimate 2020/21 £000	Actual to September 2020 £000	Budget Remaining £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2021/22 £000
Communities, Housing & Environment							
Housing - Disabled Facilities Grants Funding	1,577	241	1,336	150	200	591	986
Housing Investments	2,343	500	1,843	335	1,052	1,887	456
Brunswick Street - Costs of Scheme	4,233	1,672	2,561	1,269	1,292	4,233	0
Brunswick Street - Receipts	-1,502	-636	-866	-769	-97	-1,502	0
Union Street - Costs of Scheme	5,201	1,516	3,685	2,503	1,182	5,201	-0
Union Street - Receipts	-2,100	-599	-1,501	-744	-757	-2,100	0
Springfield Mill	1,807	8	1,799	900	899	1,807	0
Granada House Extension	1,664	12	1,652	114		126	1,538
Indicative Schemes	8,042	3	8,039	174		177	7,865
Affordable Housing Programme	1,315		1,315	138	264	402	913
Acquisitions Officer - Social Housing Delivery Partnership	80	34	46	23	23	80	0
Street Scene Investment	96	78	18	9	9	96	-0
Flood Action Plan	400		400	25	25	50	350
Electric Operational Vehicles	100		100	100		100	
Rent & Housing Management IT System	50		50				50
Installation of Public Water Fountains	15		15	15		15	
Commercial Projects - Cemetery Chapel Repairs	230		230	30	200	230	
Continued Improvements to Play Areas	297	23	274	50	50	123	174
Other Parks Improvements	99		99		99	99	-0
Total	23,947	2,852	21,095	4,322	4,441	11,615	12,332
Economic Regeneration & Leisure							
Mote Park Visitor Centre (inc.ESB)	2,053	4	2,049	20	20	44	2,009
Mote Park Lake - Dam Works	1,723	322	1,401	442	377	1,141	582
Museum Development Plan	125		125		125	125	
Total	3,901	327	3,575	462	522	1,311	2,591
Policy & Resources							
Asset Management / Corporate Property	1,748	62	1,686	300	75	437	1,311
Feasibility Studies	150	13	137	70	67	150	-0
Infrastructure Delivery	1,800		1,800				1,800
Software / PC Replacement	231	70	161	80	81	231	0
Digital Projects	20		20		20	20	
Acquisition of Commercial Assets	7,069	1,983	5,086			1,983	5,086
Kent Medical Campus - Innovation Centre	7,365	2,425	4,940			2,425	4,940
Garden Community	1,613	85	1,528	400	300	785	828
Biodiversity & Climate Change	1,000		1,000				1,000
Lockmeadow Ongoing Investment	4,000	1,755	2,245	2,245		4,000	-0
Total	24,996	6,393	18,603	3,095	543	10,031	14,965
Strategic Planning & Infrastructure							
Mall Bus Station Redevelopment	1,037	37	1,000	50	860	947	90
Bridges Gyrotory Scheme	86		86	10	10	20	66
Total	1,123	37	1,086	60	870	967	156
Section 106 Contributions	57						
TOTAL	54,025	9,608	44,359	7,939	6,376	23,923	30,044

C3) Capital Budget Variances (@ 2nd Quarter 2020/21)

Policy and Resources Committee

C3.1 The most (financially) notable PRC items in the table above are as follows:

Acquisition of Commercial Assets – The only purchase to date this year has been the purchase of the Wren Industrial Estate.

Kent Medical Campus (Innovation Centre) – Works are continuing with the opening of the centre scheduled for summer 2021.

Garden Community – These are indicative figures at this stage. Members are making a number of decisions on the project which may lead to them being adjusted.

Lockmeadow Ongoing Investment – The majority of the forecast spend is for the external works on the centre that have been agreed by the Committee in April 2020 and are now substantially complete.

Communities, Housing and Environment Committee

C3.2 The most (financially) notable CHE items in the table above are as follows:

Housing Investments – Phase 4 of the purchase and repair scheme to acquire properties for temporary accommodation is now underway.

Brunswick Street and Union Street – Construction at both sites was delayed due to Covid-19, and both schemes are now around 4 months behind schedule, but they are both due to be completed by the end of the financial year.

Indicative Schemes – A number of schemes are being considered and are at various stages of development. Where a decision is taken to proceed a more detailed report will be brought forward for consideration as with two schemes which were considered at the last meeting of the Policy & Resources Committee.

Strategic Planning and Infrastructure Committee

C3.3 The most (financially) notable SPI items in the table above are as follows:

Mall Bus Station Redevelopment – work is progressing on the scheme with survey and design work being undertaken so far. It is anticipated that works will commence later in the year with completion due in early 2021.

Bridges Gyratory Scheme – the residual budget is being used to fund flood prevention works by the Medway Street subway. Designs have been drawn up and the work is now expected to take place during this year.

Economic Regeneration and Leisure Committee

C3.4 The most (financially) notable ERL items in the table above are as follows:

Mote Park Visitor Centre – the project has been deferred for a year while the capital programme is reviewed in light of the Covid-19 pandemic. The budget retained for this year will enable preliminary work such as architecture and design to proceed.

Mote Park Lane – Dam Works – the project is now under way and should be completed by the end of the financial year.

Part D

Second Quarter Local Tax Collection 2020/21



D1) Collection Fund

- D1.1 The Council is increasingly reliant on income generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- D1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.
- D1.3 There are statutory accounting arrangements in place which minimise the in year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets

D2) Collection Rates & Reliefs

- D2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target.

Table 11: Local Tax Collection Rates (Q2 2020/21)

Description	Target	Actual
	%	%
Council Tax	55.30%	54.93%
Business Rates	56.30%	56.52%

- D2.2 Note that although these collection rates are close to target, the targets have been adjusted in the light of what is currently considered to be collectible. The amount of Council Tax collected is 4.2% below the level achieved at this time last year and the amount of Business Rates collected is 4% below the level achieved at this time last year.
- D2.3 Collection rates for Council Tax have been impacted by the Covid-19 pandemic as measures to pursue non-payment were put on hold at the end of March. Therefore telephone chasing and additional reminder letters which would normally have taken place over the first quarter of the year were suspended and are likely to have adversely impacted on the overall collection rate.
- D2.4 Since the start of lockdown, hardship fund discounts of £150 have been awarded to 6,644 working age local council tax support (LCTS) recipients, using funding from the government's Covid-19 Hardship Fund scheme. A 12% increase in LCTS caseload has been observed since pre-Covid-19 budget expectations were set for 2020/21.
- D2.5 The collection of business rates marginally exceeded performance during the first quarter of the year. It should be noted that as part of the government's support package to businesses in response to the Covid-19 pandemic, 100% business rates relief was granted to retail, hospitality, leisure businesses and nurseries for 2020/21. The government has reimbursed the council for its lost business rates income through grants which are expected to amount

to £25.2m. This has improved the council's cash flow position for 2020/21, and also reduced risks associated with non-collection, to some extent.

D2.6 The grants do introduce some additional risks and complications to future business rates income. Firstly, if businesses cease trading during 2020/21 then the entitlement to rates relief is lost and the council will need to repay its share of the compensating grant to government. Secondly, since the reliefs were announced after councils had set their budgets for 2020/21, the reduction in income from business rates will create a significant deficit within the collection fund. It will be necessary to set aside a proportion of the grants to make good this deficit over the coming years. The future of the government's relief scheme will not be known until later in the year.

D3) Kent Business Rates Pool

D3.1 The council has continued to participate with other Kent authorities during 2020/21 in order to maximise the proportion of business rates growth it is able to retain. Forecast pooling gains for Maidstone Borough Council amount to £0.3m for 2020/21. As in previous years, this funding is allocated to spending which supports the delivery of the council's Economic Development Strategy.

D3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. The additional reliefs and associated grant funding mentioned previously within section D2 help to minimise the risks of pooling during 2020/21.

D3.3 The eventual impact of Covid-19 on the business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. how long the government's containment and business support measures will be in place for, and the longer term impacts on local, national and global economies.

D3.4 Some external analysis has therefore been commissioned to inform thinking around the future of the Kent Business Rates Pool. The results of this initial work indicate that pool members would need to incur uniform reductions in business rates income of over 11.9% before the pool would make an overall loss. At present, none of the pool members are forecasting losses at or close to this level, however, we will continue to monitor this closely.

D4) Write-Offs

D4.1 The Committee is asked to approve the write off of £69,381 in unpaid Business Rates debt identified in Appendix x. Please note that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.

D4.2 As noted above, the Council takes a robust approach to recovery of Business Rates. This involves progressive action which would typically include:

- Reminder for non-payment
- Final notice for non-payment
- Summons for non-payment
- Application to Magistrates Court for a Liability Order
- Instruction of Enforcement Agent to recover
- Bankruptcy or liquidation, where appropriate
- Proceeding to seek committal to prison (individuals).

- D4.3 However, throughout the process the Council actively encourages contact from any business experiencing difficulty in order to negotiate arrangement for payment.
- D4.4 The Council could continue to hold these debts as outstanding, but this option is not recommended as there is no prospect of recovery and this would distort the financial position of the Council.
- D4.5 For the businesses listed in Appendix x, the Council has exhausted all of the recovery processes in trying to collect the unpaid amounts. It is therefore suggested that these amounts are written off and the Council's accounts are amended to reflect the fact that the payments identified are not expected to be recovered. The Council maintains a provision for bad debts, and there is sufficient resource available within this balance to cover the value of the proposed write offs.

Part E

Reserves & Balances 2020/21



E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2020 was £16.6 million. The makeup of the balance, and the forecast movements during 2020/21 are presented in Table 13 below. The provisional year end position reflects an overall reduction of £2m in the unallocated general fund balance, however there are a number of factors which may alter this forecast over the coming months.

E1.2 The closing balance enables a minimum general fund balance of £2.0 million to be maintained, as agreed by full Council in February 2020.

Table 13: Reserves & Balances forecast 2020/21

	Balance at 1 April 2020	Forecast movement in 2020/21	Estimated Balance at 31 March 2021
	£000		
General Fund			
Unallocated balance	8,819	-156	8,663
Sub-total	8,819	-156	8,663
Earmarked Reserves			
Local Plan	309	-309	0
Neighbourhood Plans	75	0	75
Planning Appeals	286	0	286
Civil Parking Enforcement	165	-130	35
Homelessness Prevention & Temporary Accommodation	681	-103	578
Business Rates Growth Fund	3,887	-266	3,621
Occupational Health & Safety	31	0	31
Lockmeadow Complex	335	0	335
Future Funding Pressures	1,589	-1,589	0
Trading Accounts	30	-30	0
Future Capital Expenditure	432	-432	0
Sub-total	7,820	-2,859	4,961
Total General Fund balances	16,639	-3,015	13,624

Table 13: General Fund and Earmarked Balances, forecast at 30 September 2020

Part F

Treasury Management 2020/21



F1) Introduction

- F1.1 The Council has adopted – and incorporated into its Financial Regulations – the “Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code)”.
- F1.2 The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 26th February 2020 the Council approved a Treasury Management Strategy for 2019/20 that was based on the CIPFA Code. That Strategy requires that the Policy and Resources Committee should formally be informed of Treasury Management activities quarterly as part of the budget monitoring process.

F2) Economic Headlines

- F2.1 During the Quarter ended 30th September 2020, the Council’s Advisors, Link Asset Services, reported:
- As expected, the Bank of England’s Monetary Policy Committee (MPC) kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn.
 - It also squashed any idea of using negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance. However, there has been recent discussions with UK banks and the Bank of England to see how bank’s technological infrastructure would deal with negative rates, so the chance of a first ever negative interest rate has not been totally dismissed.
 - PWLB rates still remain 180 bps above gilt levels for local authorities. A consultation between the HM Treasury and local authorities has been conducted to which the results are yet to be announced. It is hopeful that rates may fall to levels of gilts plus 80 bps levels, but it is clear that HM Treasury will most likely no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the primary aim is to generate an income stream (assets for yield).

F3) Council Investments

- F3.1 The council held investments totalling £10.43m as at 30th September 2020. A full list of investments held at this time is shown at Table 14 below. All investments are held in short term notices accounts and money market funds to be readily available when required so to be available for paying much needed funding to businesses by the way of grants and the capital programme.

Table 14: Short-Term Investments (2nd Quarter 2020/21)

Counterparty	Type of Investment	Principal £	Rate of Return	MBC Credit Limits	
				Maximum Term	Maximum Deposit
Svenska Handelbanken	Notice Account Deposit	3,000,000	0.15%	12 Months	£3,000,000
Lloyds Bank Plc	Notice Account Deposit	1,000,000	0.20%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	1,700,000	0.07%	2 Years	£8,000,000
Federated Investors LLP	Money Market Fund	2,730,000	0.05%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	2,000,000	0.01%	2 Years	£8,000,000

10,430,000

F3.2 Investment income to 30th September 2020 totals £18k against a budget of £50k with an average rate of 0.33%. The Bank of England cut rates in March 2020, this has meant all investment rates are very low, especially in liquid instruments, which has meant the Council receiving such low returns.

F4) Council Borrowing

F4.1 The Council had borrowings of £9m as at 30th September 2020, all with Local Authorities. A list is shown at Table 15 below. £5m of borrowing had been repaid to Leeds City Council at the end of September and split between Bridgend County Borough Council and South Yorkshire Pension Authority who were offering better terms. The Council are currently looking at other borrowing options such as UK Municipal Bonds Agency, PWLB (awaiting the result of the consultation in view to lower priced borrowing) and other financial institutions. It is the Council's aim to have a mixture of short and long term borrowing in order to spread risks involving interest rates and refinancing.

Table 15: Council Borrowing (2nd Quarter 2020/21)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Rate of Return
North Yorkshire County Council	Local Authority	4,000,000	22/11/2019	20/11/2020	0.97%
Bridgend County BC	Local Authority	3,000,000	30/09/2020	30/12/2020	0.05%
South Yorkshire Pension Authority	Local Authority	2,000,000	30/09/2020	30/12/2020	0.05%

9,000,000

Part G

Second Quarter Maidstone Property Holdings 2020/21



G1) Maidstone Property Holdings Ltd. (MPH)

- G1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a vehicle for letting residential properties on assured short-hold tenancies. The company currently holds two properties on 22 year leases from the council.
- G1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (to the Policy and Resources Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.
- G1.3 The MPH financial year-end was changed to 31st March, in order to align with the Council's financial reporting period. The external audit of the 2019/20 accounts is ongoing, and the outcome will be reported to the committee once this work has been finalized.
- G1.4 On 18th December 2019, full Council accepted the Policy and Resources Committee recommendations and formally adopted the new Articles of Association, Operational Agreement, Services Agreement and Business Plan. The Services Agreement and Operational Agreement have subsequently been signed and sealed, and the amended Articles of Association submitted to Companies House.

G2) MPH Headlines Q2 2020/21

- G2.1 Net rental income for the first two quarters of 2020/21 totals £72,577. This represents rent charged to tenants, less costs recharged by the managing agent. As at 30th September 2020, rent arrears totalled £4,858. The majority of this has been recovered since the month end and officers have been working with the managing agent to make arrangements for the payment of the amounts which are still outstanding. Currently, all units in both properties are occupied.
- G2.2 The Council receives income from the company through charges made for services provided, and the property lease. After these charges and other expenses, it is anticipated that the company will achieve a breakeven position for 2020/21.
- G2.3 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.