

Third Quarter Financial Update 2020/21

Policy & Resources Committee

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Lead Officer: Mark Green

Report Authors: Ellie Dunnet/Paul Holland

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Part A

Executive Summary & Overview



This report provides members with a financial update for the third 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 £7.568m. 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	1,935
Income Reductions:	
Business Rates (MBC share)	774
Council Tax (MBC share)	665
Other Income	4,194
Total	7,568

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 two claims for lost income from sales, fees and charges under the government's compensation scheme, covering the period April - November. Two further claims will be submitted covering the remainder of this financial year and the first quarter of 2021-22. Funding of £2.1m has been applied for under this scheme to date, although this amount will be subject to a reconciliation and audit process by MHCLG.

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 all 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 31st December 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 budget figures shown for revenue and capital are the revised estimate for 2020/21.

The headlines for Quarter 3 are as follows:

Part B: Revenue Budget – Q3 2020/21

- At the Quarter 3 stage, the Council has incurred net expenditure of £3.454m against a profiled budget of £8.637m, representing an underspend of £5.183m. 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 -£2.574m has been incurred against a profiled budget of £3.281m, representing an underspend of £5.855m. However, the forecast outturn position for the Council at year-end is a projected overspend of £0.136m. As explained above, the figures for service reporting purposes differs from that shown in table 1.
- The Council has submitted a claims totalling £2.1m to recover some of the fees and charges that have been lost due to Covid-19 related reasons. Should these claims be validated then the projected year-end underspend will increase.

Part C: Capital Budget – Q3 2020/21

- At the Quarter 3 stage, the Council has incurred overall expenditure of £16.006m against a budget allocation within the Capital Programme of £28.509m.
- It is anticipated that there will be slippage of £6.946m at year end. Expenditure for services reporting directly to PRC of £10.657m has been incurred against the budget at the end of Quarter 3, with forecast year end expenditure of £12.759m.

Part D: Local Tax Collection 2020/21

- Adjusted target collection rates for Council Tax and Business Rates have been met. However, 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 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 31st December 2020.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for the third quarter of 2020/21 was £121,512. Rent arrears as at 31st December 2020 totalled £5,220.

Part B

Third Quarter Revenue Budget 2020/21



B1) Revenue Budget: Council

B1.1 At the Quarter 3 stage, the Council has incurred net expenditure of £3.454m against a profiled budget of £8.637m, representing an underspend of £5.183m.

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

Table 1: Net Expenditure 2020/21 (@ 3rd Quarter): Analysis by COMMITTEE

Committee	Full Year Budget	To 31 December 2020	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Policy & Resources	12,585	3,281	-2,574	5,855	9,953	2,632
Strategic Planning and Infrastructure	-1,030	-724	395	-1,119	917	-1,946
Communities, Housing & Environment	8,543	5,266	4,404	862	8,072	471
Economic Regeneration & Leisure	1,072	814	1,228	-414	2,364	-1,292
Net Revenue Expenditure	21,169	8,637	3,454	5,183	21,305	-136

Table 2: Net Expenditure 2020/21 (@ 3rd Quarter): Analysis by PRIORITY

Priority	Full Year Budget	To 31 December 2020	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	6,210	4,619	4,102	517	5,933	277
Homes and Communities	2,007	412	223	189	2,001	5
Thriving Place	1,259	975	1,214	-239	2,312	-1,053
Embracing Growth and Enabling Infrastructure	-957	-670	396	-1,065	920	-1,877
Central & Democratic	12,651	3,301	-2,481	5,781	10,139	2,512
Net Revenue Expenditure	21,169	8,637	3,454	5,183	21,305	-136

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

Subjective	Full Year Budget	To 31 December 2020	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Employees	22,051	16,421	16,008	413	21,888	163
Premises	5,263	4,455	4,479	-25	5,098	166
Transport	690	498	361	137	690	0
Supplies & Services	13,286	6,522	5,455	1,067	11,993	1,294
Agency	5,797	4,224	4,175	49	6,711	-914
Transfer Payments	43,215	27,032	27,211	-179	43,215	0
Asset Rents	1,094	0	0	0	1,094	0
Income	-70,227	-50,516	-54,237	3,721	-69,383	-844
Net Revenue Expenditure	21,169	8,637	3,454	5,183	21,305	-136

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 3. 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 (@ 3rd Quarter 2020/21)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Civic Occasions	42	39	16	24	42	0
Members Allowances	389	292	265	27	356	34
Members Facilities	29	22	22	0	29	0
Contingency	330	248	-5,301	5,549	-2,195	2,525
Performance & Development	14	10	5	5	14	0
Corporate Projects	39	0	0	0	39	0
Press & Public Relations	24	19	25	-6	24	0
Corporate Management	94	74	74	0	94	0
Unapportionable Central Overheads	1,419	1,039	986	53	1,419	0
Council Tax Collection	54	43	54	-12	54	0
Council Tax Collection - Non Pooled	-358	42	63	-21	-358	0
Council Tax Benefits Administration	-152	-152	-146	-7	-152	0
NNDR Collection	1	1	2	-1	1	0
NNDR Collection - Non Pooled	-234	7	20	-13	-234	0
MBC- BID	0	-3	-14	11	0	0
Registration Of Electors	49	35	37	-3	49	0
Elections	168	1	-6	8	168	0
PCC Elections	0	0	6	-6	0	0
General Elections	0	0	13	-13	0	0
Emergency Centre	26	24	10	14	26	0
Medway Conservancy	120	120	120	0	120	0
External Interest Payable	2,062	0	39	-39	800	1,262
Interest & Investment Income	-100	-75	-21	-54	-40	-60
Palace Gatehouse	-8	-6	-7	0	-8	0
Archbishops Palace	-96	-68	-71	3	-96	0
Parkwood Industrial Estate	-311	-218	-229	11	-311	0
Industrial Starter Units	-28	-19	-19	-1	-28	0
Parkwood Equilibrium Units	-80	-59	-100	41	-120	40
Sundry Corporate Properties	-375	-282	-63	-219	-75	-300
Phoenix Park Units	-215	-161	-160	-2	-215	0
Granada House - Commercial	-110	-83	-98	15	-110	0
MPH Residential Properties	-279	-209	-124	-85	-165	-114
Heronden Road Units	-162	-122	-129	7	-162	0
Boxmend Industrial Estate	-93	-70	-94	25	-93	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Lockmeadow	-72	-54	54	-108	-72	0
NEW Lockmeadow Complex	-812	-885	-1,214	329	-102	-710
Wren Industrial Estate	-143	-62	-39	-22	-143	0
Pensions Fund Management	1,674	0	0	0	1,674	0
Non Service Related Government Grants	-4,472	-3,354	-3,362	8	-4,472	0
Rent Allowances	-125	-75	-407	332	-125	0
Non HRA Rent Rebates	-11	800	767	33	-11	0
Discretionary Housing Payments	1	226	229	-4	1	0
Housing Benefits Administration	-354	-275	-272	-3	-354	0
Democratic Services Section	186	139	145	-6	186	0
Mayoral & Civic Services Section	115	86	73	13	115	0
Chief Executive	185	138	134	4	185	0
Communications Section	185	138	133	5	185	0
Policy & Information Section	235	161	170	-8	235	0
Head of Policy and Communications	122	92	83	9	122	0
Revenues Section	502	464	451	13	502	0
Registration Services Section	136	102	88	14	136	0
Benefits Section	487	436	433	4	487	0
Fraud Section	33	21	5	16	33	0
Mid Kent Audit Partnership	234	179	27	152	185	49
Director of Finance & Business Improvement	144	108	106	3	144	0
Accountancy Section	732	560	508	53	657	75
Legal Services Section	507	381	415	-34	507	0
Director of Regeneration & Place	143	108	105	3	143	0
Procurement Section	119	18	36	-18	119	0
Property & Projects Section	457	345	341	4	457	0
Corporate Support Section	244	183	177	6	244	0
Improvement Section	354	267	282	-14	354	0
Executive Support Section	171	128	115	13	171	0
Head of Commissioning and Business Improvement	102	76	71	5	102	0
Mid Kent ICT Services	564	419	388	31	539	25
GIS Section	115	86	86	-0	115	0
Customer Services Section	672	493	453	39	619	52
Director of Mid Kent Services	44	11	2	9	44	0
Mid Kent HR Services Section	391	293	276	17	351	40
MBC HR Services Section	111	83	23	60	111	0
Head of Revenues & Benefits	68	64	62	2	68	0
Revenues & Benefits Business Support	110	100	97	3	110	0
Dartford HR Services Section	-36	-27	-15	-12	-36	0
IT Support for Revenues and Benefits	39	45	45	-0	39	0
Emergency Planning & Resilience	21	16	8	7	21	0
Salary Slippage	-212	-159	0	-159	0	-212
Town Hall	101	78	69	9	101	0
South Maidstone Depot	152	125	121	4	152	0
The Link	86	114	103	10	86	0
Maidstone House	1,084	1,042	973	68	1,014	70
Museum Buildings	287	237	267	-30	287	0
I.T. Operational Services	571	433	429	4	571	0
Central Telephones	15	11	7	4	15	0
Mid Kent ICT Software	0	0	-5	5	0	0
Apprentices Programme	50	37	21	16	50	0
Internal Printing	-5	-4	-4	0	-5	0
Debt Recovery Service	-39	-7	-27	20	-39	0
Debt Recovery MBC Profit Share	-144	-108	0	-108	0	-144
General Balances	-216	-216	-215	-1	-216	0
Earmarked Balances	5,986	-828	-570	-258	5,986	0
Invest To Save	10	0	0	0	10	0
Appropriation Account	1,094	0	1	-1	1,094	0
Pensions Fund Appropriation	-1,674	0	0	0	-1,674	0
Totals	12,585	3,281	-2,574	5,855	9,953	2,632

B2.2 The table shows that, at the Quarter 3 stage, for the services reporting directly to PRC, net expenditure of -£2.574m has been incurred against a profiled budget of £3.281m, representing an underspend of £5.855m. It should be noted that this forecast does not take into account further government support for income losses announced recently.

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 3.

Table 5: PRC Variances (@ 3rd Quarter 2020/21)

	Positive Variance Q3	Adverse Variance Q3	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.	5,548		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.		-38	1,261
Interest & Investment Income - here 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.		-54	-60
Sundry Corporate Projects - 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.		-218	-300
MPH Residential Properties – This variance appears to be the result of the initial budget being set up to incorrectly receive gross rental income rather than net rental income. The budget is being reviewed and will be corrected.		-85	-114
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 periods there will be a shortfall in the rental income expected for the current year in cash terms.	329		-710
Maidstone House – This variance has arisen from underspends on running costs budgets.	68		70
Debt Recovery MBC Profit Share – A break-even position is forecast due to Covid-19 which has meant no court cases can be heard and enforcement agents have been unable to undertake any enforcement action.		-108	-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 Q3).

Table 6: SPI Variances (3rd Quarter 2020/21)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PLANNING SERVICES			
Development Control Advice – Income for pre-application discussions and Planning Performance Agreements has continued to be at around 60% of what would normally be expected. There are likely to be some underspends in running costs which will partly offset the reduction in income.		-30	-54
Development Control – Majors – The reduction in income is explained by a number of factors, primarily new legislation relating to affordable housing introduced in response to the pandemic and issues around the Local Plan. However, the reduction has been less than was initially forecast earlier in the year.		-117	-156
Development Control – Other – The reduction in income has been less than was initially forecast, around 10% for the year to date.		-55	-66

Local Plan Review

B4.1 The Local Plan Review (LPR) process is an important, high profile and continuous task undertaken by the Planning Services team. The associated revenue spending profile however is cyclical and does not fit the conventional 12-month financial planning process for general revenue expenditure. Instead, spending tends to follow the five-year production period of each Local Plan with various peaks and troughs over that time period.

B4.2 The LPR process is therefore funded through an annual £200,000 revenue contribution, in addition to the existing service budget, with any remaining unspent balances at year end automatically rolled forward into the following financial year. The table below shows the available revenue resources currently allocated to fund LPR activities, the spend at 31 December 2020 and planned further spending over the remainder of the year.

Opening Balance 01/04/2020 (including 2020/21 allocation)	Spending April - September 2020	Forecast Spending October - March 2021	Forecast Spending Balance 31/03/2021
£'s	£'s	£'s	£'s
508,280	487,060	154,814	-133,594

Table 6a, Local Plan Review budget (Q3, 2020/21)

B4.3 Table 6a above identifies that there is a budget of £508,280 available to spend during 2020/21, including unspent resources brought forward from previous years. The forecast spending for 2020/21 exceeds the funding available by £133,594.

The primary reasons for the variance arise from increased spending in relation to sustainability appraisals, transport modelling, the accelerated timetable for LPR completion and the extension of contracts for specialist contractors.

It is proposed that the in-year overspend be addressed as follows:

- £55,750 will be offset against a reduction in revenue costs for the Director of Regeneration and Place. This is a result of work which the Director of Regeneration and Place is currently undertaking relating to the Garden Community project, which will be capitalised.
- It is proposed that a £15,000 underspend on a project which was funded from the business rates pilot (Affordable Housing Supplementary Planning Guidance) be reallocated to the Local Plan Review budget.
- The residual overspend of £62,844 based on current forecasts will be funded through corporate contingency budgets.

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
On Street Parking – Penalty Charge Notice (PCN) and parking meter income had started to recover after the first lockdown but have now reduced further following the second lockdown.		-77	-183
Pay & Display Car Parks - There was an initial increase in occupancy rates when the town centre re-opened after the first lockdown but once again income levels and occupancy rates have fallen dramatically following the second lockdown.		-985	-1,371
Off Street Parking – Enforcement – PCN income had started to recover after the first lockdown but has now reduced further following the second lockdown.		-77	-129

Table 7: CHE Variances (@ 3rd Quarter 2020/21)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Parks & Open Spaces – This variance is caused by a reduction in staffing costs from vacant posts and staff being posted to other Covid-related roles. Some planned tree works may reduce the variance by the end of the year.	76		60
Mote Park Leisure Activities – There has been no income generated this year due to the suspension of activities under Covid 19 guidance.		-29	-37
Crematorium – Due to the increased demand for cremations the original income target has now been exceeded, although there will be some additional maintenance costs incurred during the 4 th quarter.	138		120
Public Conveniences – This variance has arisen from an increase in running costs as well as additional water rates as a result of water leaks.		-30	-53
Street Cleansing – There are a number of staff vacancies in this area, as well as some additional income.	48		55
Household Waste Services – There has been more income than forecast from both wheeled bins and bulky waste collection.	49		60
Recycling Collection – There has been more income than forecast for wheeled bins and garden waste bin income.	84		100
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 are currently being held in the Contingency budget in Policy & Resources Committee.		-79	-82
General Fund Residential Properties – This variance has been caused by a number of factors, the most significant ones being increased running costs and a reduction in rental income from vacant properties.		-33	-40
Homelessness Prevention – There are several reasons for this variance. The Guaranteed Rent Scheme has been abandoned for legal reasons; demand for the Homefinder Scheme has fallen for Covid-related reasons; and finally, there are underspends against some of the running costs budgets.	123		155

Table 8: ERL Variances (@ 3rd Quarter 2020/21)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000		
Hazlitt Arts Centre - Additional costs were incurred during the first two quarters to support the operator of the Hazlitt.		-21	-21
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. It was hoped that the projected variance could be mitigated by bidding against the £100 million fund that the government has established to compensate leisure providers for loss of income during the pandemic. However, this fund only covers the period December 2020 to March 2021. If we are successful in our bid, we hope therefore to have minimal additional costs for this period, but we will still have to bear additional costs for the first 8 months of the year.		-153	-800
Mote Park Adventure Zone - The facility was closed during both lockdown periods, and the contractor was granted contract relief in recognition of this. There are no plans to re-open during the fourth quarter.		-114	-114
Mote Park Café - The café continues to be closed, so there is no income from it.		-40	-64
Business Terrace – There are a number of vacant offices, and it is assumed that this will continue to be the case for fourth quarter, particularly as there has been no enquiries from prospective new tenants.		-39	-133
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.		-97	-150

B5) Virements

B5.1 In accordance with the Council's commitment to transparency and recognised 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 3 are presented in Table 9 below. These were all temporary virements.

Table 9: Virements (@ 3rd Quarter 2020/21)

Reason	From	To	Value £	Perm/Temp*
Fund 'Pathways to Independence' Project	YA11 (Homelessness Prevention & Temporary Accommodation Reserve)	PN20 (Flexible Homelessness Support Grant)	47,080	Temporary
Fund Licence Fee	YA11 (Homelessness Prevention & Temporary Accommodation Reserve)	PN20 (Flexible Homelessness Support Grant)	56,250	Temporary
Fund Licence for CoStar	YA11 (Business Rates Growth Earmarked Balances)	SE16 (Economic Development Section)	3,850	Temporary
Fund Second Payment for ED Strategy Report	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development Strategy)	10,000	Temporary
Additional Funding for Springboard Membership	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development)	850	Temporary
Fund 'Let's do Business' membership	YA11 (Business Rates Growth Earmarked Balances)	EL20 (Business Support & Enterprise- Borough Wide Support)	7,000	Temporary
			125,030	

B6) Write-off of overpaid Housing Benefits

B6.1 The Committee is asked to approve the write-off of £17,335.47 in irrecoverable housing benefits (detailed in **Appendix 6**). It should be noted that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.

B6.2 In July 2020 the Council received a copy of a bankruptcy order stating that the individual had been declared Bankrupt as of 12 May 2020. Consequently recovery action was stopped, and the case recommended for Write Off.

B6.3 Prior to that a number of searches had been made as part of the attempt to recover the overpaid sums. Two attachments of earning order were issued but on both occasions the individual had left the employment by the time the orders were issued. A further attachment was issued against the individual's Universal Credit but this was then suspended due to the pandemic

B6.4 In July 2020 the Council received a copy of a bankruptcy order stating that the individual had been declared Bankrupt as of 12 May 2020. Consequently recovery action was stopped, and the case recommended for Write Off.

Part C

Third 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 revised budget of £28.509m. At the Quarter 3 stage, capital expenditure of £16.006m had been incurred, an underspend of £12.441m. There is currently forecast to be total expenditure of £21.501m leaving slippage of £6.946m by the end of the year.
- C1.3 Slippage has arisen due to a decision to delay the Mote Park Visitor Centre project at the start of this financial year, and redeployment of officers who were leading capital projects to support the Council's Covid-19 response. The Mote Park Visitor Centre project will be progressed in 2021-22.

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.
- C2.2 At the Quarter 3 stage, expenditure of £10.657m has been incurred against a revised budget of £12.871m million for PRC. This is an underspend of £2.214m. There is currently forecast to be total expenditure of £12.759m, leaving slippage of £0.112m by the end of the year.

Table 10: Capital Expenditure (@ 3rd Quarter 2020/21)

Capital Programme Heading	Revised Estimate 2020/21 £000	Actual to December 2020 £000	Budget Remaining £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2021/22 £000
Communities, Housing & Environment						
Housing - Disabled Facilities Grants Funding	591	388	202	202	590	0
Temporary Accommodation	1,887	818	1,069	515	1,333	554
Brunswick Street - Costs of Scheme	4,233	1,701	2,532	532	2,233	2,000
Brunswick Street - Receipts	-1,502	-1,291	-211	-477	-1,767	265
Union Street - Costs of Scheme	5,201	1,926	3,276	576	2,502	2,700
Union Street - Receipts	-2,100	-460	-1,639	-1,554	-2,014	-85
Springfield Mill - Phase 1	1,807	882	925	812	1,694	113
Springfield Mill - Phase 2	1,322		1,322	1,322	1,322	0
Granada House Extension	125	26	99	99	125	0
Private Rented Sector Housing Programme	822	122	700	240	362	460
Affordable Housing Programme	800		800	138	138	662
Acquisitions Officer - Social Housing Delivery P/ship	80	50	30	30	80	-0
Street Scene Investment	96	89	6	6	95	0
Flood Action Plan	50		50	50	50	
Electric Operational Vehicles	100		100	100	100	
Rent & Housing Management IT System	50	7	43	43	50	-0
Installation of Public Water Fountains	15		15	15	15	
Crematorium & Cemetery Development Plan	230	18	212	212	230	0
Continued Improvements to Play Areas	123	85	38	38	123	0
Parks Improvements	99		99			99
Total	14,029	4,362	9,667	2,900	7,262	6,768
Economic Regeneration & Leisure						
Mote Park Visitor Centre & Estate Services Building	20	5	15	15	20	-0
Mote Park Lake - Dam Works	1,041	914	127	127	1,041	0
Mall Bus Station Redevelopment	400	69	331	331	400	0
Total	1,461	988	473	473	1,461	0
Policy & Resources						
Corporate Property Acquisitions	1,983	1,983	0		1,983	0
Kent Medical Campus - Innovation Centre	5,800	4,329	1,471	1,471	5,800	0
Lockmeadow Ongoing Investment	4,000	3,927	73	73	4,000	-0
Garden Community	200	100	100	100	200	-0
Asset Management / Corporate Property	437	162	275	275	437	-0
Biodiversity & Climate Change	50		50	50	50	
Feasibility Studies	150	37	113	20	57	93
Digital Projects	20		20			20
Software / PC Replacement	231	119	113	113	232	-0
Total	12,871	10,657	2,214	2,102	12,759	112
Strategic Planning & Infrastructure						
Bridges Gyratory Scheme	86		86	20	20	66
Total	86		86	20	20	66
Section 106 Contributions	62					
TOTAL	28,509	16,006	12,441	5,495	21,501	6,946

C3) Capital Budget Variances (@ 3rd 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.

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 substantially complete.

Brunswick Street and Union Street – Both phases are scheduled for completion by the end of the fourth quarter, with final costs being incurred in the first quarter of 2021/22. There have been some sales earlier than was forecast at Brunswick Street.

Springfield Mill Phases 1 & 2 – Both phases are scheduled for completion by the end of the fourth quarter.

Private Rented Sector Housing Programme – 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. (This line was previously called 'Indicative Schemes' in prior reports).

Affordable Housing Programme – A property purchase is planned during the fourth quarter.

Strategic Planning and Infrastructure Committee

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

Bridges Gyrotory 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 Lane – Dam Works – the project is now substantially completed.

Mall Bus Station Project – 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. There is a further update on this project below.

C3.5 Tenders for the bus station project have now been received. However they are greater than the current budget sum that has been set aside. The current overall budget is £1.090m, and a further £0.300m is required to proceed with the project. Funding for this has been identified as part of the business rates pilots update elsewhere in this report.

Part D

Third 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 (Q3 2020/21)

Description	Target	Actual 2020/21	Actual 2019/20
Council Tax	82.25%	82.42%	83.62%
Business Rates	81.03%	81.95%	82.43%

- 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 3.9% below the level achieved at this time last year and the amount of Business Rates collected is 5% below the equivalent 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 5. 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 5, 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	-499	3,388
Occupational Health & Safety	31	0	31
Lockmeadow Complex	335	-335	0
Future Funding Pressures	1,589	1,589	3,178
Trading Accounts	30	-10	20
Future Capital Expenditure	432	-432	0
Sub-total	7,820	-229	7,591

Table 13: General Fund and Earmarked Balances, forecast at 31 December 2020

Part F

Treasury Management 2020/21



F1) Introduction

- 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).
- 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 2020/21 that was based on this code. The strategy requires that Policy & Resources Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

F2) Economic Headlines

- During the Quarter ended 31st December 2020, the Council's Advisors, Link Asset Services, reported:
 - The key quarterly meeting of the Bank of England Monetary Policy Committee (MPC) kept Bank Rate unchanged on 5th November 2020. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December 2020 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. 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.
 - The final agreement on Brexit was agreed 24th December 2020 which has eliminated a significant downside risk for the UK economy.

F3) Council Investments

- The council held investments totalling £24.19m as at 31st December 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 (3rd Quarter 2020/21)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Interest Rate	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Svenska Handelbanken	Notice Account Deposit	3,000,000			0.15%	12 Months	£3,000,000
HSBC Bank Plc	Notice Account Deposit	2,880,000			0.05%	12 Months	£3,000,000
Lloyds Bank Plc	Notice Account Deposit	1,000,000			0.01%	12 Months	£3,000,000
Lloyds Bank Plc	Call Account	2,000,000			0.01%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	7,310,000			0.01%	2 Years	£8,000,000
Federated Investors LLP	Money Market Fund	5,570,000			0.01%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	430,000			0.00%	2 Years	£8,000,000
Nationwide Building Society	Fixed Term Deposit	2,000,000	15/12/2020	15/03/2021	0.02%	6 Months	£3,000,000
		24,190,000					

- Investment income to 31st December 2020 totals £21,000 against a budget of £75,000 with an average rate of 0.17%. The Bank of England cut rates in March 2020 and they are likely to remain low for a while. 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

- The Council had borrowings of £9m as at 31st December 2021, all with Local Authorities. A list is shown at Table 15 below. The Council are currently looking at other borrowing options such as UK Municipal Bonds Agency, PWLB (after the positive result of the consultation) 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 (3rd Quarter 2020/21)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Bridgend County BC	Local Authority	3,000,000	30/12/2020	30/06/2021	0.12%
Warwick District Council	Local Authority	2,000,000	30/12/2020	30/06/2021	0.12%
London Borough of Tower Hamlets	Local Authority	4,000,000	20/11/2020	20/05/2021	0.10%
		9,000,000			

Part G

Third 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 31 March, in order to align with the Council's financial reporting period. The external audit of the 2019/20 accounts is now complete and an unqualified audit opinion was received from the company's auditors, UHY Hacker Young. The audit accounts have now been filed in accordance with Companies House requirements.
- 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 Q3 2020/21

- G2.1 Net rental income for the first three quarters of 2020/21 totals £121,512. This represents rent charged to tenants, less costs recharged by the managing agent. As at 31 December 2020, rent arrears totalled £5,220. The majority of this balance has now been paid and all rent arrears are expected to be recovered before year end. There was one vacant flat in Lenworth House at 31 December, however this will be occupied from 28 January 2021.
- 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.