

# AGENDA

## CABINET MEETING



Date: Wednesday 13 August 2014  
Time: 6.30 pm  
Venue: Town Hall, High Street,  
Maidstone

Membership:

Councillors Mrs Blackmore (Chairman), Burton,  
Greer, McLoughlin, Perry and Mrs Ring

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Page No.

1. Apologies for Absence
2. Urgent Items
3. Notification of Visiting Members
4. Disclosures by Members and Officers
5. Disclosures of lobbying
6. To consider whether any items should be taken in private because of the possible disclosure of exempt information
7. Minutes of the Meeting held on 9 July 2014

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**Continued Over/:**

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**Issued on 5 August 2014**

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**Alison Broom, Chief Executive, Maidstone Borough Council,  
Maidstone House, King Street, Maidstone Kent ME15 6JQ**

## **NON-KEY DECISION REPORTS**

- |     |  |         |
|-----|--|---------|
| 8.  | Report of the Director of Environment and Shared Services - Office Accommodation Project | 4 - 9   |
| 9.  | Report of the Director of Regeneration and Communities - Budget Monitoring 1st Quarter   | 10 - 26 |
| 10. | Report of the Head of Policy and Communications - Annual Report 2013-14                  | 27 - 41 |
| 11. | Report of the Head of Commercial and Economic Development - Commercialisation Strategy   | 42 - 65 |

## **MAIDSTONE BOROUGH COUNCIL**

### **CABINET**

#### **MINUTES OF THE MEETING HELD ON 9 JULY 2014**

**Present:**            **Councillor Mrs Blackmore (Chairman) and  
Councillors Burton, Greer, Perry and Mrs Ring**

**Also Present:**    **Councillor McKay**

13.    **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Councillor McLoughlin.

14.    **URGENT ITEMS**

There were no urgent items.

15.    **NOTIFICATION OF VISITING MEMBERS**

Councillor McKay attended the meeting as an observer.

16.    **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

17.    **DISCLOSURES OF LOBBYING**

There were no disclosures of lobbying.

18.    **EXEMPT ITEMS**

**RESOLVED:** That the items on the agenda be taken in public as proposed.

19.    **MINUTES OF THE MEETING HELD ON 11 JUNE 2014**

**RESOLVED:** That the Minutes of the meeting held on 11 June 2014 be approved as a correct record and signed.

20.    **MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 11 JUNE 2014**

**Minute 9 – Accommodation Project**

The Chairman said that the informal, cross party Accommodation Working Group would continue to meet throughout August and an update report would be submitted to the Cabinet in September.

21. ANNUAL GOVERNANCE STATEMENT

**DECISION MADE:**

That subject to the insertion of dates for the setting of new equality objectives (2015) and the period of the new Strategic Plan (2015-2020) on page 9 of the document, the draft Annual Governance Statement, attached as Appendix A to the report of the Chief Executive, be approved for sign off by the Leader of the Council and the Chief Executive, having regard to any comments which may be made by the Audit Committee.

For further information regarding this decision, please follow this link:

<http://services.maidstone.gov.uk/ieDecisionDetails.aspx?ID=846>

22. LOCAL CODE OF CORPORATE GOVERNANCE

**DECISION MADE:**

That the Local Code of Corporate Governance, attached as Appendix A to the report of the Chief Executive, be approved for sign off by the Chief Executive and the Leader of the Council, having regard to any comments which may be made by the Audit Committee.

For further information regarding this decision, please follow this link:

<http://services.maidstone.gov.uk/ieDecisionDetails.aspx?ID=844>

23. ANNUAL PERFORMANCE REPORT

**DECISION MADE:**

- (a) That the performance out-turns and end of year Strategic Plan action updates set out in the Strategic Plan Annual Performance Report, attached as Appendix A to the report of the Head of Policy and Communications, be noted (Indicator Definitions are included for reference at Appendix B);
- (b) That individual Cabinet Members should discuss areas within their portfolios where action needs to be taken to improve performance against targets with the responsible Officers;
- (c) That the targets for the Strategic Plan 2014-15 refresh for the Key Performance Indicators for 2014-17, as set out at Appendix C to the report of the Head of Policy and Communications, be approved subject to the amendment of the 2014-15 target in respect of KPI HSG 001 (Number of affordable homes delivered) from 150 to 200;
- (d) That with the exception of DEP 007 (Percentage of fly-tipping reports responded to within one working day) which should be retained due to its sensitive nature, the Key Performance Indicators set out at

Appendix D to the report of the Head of Policy and Communications be removed from the KPI set; and

- (e) That the progress made during the period October 2013 – March 2014 on the Corporate Improvement Plan work streams and projects, as set out in Appendix E to the report of the Head of Policy and Communications, be noted.

For further information regarding this decision, please follow this link:

<http://services.maidstone.gov.uk/ieDecisionDetails.aspx?ID=847>

24. DURATION OF MEETING

6.30 p.m. to 7.05 p.m.

# Agenda Item 8

## **MAIDSTONE BOROUGH COUNCIL**

### **CABINET**

**13 AUGUST 2014**

## **REPORT OF DIRECTOR OF ENVIRONMENT AND SHARED SERVICES**

**Report prepared by David Tibbit**

### **OFFICE ACCOMMODATION PROJECT**

#### 1.1 Issue for Decision

- 1.1.1 To consider the proposed strategy for future office accommodation; and
- 1.1.2 To consider funding for the provision of specialist advice in connection with the Council's long term accommodation requirements; and
- 1.1.3 To consider funding for external project management and other specialist advice in connection with the Council's short and medium term office accommodation.

#### 1.2 Recommendation of the Director of Environment & Shared Services

- 1.2.1 It is recommended that Cabinet:
  - a) note the scope of the work completed and planned for provision of the Council's office accommodation for 2016 and 2023; and
  - b) agrees funding for the revenue costs of £90,000 as set out in paragraph 1.3.14 and the first quarter's budget monitoring report for 2014/15; and
  - c) agrees to identify further funding as part of the development of the medium term financial strategy for 2015/16 and in accordance with the recommendations of the reviews that are proposed in this report.

#### 1.3 Reasons for Recommendation

- 1.3.1 In 2008, the Council relocated from a mixture of a 1970's office block and Victorian buildings on the edge of the town centre to its current location in the town centre, known as Maidstone House. The current

location consists of approximately 3800m<sup>2</sup> of air conditioned offices on three and a half floors in a six storey office block above the Mall shopping centre built in the 1970's and refurbished in 2007. This is linked by an elevated and enclosed bridge to a building constructed in 2007 of approximately 1000m<sup>2</sup> containing the Council's main reception on the lower floor and meeting rooms and large breakout area on the upper floor.

- 1.3.2 The main reception is shared with Kent County Council under a licence from the Council and is branded as a Gateway to provide a common front of house operation. Partner organisations such as the Citizens Advice Bureau also operate a face to face service from the Gateway but on a more limited basis.
- 1.3.3 The accommodation is leased from The Mall Corporation, the owners of the Mall shopping centre, on a fifteen year lease, terminating in October 2023. The first floor of Maidstone House is the subject of a separate lease, also terminating in October 2023, but contains a break clause allowing termination in October 2016, with a minimum of six months notice. The licence with KCC also terminates in October 2023, and contains a break clause allowing termination in October 2016, with a minimum of twelve months notice.
- 1.3.4 The Council has recognised that it is appropriate to commence planning for the decisions required by the termination dates identified in the paragraph above and an informal cross party member and officer working group has been looking at the options since November 2013. An interim report of its progress was presented to the Strategic Leadership and Corporate Services Overview and Scrutiny Committee on 6 May 2014, which recommended that Cabinet consider the appointment of a project manager to investigate all accommodation options. This report considers ways to achieve that recommendation and other immediate needs for funding to move forward with the work of the group.
- 1.3.5 The group has an open remit as to future accommodation. It will consider all options; i.e. leasing, buying, negotiating a new lease or building either on its own land or land bought for the purpose.
- 1.3.6 Some work has been done on developing a blueprint for future office accommodation in terms of spatial requirements, and this will be developed further as part of the rationalisation if the break clause for the first floor of Maidstone House is exercised in October 2016. The blue print will form the basis of the Council's long term spatial requirements.
- 1.3.7 Separately the Council is also progressing work on "channel shift", with the intention of reducing unnecessary contacts through getting

things right first time, clearer information and processes, greater availability of on-line access and keeping face to face transactions to a minimum. Output from this work will also need to inform the long term accommodation strategy.

- 1.3.8 The long term aims for the Council are to reduce its accommodation costs, provide more flexible working for staff, support a digital first approach to customer service delivery and generate income where possible to mitigate the cost of services to local taxpayers.
- 1.3.9 In order to properly consider the options for its long term accommodation in a timely manner, the Council needs to obtain specialist advice from a suitably qualified external advisor. The estimated cost is £50,000. The advice will be expected to provide the following outcomes:
- A recommendation whether to lease, buy or build its future accommodation requirements including outline, comparable capital and lifetime costs
  - A template for its requirements in terms of size and location
  - Identification of suitable sites
  - Evaluation of options for stand alone or shared accommodation or as part of a mixed use development with an income stream.
- 1.3.10 It is proposed to invite quotations and procure the advisor between September and December 2014; and for the final report to be available by June 2015.
- 1.3.11 Additionally, in connection with the opportunity to exercise the break clause for the first floor of Maidstone House in October 2016, potentially reducing annual accommodation costs by £156,000, the Council needs to examine the feasibility of so doing, and reach a decision before October 2015.
- 1.3.12 As this would involve relocation of Member facilities and Democratic Services, into the Council's remaining accommodation within Maidstone House, it will be a challenging exercise and will need project management, space planning and analysis of existing desk and meeting room usage and storage requirements. To facilitate long term effective management of these spaces, it is also proposed to investigate and procure suitable desk and meeting room booking software. The estimated cost of this exercise is £40,000.
- 1.3.13 It is proposed to undertake this exercise between September 2014 and September 2015, resulting in the outcomes of new space plans



for 2016 onwards and a blueprint for the Council's spatial requirements for 2023 onwards.

- 1.3.14 It is recommended that Cabinet approve the funding for this work to commence and this can be achieved by using the resources identified in the first quarter's budget monitoring report elsewhere on this agenda. The resources proposed come from the additional grant received from a refund of the "business rates safety net top slice funding" received by the Council of £198,000, details of which are set out in the first quarter's monitoring report.
- 1.3.15 If the feasibility exercise concludes that exercising the break clause is viable, Cabinet should note that the cost of facilitating the revised accommodation in 2016 will be in the order of £240,000. This should be considered in the context of annual reductions in rent of £82,780 (rising to £89,875 from October 2018), business rates of £36,000 and running costs of approximately £37,000; i.e. a total annual saving of £155,780. If Member facilities and Democratic services can be relocated to the remaining accommodation in Maidstone House before October 2016 there will be additional savings in the running costs.
- 1.3.16 As referred to in 1.3.3 above, there is a break clause in the licence with KCC that allows termination of the Gateway arrangements. The options, if the licence is terminated, are being examined and assessed, with the potential of a further reduction in annual accommodation costs of up to £300,000 if the Gateway building is wholly sub-let and arrangements are made to provide alternative Gateway services.
- 1.3.17 It is recommended that Cabinet consider the options following the completion of the feasibility and space planning exercises that are proposed. At that time more accurate estimates of the likely capital cost of works required by 2016 will be available. Resources in both the revenue budget and the capital programme can then be made available through the normal process of inclusion in the medium term financial strategy.

#### 1.4 Alternative Action and why not Recommended

- 1.4.1 If the Council doesn't undertake these actions in the timeframes and in the manner recommended, it could put itself in a vulnerable position commercially and with fewer options.
- 1.4.2 Funding for the initial costs could be identified from balances or other savings could be sought. The use of the unexpected resources from

the business rates safety net top slice ensures that there is no consequence to the Council's budget or its financial stability.

## 1.5 Impact on Corporate Objectives

- 1.5.1 The recommendations will contribute to the priority of Corporate and Customer Excellence and relate to the Council's accommodation strategy.

## 1.6 Risk Management

- 1.6.1 The key risks associated with the decisions are timescale and consensus with the outcomes. Timescales will be managed by a suitably qualified project manager overseen by a project board, and consensus will be managed by consultation with members and staff via the appropriate forums.

## 1.7 Other Implications

### 1.7.1

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	X
9.	Asset Management	X

- 1.7.2 The financial implications are set out in the report and the estimated allocation between capital and revenue expenditure is set out below:

	2014/15	2015/16	2016/17
Capital	£0	£200,000	£0
Revenue	£60,000	£30,000	£40,000

- 1.7.3 This report proposes funding for the initial revenue costs from resources already identified as available. Future costs will be funded through inclusion in the medium term financial strategy.

- 1.7.4 The need for the Council to consider its future accommodation requirements has been communicated to all staff. In addition the financial risks surrounding the first floor and Gateway arrangements have formed part of the budget consultation process in previous years.
- 1.7.5 Following any decisions about the way forward staff will be consulted regarding proposals, especially where there is a direct impact.
- 1.7.6 Contracts for the various advisors will need to be prepared by Legal Services.
- 1.7.7 Procurement of external advice will be undertaken in accordance with the Council's Contract Procedure Rules.
- 1.7.8 The recommendations are a key element of the Council's accommodation strategy and will facilitate a more efficient use of Maidstone House for the remainder of the lease.

<b><u>IS THIS A KEY DECISION REPORT?</u></b>	<b><u>THIS BOX MUST BE COMPLETED</u></b>
Yes <input style="display: inline-block; width: 50px; height: 25px; vertical-align: middle;" type="checkbox"/>	No <input checked="" style="display: inline-block; width: 50px; height: 25px; vertical-align: middle;" type="checkbox"/>
If yes, this is a Key Decision because: ..... .....	
Wards/Parishes affected: ..... .....	

# Agenda Item 9

## **MAIDSTONE BOROUGH COUNCIL**

### **CABINET**

**WEDNESDAY 13 AUGUST 2014**

### **REPORT OF DIRECTOR OF REGENERATION AND COMMUNITIES**

**Report prepared by Ellie Dunnet**

#### **1. BUDGET MONITORING 1ST QUARTER**

##### **1.1 Issue for Decision**

1.1.1 To consider the capital and revenue budget and expenditure figures for the first quarter of 2014/15.

1.1.2 To consider other financial matters with a material effect on the medium term financial strategy or the balance sheet.

##### **1.2 Recommendation of Head of Finance & Resources**

1.2.1 It is recommended that Cabinet:

- a) Note the satisfactory revenue position at the end of the first quarter of 2014/15;
- b) Agree the proposals for slippage and re-profiling in the capital programme to 2015/16 including the specific allocations for the local growth fund approved schemes as set out in paragraph 1.7.5;
- c) Agree to utilise increased income from development control applications to fund additional appeals costs, as set out in paragraph 1.4.10b of this report;
- d) Agree to utilise £230,000 of the additional income in accordance with the proposals set out in paragraph 1.4.9d of this report;
- e) Agree to the temporary virement of £50,000 from the Leader's contingency to employ an Information Manager for 12 months, as detailed in 1.4.8 of this report;
- f) Note the detail in the report on the collection fund, general fund balances and treasury management activity.

### 1.3 Reasons for Recommendation

- 1.3.1 The Director of Regeneration & Communities is the Responsible Financial Officer, and has overall responsibility for budgetary control and financial management. However in practice day to day budgetary control is delegated to service managers, with assistance and advice from their director and the finance section. This report advises and updates the Cabinet on the current position with regards to both revenue and capital expenditure against the approved budgets, and also includes sections on Collection Fund performance and Treasury Management performance.
- 1.3.2 The report uses a number of terms that may require definition and a glossary of terms is given in section 1.14.3 of the report.

### 1.4 Revenue

- 1.4.1 The budget used in this report is the agreed estimate for 2014/15 including the carry forward resources agreed by Cabinet in May 2014. Actual expenditure to June 2014 includes all major accruals for goods and services received but not paid for by the end of the quarter.
- 1.4.2 An analysis that is summarised by Portfolio, of the full year budget, the profiled budget to June 2014 and expenditure to June 2014 is attached as Appendix A. The financial analysis is based on direct expenditure only. This removes the influence of internal recharges and accounting adjustments upon the variance analysis. An indicative projected year end outturn figure is also shown.
- 1.4.3 Appendix A shows that actual spend is £432,516 less than the budget at the end of the first quarter, including one off receipts of £240,000 as set out in paragraph 1.4.9d. A detailed analysis of the figures at cost centre level shows 135 out of a total of 230 cost centres are currently reporting actual spend less than budget. Subject to the proposed use of the one off income, the projected outturn at 31 March 2015 is currently £392,516.
- 1.4.4 Also shown at Appendix A is a subjective analysis across all services. This identifies that within the net under spend £114,618 relates to employee costs, due to continuing vacancy levels.
- 1.4.5 The third table at Appendix A summarises the position specifically with regard to fees and charges income. At the end of the first quarter this income is £69,560 above the target figure. It should be noted that within this total there are some areas reporting income below budget. Further details of service areas where major

variations from budgeted fees and charges are given later in this section of the report.

- 1.4.6 In accordance with best practice, virements are reported to Cabinet as part of quarterly budget monitoring. A virement represents the transfer of a budget between objectives that occurs subsequent to the formal approval of the budget by Council. There were no virements to report for the first quarter of 2014/15.
- 1.4.7 Three priority requests for funding have been received from service managers. These relate to future costs which are not reported elsewhere.
- a) The first is £20,000 for a business database to support the work of the Economic Development Service;
  - b) The second is £50,000 to employ an Information Manager for 12 months to implement the previously agreed Information Management Plan.
  - c) The third is the need for £90,000 of additional resources in 2014/15 and 2015/16 to progress the current review of office accommodation and prepare the Council for 2023 when the current accommodation comes to the end of its lease period. Further details are contained in a specific report elsewhere on this agenda.
- 1.4.8 It is recommended that the business database and the office accommodation works are funded from the additional income set out in paragraph 1.4.9d and that the Information Manager post is funded from the Leader's contingency.
- 1.4.9 A number of service areas are reporting positive variances through significantly less spend or additional income than was budgeted for at the end of the first quarter. Brief details on these areas are given below:-
- a) There is a positive variance of £32,358 on Pay and Display Car Parks which is attributable to an underspend in running costs and higher than expected income. Two car parks, King Street and Lockmeadow are performing significantly above their income targets. However, this underspend will be substantially off-set by the overspend in off-street parking enforcement.
  - b) There is a positive variance of £84,009 from the Refuse and Recycling Service, which is due to the continuation of better than expected receipts from bulky domestic refuse collection service, wheeled bins, and green waste bin hire. No problems are

anticipated at year-end, although Weekend Freighter costs may increase substantially. The weekend freighter does not form part of the contract and any increase would be a direct cost to the Council.

- c) Development Control Applications are continuing to show increased income, which has produced a positive variance of £72,143 for the first quarter of 2014/15. This increase is in line with the expectations for increased applications in the second half of the year. Income is continuing to exceed the budgeted figure. However, there are substantial appeals costs being incurred, as detailed elsewhere in this report, and it is therefore proposed that the excess income is utilised to fund these costs.
- d) We have received an additional grant payment of £198,000 relating to the return of the unused top slice for the business rates safety net, and a £42,825 repayment from HMRC for over declared VAT in relation to car parking overpayments. It is recommended that these amounts are utilised as follows:

	<u>£</u>
Office accommodation project	90,000
Land charges fee refunds	120,000
Economic Development business database	<u>20,000</u>
	230,000

Cabinet will be aware of the proposals regarding office accommodation from the report elsewhere on this agenda. Additional costs in respect of land charges fee refunds are detailed within paragraph 1.4.10c of this report and further detail relating to the Economic Development business database is set out at paragraph 1.4.7.

- e) We are in the process of finalising the budgets for new shared service arrangements with partner authorities. This has resulted in a positive variance of £41,853 for the Development Management Business Support Section and adverse variances detailed elsewhere in this report. It is expected that these variances will be resolved through budget transfers upon agreement of the budgetary arrangements for these services with partner authorities. However, it should be noted that due to the additional set up costs incurred in establishing these shared services, the year end projection for these budgets is an overall adverse variance.

1.4.10 A number of areas are showing significantly more spend or a shortfall in income than was actually budgeted at the end of the first quarter, and these are reported below:-

- a) The Homeless Temporary Accommodation budget has continued to show expenditure greater than budget, with a variance of £99,166 for the first quarter of 2014/15. Cabinet will be aware that a project has commenced to target reductions in the cost of temporary accommodation and two properties have now been purchased for this purpose. These properties are expected to be operational later in 2014/15 and it is anticipated that this will result in a reduction in future expenditure on temporary accommodation.
- b) There are substantial unbudgeted costs being incurred in respect of development control appeals which has resulted in an overspend of £115,561 at the end of the first quarter. This overspend could be funded by excess planning fee income noted elsewhere in this report.
- c) There is an adverse variance of £49,392 against the land charges budget due to payments being made to refund fees paid following legal action by a group of property search companies. In addition to these, we are currently aware of further payments amounting to £70,000 that will need to be made during the next quarter. It is recommended that these additional costs are funded from additional grant income as set out in paragraph 1.4.9d of this report.
- d) As noted above, we are in the process of finalising the budgets for new shared service arrangements with partner authorities. This has resulted in an adverse variance of £114,234 for the Mid Kent Planning Support Service as well as the favourable variances detailed elsewhere in this report. These variances will be resolved through budget transfers upon agreement of the budgetary arrangements for these services with partner authorities. However, as previously noted, the year end outturn projection for these service budgets is an overall adverse variance due to the additional resources required to set up the shared service.

1.4.11 The report identifies a number of areas which require action by Cabinet at this time and these are set out in the recommendations at section 1.2 of this report. In each case the proposed actions are set out in the recommendations at paragraph 1.2.1 of this report. Allowing for the continuation of the issues detailed as budget pressures above, the predicted outturn for 2014/15 is an underspend of £392,516. This projection is sufficiently robust at this time to enable consideration of the under spend in a similar way to previous



years. As the Council faces significant further cuts it is recommended that Cabinet agree the proposals listed at paragraph 1.2.1 of this report at this time to enable the eventual under spend to be used to influence the future budget need.

- 1.4.12 The budget strategy for 2014/15 identified savings and efficiencies were identified totalling £1.254m These savings are being monitored corporately and it is anticipated that the target will be met in year.

## 1.5 Balances

- 1.5.1 Balances as at 1st April 2014 were £15.4m. The current medium term financial strategy assumes balances of £3.6m by 31st March 2015.

- 1.5.2 The major reason for the movement in balances during 2014/15 relates to the use of carry forwards approved by Cabinet in May 2014.

- 1.5.3 The position set out above allows for the minimum level of balances of £2.3m, as previously agreed by Cabinet, to be maintained.

## 1.6 Collection Fund

- 1.6.1 Following the introduction of local council tax support from 1st April 2013 and the approval of the Business Rates pooling arrangement with Kent County Council, enhanced monitoring of the collection fund has been put in place to provide adequate assurance around developments affecting the assumptions made in the current year's budget.

- 1.6.2 The collection rates achieved at the first quarter, and the targets set, are reported below. The rates are given as a percentage of the debt targeted for collection in 2014/15.

	Target %	Actual %
<b>Council Tax</b>	30.10	29.80
<b>NNDR</b>	34.32	33.64

Both have marginally missed their respective targets and this reflects the experience at other billing authorities in Kent, although it should be noted that Maidstone's collection rate for the year to date is in line with the other Kent districts.

- 1.6.3 Whilst the percentage variances are small, the gross values of Council tax and Business Rates collected each year are significant. The Head of the Revenues and Benefits Partnership follows a recovery timetable

and action will be taken before year end to attempt to bring collection rates back to target.

- 1.6.4 Prior year arrears collection is on target and officers will continue to pursue payment of any developing arrears along with the arrears from prior years.

## 1.7 Capital

- 1.7.1 Attached at Appendix B is a summary of the current capital programme for 2014/15, as agreed by Council. This includes the initial capital programme for the financial year plus amounts carried forward from 2013/14. It also reflects the slippage that was identified in the monitoring reports throughout 2013/14.

- 1.7.2 The table in Appendix B gives the following detail:

Column	Detail.
1.	Description of scheme, listed in portfolio order.
2.	Approved budget for 2014/15 after the adjustments detailed above.
3.	Actual spend to the end of June 2014.
4.	Balance of budget available for 2014/15.
5 – 7.	Quarterly analysis of expected spend for the remainder of 2014/15.
8.	Balance of budget that will slip into 2015/16.
9.	Budget no longer required.

- 1.7.3 Capital expenditure to the end of the first quarter of 2014/15 is shown as £360,000. The budget for the year is £14.4m although this includes £5.4m for acquisition of commercial assets and £2.2m for transport and highways projects for which significant expenditure has yet to be incurred.

- 1.7.4 The capital programme for 2014/15 identifies funding for transport and infrastructure schemes of £2.2m in 2014/15 and annual figures in future years between £2m and £2.6m. The Council has recently been notified of the Government's award from the local growth fund to the SELEP. Included within the awards were the two schemes to which the Council is now required to commit match funding and it is recommended that the Cabinet approve the funding from the infrastructure resources to the schemes as set out below.

- 1.7.5 The two schemes that were awarded funding are as follows:

- a) The bridges' gyratory – this scheme is to improve traffic flow and direction around the gyratory system at the River Medway that connects the A20, A26 and A229 at the west end of the High

Street. Total scheme cost as per the bid is £5.75m of which the Council's contribution will be £1.14m

- b) Sustainable access to Maidstone employment areas – this scheme will provide a cycle route from east Farleigh to Aylesford along the River Medway. The scheme cost as per the bid is £3m of which between £0.5m and £1m will be required from the Council or other contributors. Should the Council's contribution to this scheme reduce as a result of funding from other contributors, then the additional resources will be reallocated to other capital schemes in order of priority.

- 1.7.6 Following the first quarter monitoring, officers anticipate that £7.1m will need to be reprofiled into 2015/16. This is detailed in column 8 of Appendix B. These are items where the programmed works have been rescheduled to now take place during 2015/16.

#### 1.8 Capital Financing

- 1.8.1 The agreed capital programme for the period 2014/15 to 2018/19, as approved by Council in March 2014, identifies sufficient resources to finance the 2014/15 programme.

- 1.8.2 Resources that can currently be confirmed are:

<u>Funding Source:</u>	<u>£m</u>
Grants & Contributions	0.5
Revenue Support	10.2
Prudential Borrowing	6.0
Capital receipts	<u>0.2</u>
	<b>16.9</b>

- 1.8.3 The slippage and re-profiling proposed for approval elsewhere in this report will mean that net expenditure of £9.8m will be re-profiled into 2015/16 subject to this recommendation being agreed.

#### 1.9 Treasury Management

- 1.9.1 The Council has adopted and incorporated into its Financial Regulations, the CIPFA Code of Practice on Treasury Management in Local Authorities. This Code covers the principles and guidelines relating to borrowing and investment operations. In March 2014, the Council approved a Treasury Management Strategy for 2014/15 that was based on this code. The strategy requires that Cabinet should formally be informed of treasury management activities quarterly as part of budget monitoring.

- 1.9.2 During the Quarter ended 30th June 2014:

- There has been a sharp fall in inflation (CPI) reaching 1.5% in May. This is the lowest it has been since 2009.
- Strong growth has resulted in unemployment falling much faster through the threshold of 7% set by Monetary Policy Committee (MPC) back in August 2013.

1.9.3 The Council's Treasury Management advisors, Capita Asset Services, provide the following forecast:

- Growth is likely to continue through 2014.
- The markets are expecting the first bank rise around the end of 2014 or early 2015.
- The latest interest rate and PWLB rate forecast is listed below.

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Bank rate</b>	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
<b>5yr PWLB rate</b>	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%
<b>10yr PWLB rate</b>	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.40%	4.40%
<b>25yr PWLB rate</b>	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%
<b>50yr PWLB rate</b>	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%

1.9.4 At 30th June 2014 the council held investments totalling £26.53m. A full list of investments held is given in Appendix C. £21.53m of investments are in accounts which can be called upon immediately or for a short notice period due to the shorter term rates being more appealing than longer term.

1.9.5 Investment income is slightly below target with a balance of £47,000 compared to a budget of £57,000. The average interest rate for this period is 0.68%. The low interest rates are a consequence of Government support for lending schemes which have prompted a reduction in need for additional cash by financial institutions.

1.9.6 £1.5m was borrowed for one week at a rate of 0.28% during the period from 20th June 2014 to 27th June 2014. This was to cover an

unplanned shortfall until council tax income was received on 27th June 2014.

#### 1.10 Alternative Action and why not Recommended

- 1.10.1 The budget monitoring process could be left to officers. The Constitution already requires officers to report budget variances to the relevant Cabinet Member in specific circumstances. The absence of any such reports would then suggest that no specific items have been identified for consideration.
- 1.10.2 If such an approach were taken the leadership team would have a reduced financial awareness. This could restrict their ability to meet service requirements and achieve the Council's corporate objectives.

#### 1.11 Impact on Corporate Objectives

- 1.11.1 This report monitors actual activity against the revenue and capital budgets and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's medium term financial strategy and is therefore focused on the strategic plan and corporate objectives.
- 1.11.2 Regular monitoring by Cabinet ensures that actual activity is in accordance with the plan set out in the budget and that the Council is able to achieve its objectives.

#### 1.12 Risk Management

- 1.12.1 The Council has produced a balanced budget for both capital and revenue expenditure and income for 2014/15. This budget is set against a backdrop of limited resources and an economic climate that is still in difficulty. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives Cabinet the best opportunity to take actions to mitigate such risks.
- 1.12.2 The current revenue budget does not exhibit the level of risk identified in previous years and a small contingency exists for any significant budget pressures that may yet develop.
- 1.12.3 Funding for the capital programme has been secured for 2014/15.
- 1.12.4 Reporting on other issues such as council tax and non-domestic rates collection and treasury management activity ensures that the report covers all major balance sheet items in addition to the capital programme and revenue budget. No significant risks are identified in any of these areas.

### 1.13 Other Implications

#### 1.13.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management

X

1.13.2 Financial implications are the focus of this report through high level budget monitoring. The process of budget monitoring ensures that services can react quickly to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of corporate objectives.

### 1.14 Conclusions

1.14.1 The first quarter monitoring report shows a positive evaluation of the period. Revenue and capital expenditure, balances, treasury management and council tax and NNDR collection are all considered to be satisfactory and will continue to be closely monitored throughout the year.

1.14.2 All other items monitored are at or above target for the first quarter.

1.14.3 Glossary of terms:

Term	Definition
Accrual	The inclusion in the financial report of a money value to represent the receipt of goods or services within the report period, if actual

payment has not yet been made.

Adverse variance	The difference between expected (budgeted) cost and actual cost where the actual value is a higher cost than expected.
Capital expenditure	Spending on the creation, purchase or enhancement of the Council's assets
Capital Receipts	Income from the sale of assets. This income can only be used for the creation, purchase or enhancement of other Council assets.
Carry forwards	A budget for works or services that remained unused at year end, has a purpose that still requires completion and has been moved into the following year with the approval of Cabinet.
Collection Fund	The collection fund is a statutory fund that the Council maintains for the collection and distribution of council tax and business rates.
Cost centre	An accounting location or service as set out in the annual budget report i.e. The Museum or the Leisure Centre.
Local council tax support	The local system of discount applied to council tax that replaced the national council tax benefit system on 1 <sup>st</sup> April 2013.
Portfolio	A grouping of council services that are all the responsibility of one Cabinet Member as set out in the annual budget report.
Positive variance	The difference between expected (budgeted) cost and actual cost where the actual value is a lower cost than expected.
Profiled budget	The total amount expected to be spent (from the budget) by the period end, after considering the expected pattern of spend throughout the year and past trends.
Retained business rates	The system of localised business rates in operation since 1 <sup>st</sup> April 2013. The system allows the Council to retain a proportion of business rates collected rather than pay the total amount to central government.

Revenue expenditure	Expenditure on the day to day running costs of the Council's services.
Revenue Support	Revenue funding that has been set aside to finance goods and service of a capital nature.
SELEP	South East Local Enterprise Partnership
Subjective analysis	An accounting type used to define costs i.e. salaries, vehicle hire, premises rents.
Treasury Management	The management of the organisation's investments, cash flows and banking along with control of the risks associated with those activities.
Virement	A virement represents the transfer of a budget between services (cost centres) that happens after the formal approval of the budget by Council. The authority to make certain types of virement is set out in the Council's constitution.

## 1.15 Relevant Documents

### 1.15.1 Appendices:

Appendix A – Revenue Budget Report

Appendix B – Capital Programme 2014/15

Appendix C – List of Investments as at 30<sup>th</sup> June 2014



<b><u>IS THIS A KEY DECISION REPORT?</u></b>		<b><u>THIS BOX MUST BE COMPLETED</u></b>	
Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If yes, this is a Key Decision because: .....			
.....			
Wards/Parishes affected: .....			
.....			

**MAIDSTONE BOROUGH COUNCIL****CABINET****BUDGET MONITORING - FIRST QUARTER 2014/15****REVENUE BUDGET REPORT BY CABINET MEMBER TO 30th JUNE 2014**

<b>Cabinet Member</b>	<b>Agreed Estimate 2014/15</b>	<b>Estimate to June 2014</b>	<b>Spend to June 2014</b>	<b>Variance to June 2014</b>	<b>Projected Outturn March 2015</b>	<b>Projected Variance March 2015</b>
	£	£	£	£	£	£
Leader of the Council	1,502,460	23,300	-20,007	43,307	1,459,153	43,307
Community & Leisure Services	4,552,390	1,353,509	1,337,677	15,832	4,536,558	15,832
Corporate Services	2,458,960	1,237,521	850,374	387,147	2,071,813	387,147
Economic & Commercial Development	2,330,905	636,298	647,688	-11,389	2,342,294	-11,389
Environment	8,547,300	1,241,874	1,172,021	69,853	8,517,447	29,853
Planning, Transport & Development	1,840,810	485,959	558,192	-72,233	1,913,043	-72,233
Balances	-2,116,075	0	0	0	-2,116,075	0
	19,116,750	4,978,460	4,545,944	432,516	18,724,234	392,516

**REVENUE BUDGET REPORT BY SUBJECTIVE ANALYSIS TO 30th JUNE 2014**

<b>Subjective Heading</b>	<b>Agreed Estimate 2014/15</b>	<b>Estimate to June 2014</b>	<b>Spend to June 2014</b>	<b>Variance to June 2014</b>	<b>Projected Outturn March 2015</b>	<b>Projected Variance March 2015</b>
	£	£	£	£	£	£
Employees	19,288,400	4,818,753	4,704,135	114,618	19,173,782	114,618
Premises	4,121,060	1,978,487	1,896,640	81,847	4,039,213	81,847
Transport	1,475,520	366,618	372,552	-5,934	1,481,454	-5,934
Supplies & Services	9,012,860	2,342,399	2,464,434	-122,035	9,174,895	-162,035
Contract Payments	3,646,650	665,265	709,029	-43,765	3,690,415	-43,765
Benefits	44,044,085	11,540,040	11,459,566	80,474	43,963,611	80,474
Capital Financing	4,730,281	200,958	200,635	323	4,729,958	323
Income	-67,202,106	-16,934,059	-17,261,046	326,987	-67,529,093	326,987
	19,116,750	4,978,460	4,545,944	432,516	18,724,234	392,516

**FEES & CHARGES INCOME BY CABINET MEMBER TO 30th JUNE 2014**

<b>Cabinet Member</b>	<b>Agreed Estimate 2014/15</b>	<b>Estimate to June 2014</b>	<b>Income to June 2014</b>	<b>Variance to June 2014</b>	<b>Projected Outturn March 2015</b>	<b>Projected Variance March 2015</b>
	£	£	£	£	£	£
Community & Leisure Services	-70,040	-16,304	-7,710	-8,594	-61,446	-8,594
Corporate Services	-2,150	-538	-552	14	-2,164	14
Economic & Commercial Development	-255,880	-67,804	-67,498	-306	-255,574	-306
Environment	-2,186,060	-522,562	-539,416	16,854	-2,202,914	16,854
Planning, Transport & Development	-4,781,370	-1,174,972	-1,236,564	61,592	-4,842,962	61,592
	-7,295,500	-1,782,180	-1,851,740	69,560	-7,365,060	69,560

**MAIDSTONE BOROUGH COUNCIL**  
**CABINET**  
**BUDGET MONITORING - FIRST QUARTER 2014/15**

**Capital Programme 2014/15 by Cabinet Member to 30th June 2014**

Capital Programme Heading	Current Estimate 2014/15 £	Actual to June 2014 £	Budget Remaining £	Q2 Profile £	Q3 Profile £	Q4 Profile £	Projected Total Expenditure £	Slippage into 2015/16 £	Budget not required £
CCTV Control Room	26,150		26,150		26,150		26,150	0	
Cobtree Golf Course	6,950		6,950			6,950	6,950	0	
Continued Improvements to Play Areas	1,881,580		1,881,580	250,000	250,000	500,000	1,000,000	881,580	
Green Space Strategy	12,000		12,000		12,000		12,000	0	
Hazlitt Theatre Refurbishment Works	3,160		3,160	3,160			3,160	0	
Museum Carbon Management Scheme	12,860	27,350	-14,490				27,350	-14,490	
Small Scale Capital Works Programme	7,540		7,540			7,540	7,540	0	
Gypsy Site Improvements	195,000		195,000	20,000	30,000	145,000	195,000	0	
Housing Grants	1,710,460	103,185	1,607,275	300,000	750,000	557,275	1,710,460	0	
Support for Social Housing	1,118,500	54,000	1,064,500	350,000	350,000	364,500	1,118,500	0	
Stilebridge Lane Sewage Treatment Works	76,600		76,600		76,600		76,600	0	
Vacant Property Acquisition	130,000	41,086	88,914				41,086	88,914	
<b>Community &amp; Leisure</b>	<b>5,180,800</b>	<b>225,621</b>	<b>4,955,179</b>	<b>923,160</b>	<b>1,494,750</b>	<b>1,581,265</b>	<b>4,224,796</b>	<b>956,004</b>	<b>0</b>
High Street Regeneration	411,580	26,209	385,371	50,000			76,209	335,371	
Enterprise Hub	700,000		700,000			700,000	700,000	0	
Acquisition of Commercial Assets	5,370,370	10,718	5,359,652	500,000	500,000	500,000	1,510,718	3,859,652	
<b>Economic &amp; Commercial Development</b>	<b>6,481,950</b>	<b>36,927</b>	<b>6,445,023</b>	<b>550,000</b>	<b>500,000</b>	<b>1,200,000</b>	<b>2,286,927</b>	<b>4,195,023</b>	<b>0</b>
Asset Management/Corporate Property	130,890	64,982	65,908	25,908	20,000	20,000	130,890	0	
King Street Multi-Storey Car Park	82,790		82,790	82,790			82,790	0	
Parkwood Industrial Estate Environmental Imps	42,030		42,030	42,030			42,030	0	
Software/PC Upgrade & Repair	195,170	19,229	175,941	60,000	60,000	55,941	195,170	0	
<b>Corporate Services</b>	<b>450,880</b>	<b>84,211</b>	<b>366,669</b>	<b>210,728</b>	<b>80,000</b>	<b>75,941</b>	<b>450,880</b>	<b>0</b>	<b>0</b>
Land Drainage/Imps.to Ditches & Watercourses	8,800		8,800		8,800		8,800	0	
Crematorium Access Gates	23,890	11,624	12,266	12,266			23,890	0	
Car Park Improvements	14,800		14,800			14,800	14,800	0	
<b>Environment</b>	<b>47,490</b>	<b>11,624</b>	<b>35,866</b>	<b>12,266</b>	<b>8,800</b>	<b>14,800</b>	<b>47,490</b>	<b>0</b>	<b>0</b>
Planning Delivery Grant	9,350		9,350			9,350	9,350	0	
Transport & Highways	2,210,970		2,210,970		50,000	150,000	200,000	2,010,970	
Regeneration Schemes	13,850		13,850			13,850	13,850	0	
<b>Planning, Transport &amp; Development</b>	<b>2,234,170</b>	<b>0</b>	<b>2,234,170</b>	<b>0</b>	<b>50,000</b>	<b>173,200</b>	<b>223,200</b>	<b>2,010,970</b>	<b>0</b>
<b>Total</b>	<b>14,395,290</b>	<b>358,383</b>	<b>14,036,907</b>	<b>1,696,154</b>	<b>2,133,550</b>	<b>3,045,206</b>	<b>7,233,293</b>	<b>7,161,997</b>	<b>0</b>

## INVESTMENTS AS AT 30th JUNE 2014

						Credit Limits	
Type of Investment/Deposit	Counterparty	Issue Date	Maturity Date	£ Amount Invested	% Current Interest Rate	£ Maximum Deposit	Suggested Term
Call account	Svenska Handelsbanken 35 Day Notice Account			3,000,000	0.60	3,000,000	6mths
Call account	Lloyds Bank			2,000,000	0.75	8,000,000	2yrs
Call account	Nat West Bank			4,000,000	0.25	8,000,000	2yrs
Money Market Fund	Goldman Sachs			4,530,000	0.38	8,000,000	2yrs
Enhanced Money Market Fund	Ignis			8,000,000	0.74	8,000,000	2yrs
Fixed Term Deposit	Lloyds Bank	12/08/13	11/08/14	2,000,000	1.01	8,000,000	2yrs
Fixed Term Deposit	Lloyds Bank	10/07/13	10/07/14	3,000,000	1.01	8,000,000	2yrs

## **MAIDSTONE BOROUGH COUNCIL**

### **CABINET**

**WEDNESDAY 13 AUGUST 2014**

#### **REPORT OF THE HEAD OF POLICY AND COMMUNICATION**

**Report prepared by Roger Adley**

#### **1. ANNUAL REPORT 2013-14**

##### 1.1 Issue for Decision

1.1.1 To consider the council's annual report for 2013-14.

##### 1.2 Recommendation of the Head of Policy and Communication

1.2.1 That the council's annual report 2013-14, attached as a draft at appendix A, be approved for publication on the council's website.

##### 1.3 Reasons for Recommendation

1.3.1 Whilst there is no duty on the council to publish an annual report the council's own local code of corporate governance sets out how we will engage with and are accountable to our residents.

1.3.2 The code, based on best practice advice from the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives, includes a number of core principles and actions. Core principle 1 is: 'Focusing on the purpose of the authority and on outcomes for the community creating and implementing a vision for the local area'. One of the actions under this priority is to publish on the council's website an annual report on the council's activities and achievements, its financial position and performance.

1.3.3 At its meeting in July the Audit Committee considered the local code of corporate governance. The committee suggested that printed copies of the annual report should be displayed and available for collection at council's receptions, and distributed to libraries in Maidstone Borough. The report and these arrangements will be publicised in Borough Update and elsewhere.

1.3.4 The Head of Policy and Communications has also sought advice from the council's external auditors about the content of local authority

annual reports. Grant Thornton advised that the report should look back at what was spent and achieved, and look forward at the council's plans.

- 1.3.5 The report is not intended to be a complete record of the council's year. It sets out the main achievements in 2013-14 towards the delivery of the council's strategic priorities, and some of the key activities for 2014-15. It includes performance highlights and a summary of the council's finances. Wherever possible graphics and illustrations have been used to make the information easy to understand.

1.4 Alternative Action and why not Recommended

- 1.4.1 The council could decide not to publish an annual report but it is an opportunity to inform residents about our performance.

1.5 Impact on Corporate Objectives

- 1.5.1 The annual report will publicise the council's corporate priorities and its progress towards achieving them.

1.6 Risk Management

- 1.6.1 Failure to publish the annual report in accordance with the local code of corporate governance could result in a risk to the council's reputation.

1.7 Other Implications

1.7.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management


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1.7.2 Appendices

The draft Annual Report is attached at Appendix A

1.7.3 Background Documents

None

<b><u>IS THIS A KEY DECISION REPORT?</u></b>		<b><u>THIS BOX MUST BE COMPLETED</u></b>	
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If yes, this is a Key Decision because: .....			
.....			
Wards/Parishes affected: .....			
.....			

# Annual Report

April 2013 – March 2014

## Our Priorities

Great Opportunity, Great Place, Great People



Ensuring that Maidstone Borough remains a vibrant, prosperous 21st century urban and rural community at the heart of Kent, where its distinctive character is enhanced to create a safe, healthy, excellent environment with high quality education and employment where all people can realise their aspirations.





# Introduction from Leader and Chief Executive

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This annual report sets out what we have achieved from April 2013 to March 2014 to deliver our Strategic Plan priorities to 2015 of 'Great People', 'Great Place' and 'Great Opportunity'.

We also want to share some of the key activities for the coming year such as our work to improve opportunities for young people to find work and improve our parks and play areas.

“excellent environment where people can realise their aspirations”

Your views are important if we are to ensure that Maidstone Borough remains vibrant and prosperous with an excellent environment where people can realise their aspirations. Towards the end of 2013 we carried out one of our regular residents' surveys to find out what local people think about the borough and the council's services.

The results are summarised at the end of this report. We also consulted local people on the draft local plan. More than 2,000 responded and we will make sure that all the comments are taken into account before we consult on the next draft plan.

This year we will prepare another strategic plan, making sure that we continue to deliver your priorities for the borough. We will continue with work to regenerate Maidstone town centre and to improve our parks and open spaces and our play areas. Work to help young people and others find employment and to deliver affordable homes will remain important.

These are challenging times with government grants to us reducing year on year. We will continue to work with partners to make the best use of public service budgets and to provide services jointly with neighbouring councils. We will also look to make the council more commercial, providing new services and investing in commercial opportunities.



Annabelle Blackmore  
Leader of the Council



Alison Broom  
Chief Executive

# Our Vision and Priorities to 2015

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The Council shares the vision for Maidstone, identified in the Sustainable Community Strategy 2009 - 2020:

**"We want Maidstone Borough to be a vibrant, prosperous 21st century urban and rural community at the heart of Kent, where its distinctive character is enhanced to create a safe, healthy, excellent environment with high quality education and employment where all people can realise their aspirations."**

This can be described in six words -  
Great Opportunity, Great Place, Great People.

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## **Great Opportunity - For Maidstone to have a growing economy.**

In essence, Maidstone will be a good place to work and do business. The economy will continue to grow with a wide range of employment and business opportunities.

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## **Great Place - For Maidstone to be a decent place to live.**

Maidstone already has a clean, attractive and well designed and built environment. We wish to maintain this and ensure that proper respect is paid to its diverse and valuable assets so that Maidstone is a place where people want to live. We will continue to support our most vulnerable residents and seek to reduce the different forms of deprivation across the Borough in both urban and rural areas.

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## **Great People - Corporate and Customer Excellence.**

The Council will have a productive workforce with people in the right place at the right time, delivering cost effective services. Services will be affordable, delivered on time and to agreed standards in an accessible way.

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More information about our priorities can be found on our Strategic Plan which can be downloaded from our website [www.maidstone.gov.uk/council/strategies,-plans-and-policies](http://www.maidstone.gov.uk/council/strategies,-plans-and-policies)

# Performance Highlights

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Our performance management system allows us to monitor our services, to keep on track, focus on areas for improvement and celebrate success.

In 2013-14 we ...

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Processed **1496**  
planning applications,  
**83%** in statutory time.  
Granted **17**  
tree preservation orders.  
Engaged with **1,121**  
**residents** through  
neighbourhood planning.



Great Opportunity

Provided **2,960** places  
for residents on courses or at  
events organised by the community  
development team.  
Provided **32 work**  
**experience**  
**placements**  
within the council.

Delivered **189 new**  
**affordable homes.**  
Improved **295 private**  
**sector homes**, providing  
insulation and energy efficiency  
improvements. Welcomed  
**734,599 visitors**  
to Maidstone Leisure Centre.



Great Place

Footfall in Mote Park increased by  
**6%** compared to 2012/13.  
More than **200 schools**  
from across Kent and Medway visited  
Maidstone Museum for curriculum led  
workshops and activities.

Answered **174,823 calls**  
in the contact centre –  
the average wait time was  
**2 minutes 51 seconds.**  
Saw **41,047**  
people in the Gateway  
Paid **98%** of invoices from local and  
other businesses  
within 30 days.



Great People

**Reduced our**  
**processing times**  
for new and change of circumstances  
for housing and council tax benefit by  
**over a day**, processing now  
takes on average just over  
**8 working days.**

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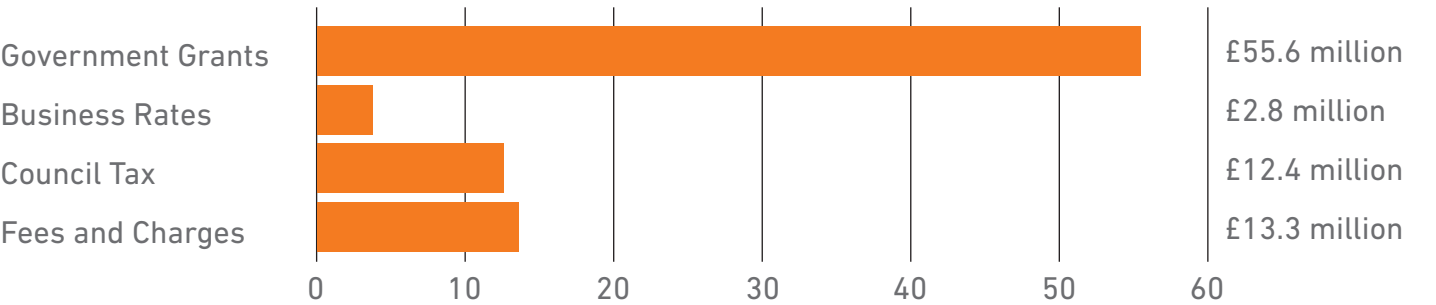
For more information on our performance visit our website  
[www.maidstone.gov.uk/council/performance-and-stats](http://www.maidstone.gov.uk/council/performance-and-stats)  
or contact The Policy & Information team - [policyandperformance@maidstone.gov.uk](mailto:policyandperformance@maidstone.gov.uk)

# Financial Summary

The council is committed to providing value for money services and has a responsive approach to the level of council tax needed to deliver the priorities set out in the strategic plan. In recent years it has set small increases in council tax, below Consumer Price Index inflation levels. The council will remain flexible on the level of increase in future years in order to set a balanced budget.

A full statement of our accounts is available on our website [www.maidstone.gov.uk/council/finance-and-performance/annual-accounts](http://www.maidstone.gov.uk/council/finance-and-performance/annual-accounts). For more information about the council's accounts contact Paul Holland – [paulholland@maidstone.gov.uk](mailto:paulholland@maidstone.gov.uk)

## Where our £84.2million Income comes from:

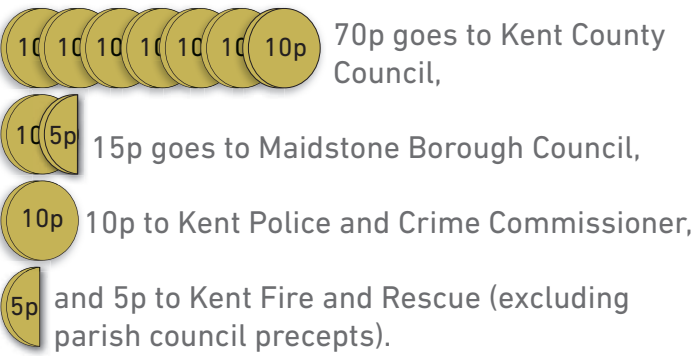


## How the money was spent

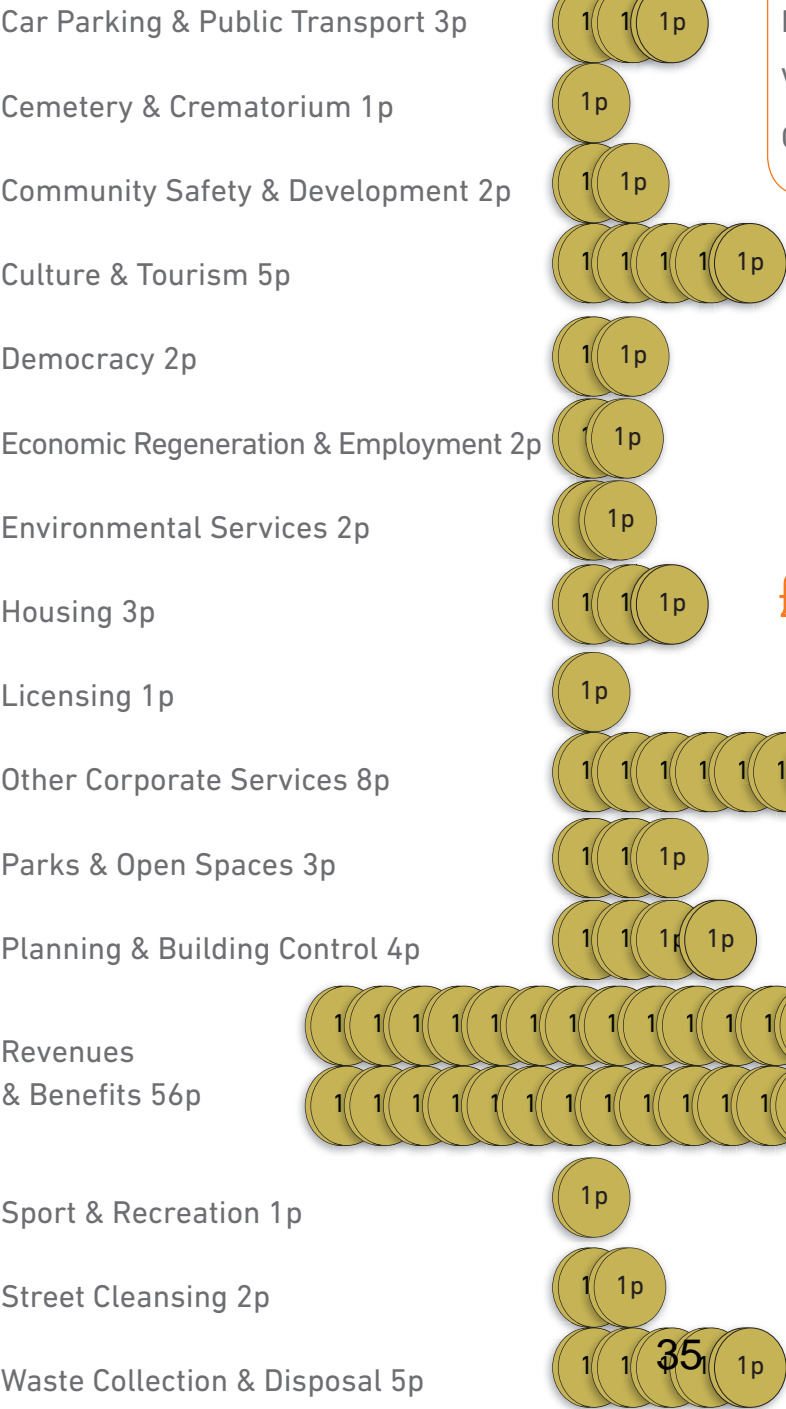


# Your Council Tax

## Out of every council tax pound that we collect



## How Maidstone council spends your council tax pounds:



## Capital Investment

Last year we spent £5,753,000 on capital projects such as property, vehicles and equipment, and on grants to build new subsidised housing and to renovate existing properties:

- Property Purchases £1,250,000
- High Street Regeneration £1,216,000
- Housing Grants £1,078,000
- Other Community & Leisure Schemes £908,000
- King Street Car Park Demolition £597,000
- Corporate Property £343,000
- IT Software & Hardware £160,000
- Vehicle Purchases £113,000
- Other Capital Schemes £88,000

“We raise £12.4 million from Council Tax which is a lot less than the £47 million we spend on Revenues & Benefits.”



# Achieving our priorities



## Great Opportunity

### Outcomes by 2015:

- *a transport network that supports the local economy, with a focus on the delivery of an integrated transport strategy in conjunction with Kent County Council.*
- *a growing economy with rising employment, catering for a range of skill sets to meet the demands of the local economy, with a focus on the following areas;*
  - *Creating the right planning environment*
  - *Developing key infrastructure*
  - *Business expansion*
  - *Inward investment*
  - *Developing stronger business relationships*
  - *Tackling worklessness*

#### Key Achievements in 2013 - 14

- ✓ Maidstone's Lower High Street improvement project was completed on time and within budget.
- ✓ A borough wide industry led Business Partnership was established to overcome barriers to business growth.
- ✓ Helped 33 businesses affected by the winter flooding with Business Support grants totalling £214,825.
- ✓ Worked with Network Rail on major improvement works to the High Level Footbridge at Maidstone East Station.
- ✓ Won the Tourism South East Beautiful South Awards for Visitor Information Provider.
- ✓ Installed new visitor signs and information monoliths in Maidstone town centre.
- ✓ Improved Maidstone's Christmas Lights display.
- ✓ Helped young people find work - providing 30 work experience placements, staging two jobs fairs in partnership with Jobcentre Plus and Golding Homes and promoting training, apprenticeships and work experience opportunities for young people to businesses in the borough.

#### Plans for 2014 - 15

- Designs and plans will be prepared for the next phase of Maidstone's town centre improvement project.
- Over 60 businesses will be supported to help them become more resilient to flooding in the future.
- Work to secure and deliver £3million improvements to cycle routes and access to the River Medway.
- Over 135 individuals will be given advice, guidance and support to start up in business.
- A new business website will be launched to promote Maidstone as the Business Capital of Kent including a free vacant property search.
- Aiming to provide 40 work experience placements for young people and promote the benefits of apprenticeships to local businesses.
- A new fully responsive tourism website with commercial opportunities for income generation.
- Stage two jobs fairs with partners to help people find work.





# Achieving our priorities



## Great Place

### Outcomes by 2015:

- *Decent, affordable housing in the right places across a range of tenures, with a focus on*
  - *Developing sustainable communities*
  - *Increasing choice and improving the quality of life for vulnerable people*
  - *Improving existing homes*
  - *Improving access to housing and working to prevent homelessness and rough sleeping in Maidstone*
- *Continues to be a clean and attractive environment for people who live in and visit the borough by;*
  - *Implementing new waste management arrangements*
  - *Implementing a new cleansing model*
  - *Reducing the Council's energy consumption*
  - *Implementing an Air Quality Action Plan*
- *Residents are not disadvantaged because of where they live or who they are, vulnerable people are assisted and the level of deprivation is reduced, focusing on key areas; early intervention work with young children and their families to tackle disadvantage reducing health inequalities and undertaking work to help families who have multiple needs.*

### Key Achievements in 2013 - 14

- ✓ The Mid Kent Joint Waste Contract improved recycling services and will save Maidstone taxpayers more than £1million a year.
- ✓ Mote Park, Whatman Park and Clare Park were awarded Green Flags and Mote Park was voted the third best loved park in the UK in the People's Choice Awards 2013.
- ✓ Volunteers gave 3,354 hours of work to look after Mote park.
- ✓ Major improvements at Cobtree Manor Park included the Cobtree Zoo play area, new paths, and a sculpture trail, designed by local artist Jason Mulligan.
- ✓ The multi-agency Operation Civic reduced ASB incidents by 19.6% in our most deprived areas.

### Plans for 2014 - 15

- Improve bulky collection services to enable greater re-use and recycling of unwanted items.
- Improve recycling services for people living in apartments and flats with new weekly food waste collections.
- A new visitor Centre at Cobtree Manor Park will be open in spring 2015.
- More than £1.5 million will be invested in play areas across the borough to meet our target for most residents to live within 12 minutes of a good quality play area.
- A new visitor centre staffed by the Mote Park Fellowship volunteers will be established in Mote Park.

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>✓ Launched the Maidstone BME (Black and Minority Ethnic) Forum in partnership with Voluntary Action Maidstone and Kent Police to provide a stronger voice for BME communities and improve integration and community cohesion.</li> <li>✓ Worked with the National Flood Forum to support communities hit by the Christmas and New Year floods, providing advice on the repair and renewal grant and other resilience measures.</li> <li>✓ Supported armed forces veterans into employment and work experience by successfully securing Armed Forces Covenant funding of £31,000 towards a veterans up skilling employment scheme in partnership with Mid Kent College and MBC Housing Services.</li> <li>✓ Opened a Maidstone Domestic Violence One Stop Shop at the Maidstone Gateway and reduced incidents of domestic abuse by 79 incidents.</li> <li>✓ Launched the Maidstone Older Person's Rural Forum to provide information on health, housing, and benefits advice to older people in our rural communities.</li> <li>✓ Helped more than 600 families find affordable homes through the Kent Homechoice choice based lettings scheme.</li> <li>✓ Brought 106 empty homes back into use.</li> <li>✓ We enabled the delivery of 180+ new affordable homes for both rent and low cost ownership.</li> <li>✓ Interventions to encourage landlords to improve 276 private sector dwellings making homes safe and tackling disrepair.</li> <li>✓ Consulted on the draft Maidstone Borough Local Plan policies and land allocations to meet the borough's housing and employment needs to 2031.</li> </ul> | <ul style="list-style-type: none"> <li>• Provide a £1.5m purpose built supported accommodation unit in Maidstone for vulnerable and at risk veterans and service leavers.</li> <li>• Support vulnerable and at risk older people through winter 2014-15 to reduce admissions to hospital as a result of accidents in the home and other care environments.</li> <li>• Help for young people to get jobs. The Maidstone Engage project will work with and support young people aged 16-24 years currently not in employment, education or training project.</li> <li>• Set up an assertive outreach team to help rough sleepers find accommodation and tackle street based alcohol and other problems.</li> <li>• Refurbishing a previously empty block of flats to bring 12 empty properties back into use as affordable homes.</li> <li>• Enable the delivery of a further 250 new affordable homes in 2014-15.</li> <li>• Thousands had their say on the draft Local Plan. We will consider all the comments received before going out to consultation again later in the year.</li> </ul> |
|---|--|

“ The Mid Kent **Joint Waste Contract** improved recycling services and will save more than **£1 million** a year. ”





## Achieving our priorities



### Great People

#### Outcomes by 2015:

- *Customer focused services that residents are satisfied with*
- *Effective, cost efficient services are delivered across the borough*

#### Key Achievements in 2013 - 14

- ✓ Launched a new customer focussed website to make it easier for people to access council services.
- ✓ People can now pay securely and easily for more things on our website such as bulky waste collections.
- ✓ Introduced new devices and rules to save an estimated £43,000 in printing costs in 2014-15.
- ✓ Made it easier for people to renew their residents' parking permits. Permits can now be renewed by telephone or in person at Maidstone Gateway.
- ✓ Made our website easier to view on mobile devices.
- ✓ Paid suppliers directly into their bank accounts rather than by cheque which is better for them and has saved us £10,000.

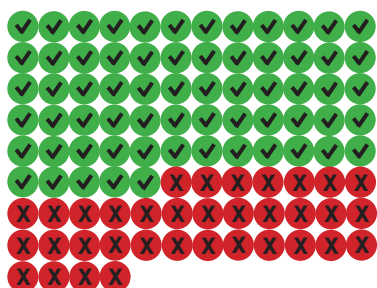
#### Plans for 2014 - 15

- Introduce more online services such as applying for and renewing residents' parking permits.
- Improve online facilities to make it easier for people to report issues like fly tipping and litter on a map. It will show if something has already been reported and you will get real time updates on the issues we are dealing with. Our crews will get instant updates to respond to problems quicker and more efficiently.
- Make the letters we send out for Council Tax and Housing Benefit easier to understand and will improve our online offer for these services.
- Work with Swale and Tunbridge Wells councils to provide joint planning support and environmental health services, saving Maidstone taxpayers more than £50,000 a year.

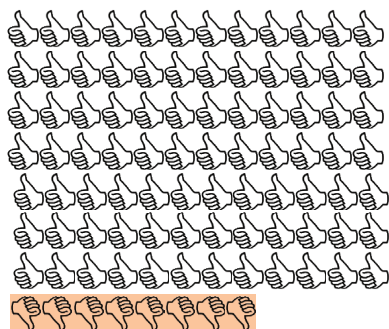
“Launched a **new customer focussed website** to make it easier for people to **access council** services.”

# If there were only 100 people in the borough of Maidstone...

**67** would agree that they belong to their local area... and **33** would disagree



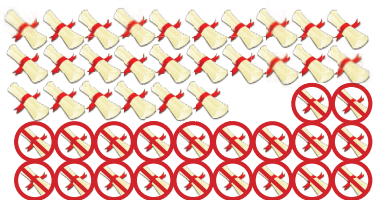
**84** would be satisfied with their local area as a place to live... and **8** would be dissatisfied



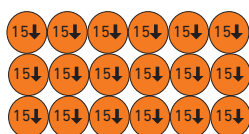
**43** would agree the council provides good value for money



**26** (over 16) would be qualified to NVQ 4+ (degree level) while **20** (over 16's) would have no qualifications



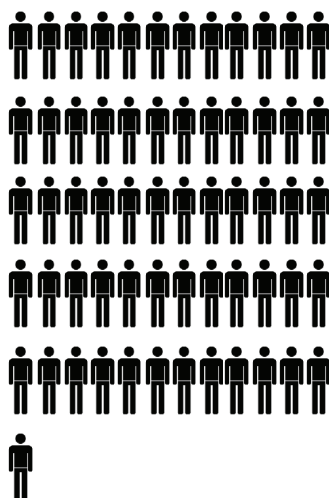
**18** would be 15 years or younger



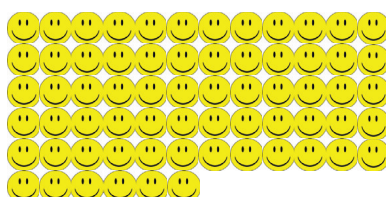
and **18** would be aged 65 and over



**61** would say that they trust the Council



**66** would be satisfied with the way the council runs things



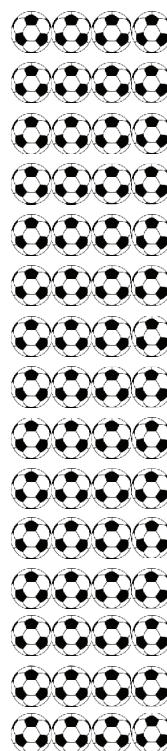
and **15** would be dissatisfied



**73** would be economically active (employed and self employed) whilst of working age



**60** are likely to be physically active (adults)



**26** would be likely to be obese



When aged 16 - 18 years old, **4** would be NEETs (not in education, employment or training)



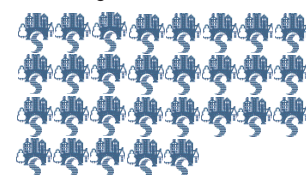
**19** would be likely to smoke (over 16's)



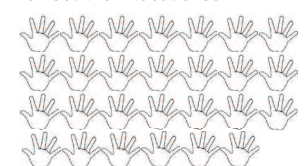
**8** would claim an out of work benefit



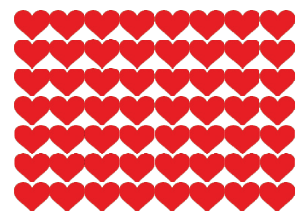
**29** people would agree that they can influence decisions affecting their local area...



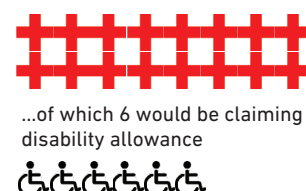
...and **27** would like to be more involved in the decisions that affect their local area.



**56** would agree that people from different backgrounds get on together



**16** would consider themselves to have a limiting long term illness...



**6** would be from black and minority ethnic groups





## Contact Details

Visit us at our 'Meet and Greet' reception at  
Maidstone Gateway, King Street, Maidstone ME15 6AW.

- Mon–Fri 8.30am–5.30pm,
- Sat 9am–1pm, Sun Closed

Visit our information centre at Maidstone Museum, St Faith's Street, Maidstone ME14 1LH.

- Open Mon - Sat 10am - 5pm.

Visit our website at [www.maidstone.gov.uk](http://www.maidstone.gov.uk)

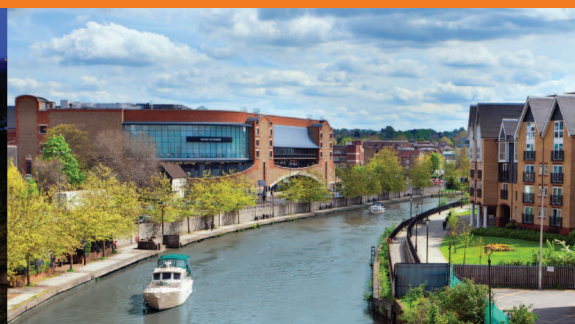
## Useful Telephone Numbers:

Main switchboard	01622 602000
Environmental Services Hotline	01622 602162
Housing Benefits	01622 602557
Housing Options	01622 602440
Council Tax	01622 602003
Environmental Enforcement	01622 602202
Parking Services	01622 602377
Planning	01622 602736
Land Charges	01622 602251
Bereavement Services	01622 602656
Payments	01622 602888
Complaints and compliments	01622 602640
Parks and Open Spaces	01622 602747
General Enquiries	01622 602750

Emergency after hours calls are routed to Medway Council via our main switchboard number 01622 602000  
Use our 24hr Automated Payments Line 01622 602544 for paying council tax and parking fines.

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# Agenda Item 11

## **MAIDSTONE BOROUGH COUNCIL**

### **CABINET**

**13 AUGUST 2014**

### **REPORT OF HEAD OF COMMERCIAL AND ECONOMIC DEVELOPEMENT**

**Report prepared by Marcus Lawler**

#### **1. COMMERCIALISATION STRATEGY**

##### 1.1 Issue for Consideration

1.1.1 To consider the draft Commercialisation Strategy.

##### 1.2 Recommendation

1.2.1 That Cabinet adopts the draft strategy at Appendix A.

##### 1.3 Reasons for Recommendation

1.3.1 The Commercialisation Strategy will enable the council to continue with 'self-help' measures, in the face of reduced funding. Commercial activity is nothing new for the council but the strategy will consolidate its previous commercial activity (such as the commercial waste collection service; shared services; car park charging; events; etc.) and provide a framework and strategy, with defined objectives, for these commercial projects and for the delivery of future commercial activity.

##### 1.4 Alternative Action and why not Recommended

1.4.1 Cabinet could decide not to undertake a course of Commercialisation. This would require additional funding to be found, at the levels specified in paragraph 3.2 of the draft strategy, or additional adverse impact on service delivery.

##### 1.5 Impact on Corporate Objectives

1.5.1 This Commercialisation Strategy clearly sits in support of the Council's Corporate Priority:

***Corporate and Customer Excellence.***

*The Council will have a productive workforce with people in the right place at the right time, delivering cost effective services. Services will be affordable, delivered on time and to agreed standards in an accessible way.*

### **Outcomes by 2015**

- *Customer focused services that residents are satisfied with*
- *Effective, cost efficient services are delivered across the borough*

1.5.2 Progressing the measures to bridge the Annual Savings Targets (as defined in the Budget Strategy) will be critical in ensuring that funding exists so that: 'Effective, cost efficient services are delivered across the Borough.'

### 1.6 Risk Management

Audit and Risk Management provisions are discussed at paragraph 4.8 of the draft strategy.

### 1.7 Other Implications

#### 1.7.1

1. Financial	x
2. Staffing	
3. Legal	x
4. Equality Impact Needs Assessment	x
5. Environmental/Sustainable Development	
6. Community Safety	
7. Human Rights Act	
8. Procurement	
9. Asset Management	

### 1.8 Relevant Documents

#### 1.8.1 Appendix A – Draft Commercialisation Strategy

### 1.8.2 Background Documents

- Commissioning and Procurement Strategy
- Contract Standing Orders and Purchasing Guide
- Corporate Fees and Charging Policy
- Asset Management Plan
- Guide to Performance Management
- Budget Strategy
- Medium Term Financial Strategy
- Strategic Revenue Projection
- Strategic Plan

<b><u>IS THIS A KEY DECISION REPORT?</u></b>		<b><u>THIS BOX MUST BE COMPLETED</u></b>	
Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If yes, this is a Key Decision because: .....			
.....			
Wards/Parishes affected: .....All.....			
.....			

APPENDIX A

# COMMERCIALISATION STRATEGY 2014/15 – 2018/19

Maidstone Borough Council

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16<sup>th</sup> July 2014

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DRAFT

## 1. EXECUTIVE SUMMARY.

The purpose of this strategy is to enable Maidstone Borough Council (MBC) to respond to public aspirations for Maidstone – starting with our vision, “We want Maidstone to be a vibrant, prosperous 21<sup>st</sup> century urban and rural community at the heart of Kent, where its distinctive character is enhanced to create a safe, healthy, excellent environment with high quality education and employment where all people can realise their aspirations”.

The impact of changes in funding arrangements, including the assumed complete withdrawal of Revenue Support Grant (RSG), offers increased risks and potential opportunities arising from the localisation of business rates and an expectation that Council Tax will not significantly change. The challenges of the reduction in RSG income to Maidstone Borough Council are those faced by local government across England. What is less widely understood are the implications of failing to effectively deal with this deep cut to funding (in Maidstone Borough council’s case the reduction in Revenue Support Grant by financial year 2018/19 represents 18% of the actual operational budget of financial year 2013/14). Failure to balance the books could easily result in remedial measures being imposed by The Secretary of State; resulting in:

- Deep cuts to all types of resource within MBC, resulting in a reduction of standards of services provided to customers.
- Enforced sale of MBC assets resulting in a reduction of facilities for the people of Maidstone.
- Imposition of special measures.

Maidstone Borough Council acknowledges the challenges that it faces, but also views the current funding picture as an opportunity to affect fundamental changes to how it does business; with dramatic improvements delivered for the people it represents, as a result.

The assumed abolition of the Revenue Support Grant is counter balanced with the adoption of the Localism Act 2011, Section 1. The Power of General Competence contained within the Act gives councils a freedom to operate in ways which were denied them previously. It is worth noting section 4 of the same Act when trading is discussed in the strategy.

Maidstone Borough Council has launched a Strategy of Commercialisation, which will sit within the Council’s Financial Framework; using these new and existing powers, in order to meet some of the funding gap through:

- Review of services offered, and the standard at which they are offered.
- Improved and more cost effective ways of doing business.
- Fairer and more effective charging.
- The introduction of trading.

Commercial activity is nothing new for MBC but the strategy will consolidate the council’s existing commercial activity (such as the commercial waste collection service; shared services; car park charging; events; etc.) and provide a framework and strategy, with defined objectives, for these commercial projects and for the delivery of future commercial activity.

## 2. INTRODUCTION.

In common with all Local Authorities in England, Maidstone Borough Council (MBC) is faced with a reduction in funding brought about by the reduction of the RSG. The grant is being reduced, in annual stages until financial year 2019/20. For prudent planning purposes, MBC is assuming that it will stop at this point. Details of the reduction can be seen at para. 2.1.

Traditionally, when faced with a reduction in revenue, Public Sector organisations will simply cut spending; which in reality means cutting services received by customers, unless coupled with improved delivery. MBC has taken a different approach to the current situation and has adopted a policy of finding efficiencies through transforming service delivery, for example partnership working and creating income through the introduction of a more commercial approach, in order to replace some of the lost grant. This revenue will then be re-invested in the delivery of services, there-by protecting our customers' interests.

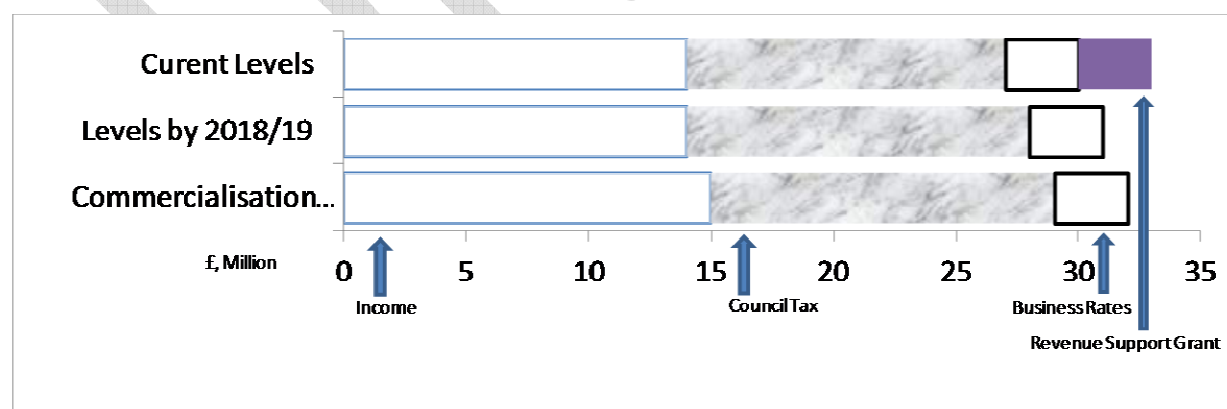
This is a fundamental shift in approach and consequently a simple, easily understood strategy is required to give direction; and which links into the Corporate Priorities in The Strategic Plan.

### 2.1 Revenue Support Grant and Annual Savings Targets.

The Revenue Support Grant (RSG) for the year 2013/14 was £4,171,000; and will be reduced between financial years 2013/14 and 2019/20.

Some of this loss of income has been offset by a forecasted increase in Council Tax and some of the loss offset by reductions in spending, but there is still an overall funding gap; expressed as Annual Savings Targets (AST) in the Budget Strategy 2014/15 Onwards. The ASTs are the target against which the Outcomes for this strategy will be measured.

The Strategic Budget and Revenue Projections are 'living' documents, but at the published date of this strategy the AST varied between £796,000 and £1,446,000 per year, over the next 5 years.



This diagram demonstrates the predicted benefits of commercial activity to MBC funding levels. Increasing income received from other sources (clear bar) through commercial projects, combined with the projected rise in Council Tax (grey bar) will off-set much if the reduction of income in RSG (solid bar).

Although a reduction in Operational Spend has been budgeted for (see Service Spend in Budget Strategy/Strategic Revenue Projection 2014/15 onwards) it does underline that doing nothing will have a severe impact on MBC's ability to deliver effective services in the medium and long term, unless further reductions in operational spend are made.

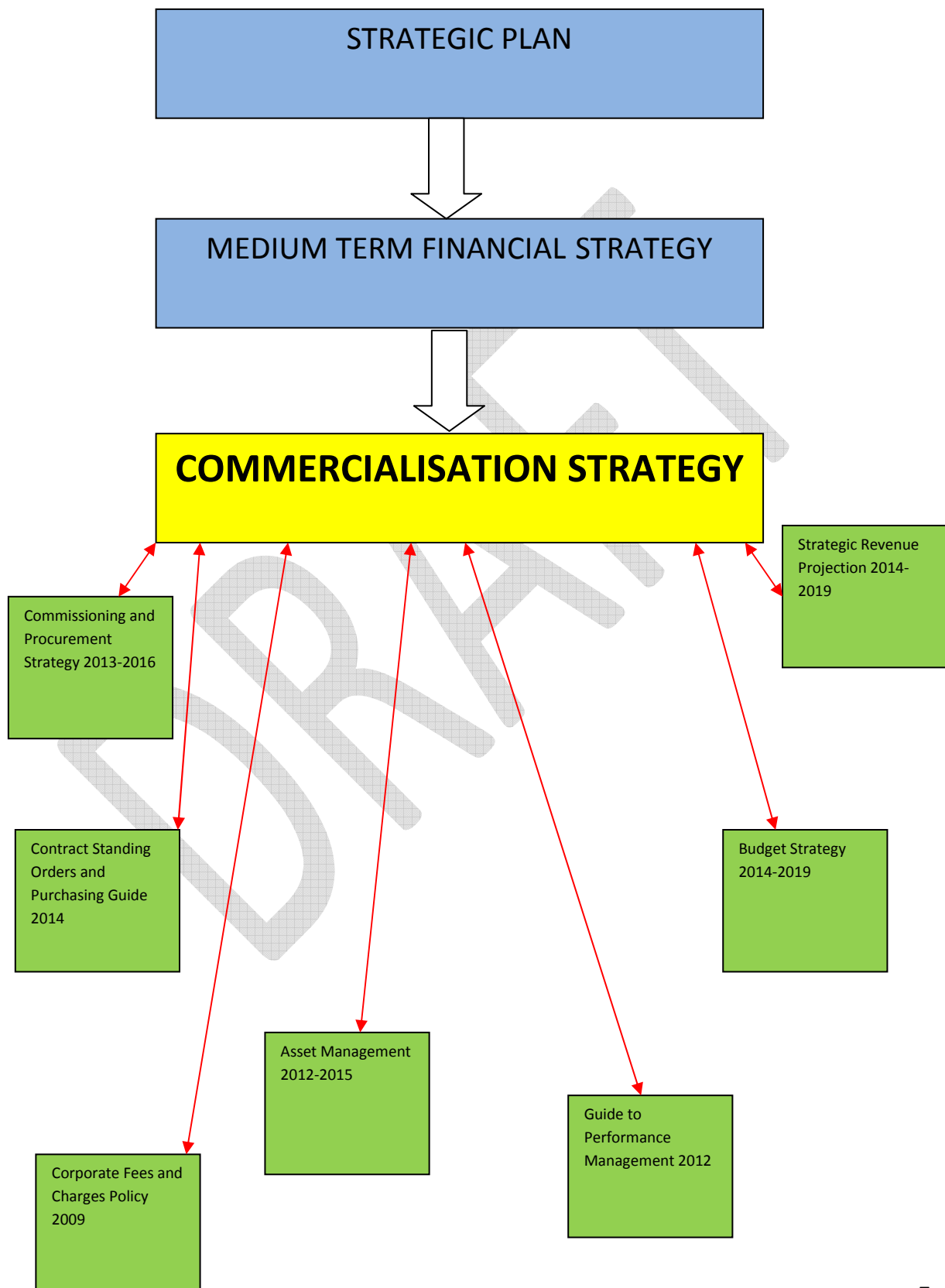
## **2.2 Localism Act.**

The Localism Act 2011 gives Councils a General Power of Competence. In essence this means that Authorities may now act as they wish, provided that they do not break any other law. It is this Power of Competence which allows MBC to undertake further trading, and some commercial charging in a way which they were unable to in the past; but limits of the General Power at sections 3 and 4 of the Act do apply.

MBC's commercial activities will be supported by other specific legislation (for example Road Traffic Regulations Act 1984 to allow us MBC to provide and charge for parking), where possible. The Localism Act forms the legal basis to undertake the measures and types of activity outlined in this strategy, where they are not covered by other Acts.

### 2.3 Strategic Links.

The hierarchy and interdependence of The Commercialisation Strategy within and to other MBC strategies and policies is shown below:



### **3. PRIORITIES, OUTPUTS AND OUTCOMES.**

#### **3.1 Corporate Priorities and Values.**

This Commercialisation Strategy clearly sits in support of MBC's Corporate Priority:

##### ***Corporate and Customer Excellence.***

*The Council will have a productive workforce with people in the right place at the right time, delivering cost effective services. Services will be affordable, delivered on time and to agreed standards in an accessible way.*

##### ***Outcomes by 2015***

- *Customer focused services that residents are satisfied with*
- *Effective, cost efficient services are delivered across the borough"*

Driving the measures to bridge the ASTs will be critical in ensuring that funding exists so that: 'Effective, cost efficient services are delivered across the Borough.'

Within MBC's core values, STRIVE, is Value, defined as:

##### **VALUE**

##### ***What this means***

*Taking care and weighing up our options, aiming to get the maximum effect for every penny of public money we spend.*

##### ***How we need to behave***

- *Deliver cost effectiveness*
- *Make suggestions for improvement*
- *Monitor contracts for service are delivering value.*

The commercialisation Strategy clearly sits in support of this value.

### 3.2 The Commercialisation Strategy's Outcome will be to:

- Make positive annual contributions to meeting the AST (as defined at Para.2.1) by delivering cost reductions or generating extra revenue through the utilisation of: charging; trading; and business improvement.

Priorities and outputs are broken down as follows:

Short Term (2014) Priority – Lay the Foundations for Commercialisation.	Medium Term (2015 – 2018/19) Priority – Complete the Roll-Out of Commercialisation.	Long Term (2020 onward) Priority.
To have the Commercialisation Strategy adopted by MBC by August 2014.	To continue to develop Service and Corporate commercial and investment opportunities as they present themselves.	To contribute £1,000,000 annually towards the AST through charging review; commissioning and business improvement; establishment of trading and property investment.
To have completed the organisational changes specified in this Strategy, by August 2014.	To complete the roll out of the Strategy across all MBC Services by 2018/19.	To have identified an opportunity for an external trading company (see para. 4) and created it, if it is considered advantageous to do so.
To have completed review of strategically linked documents by December 2014.	To contribute £1,000,000 annually towards the AST through charging review; commissioning and business improvement; establishment of trading and property investment by financial year 2018/19.	
To have completed training in Commercialisation Awareness and Commercial Business Planning by December 2014.	Establish a company to hold a property portfolio.	
To have the Strategy applied to the first service; Commercial and Economic Development Service (Maidstone Culture and Leisure) prior to 2015/16		
Develop commercial, or investment opportunities within other Services or corporately.		
Contribute £100,000 AST.		
Amend decisions on borrowing for commercial purposes.		

#### 4. HOW WE WILL DELIVER THE COMMERCIALISATION STRATEGY.

MBC will follow a two tier strategy. Tier 1: Service and Unit Commercialisation; Tier 2: Corporate Investment and Trading. This strategy will be supported by a communications (internal and external) and training programme delivered as part of the roll-out project.

The development and roll out of both tiers of Commercialisation will be conducted as a formal project.

In support of the development of the commercial business plan framework and subsequent implementation and delivery, a new internal team will be formed: the Commercial Projects Development Team (para.4.1) and CLT will assume some new, specific responsibilities.

##### 4.1 Service and Unit Commercialisation.

MBC, directly or through its appointed representative, is restricted by statute in that there are some services it must provide. It cannot choose to enter or exit certain markets (and the levels of fees it may charge are restricted, in some cases); but within the confines of statute, this means running MBC's units like businesses with commercial business plans, and these will include the introduction of:

- **Commissioning.** – Services will conduct a commissioning exercise to confirm exactly what outcomes are required for each Service; and those outcomes which are currently being offered that it would be preferable to STOP. It will then assess whether it is more cost effective to MAKE; to MAKE AND SELL; to BUY; or to DIVEST the process of producing the outputs required to deliver the outcomes. **The objective of commissioning is to ensure that MBC is allocating resources to outcomes that support its Strategic Plan, and not wasting resources delivering unnecessary or unwanted outcomes.**
- **Business Improvement.** - This will be followed up by process mapping and action costing (and a review of whether services are being delivered in a cost effective manner); allowing the creation of accurate baseline business plans, from which it will be possible to measure the impacts of Commercialisation and also to challenge for value services that are being bought internally. This BI is already partially underway as part of the Customer Improvement Strategy and the scope of that strategy will be extended deeper into Service operations. Corporate BI methodologies will be applied in collaboration with the Service in order to achieve the desired level of service at the best price. This will also allow zero based budgeting to be carried out. The definition of Zero based budgeting for the purposes of the Strategy is: *"Zero based budgeting also refers to the identification of a task or tasks and then funding resources to complete the task independent of current resourcing"*. **The objective of BI is to reduce the overall cost of MBC's service delivery.**
- **Charging** – MBC already undertakes charging, and the revenue received represents a substantial level of income. Finance already factors charging revenue into net service costs to give a net service spend (as described in the Budget Strategy). The revenue received through charging will be shown in Unit commercial business plans, in detail. When measured against the costs identified from BI it will be possible to more accurately show

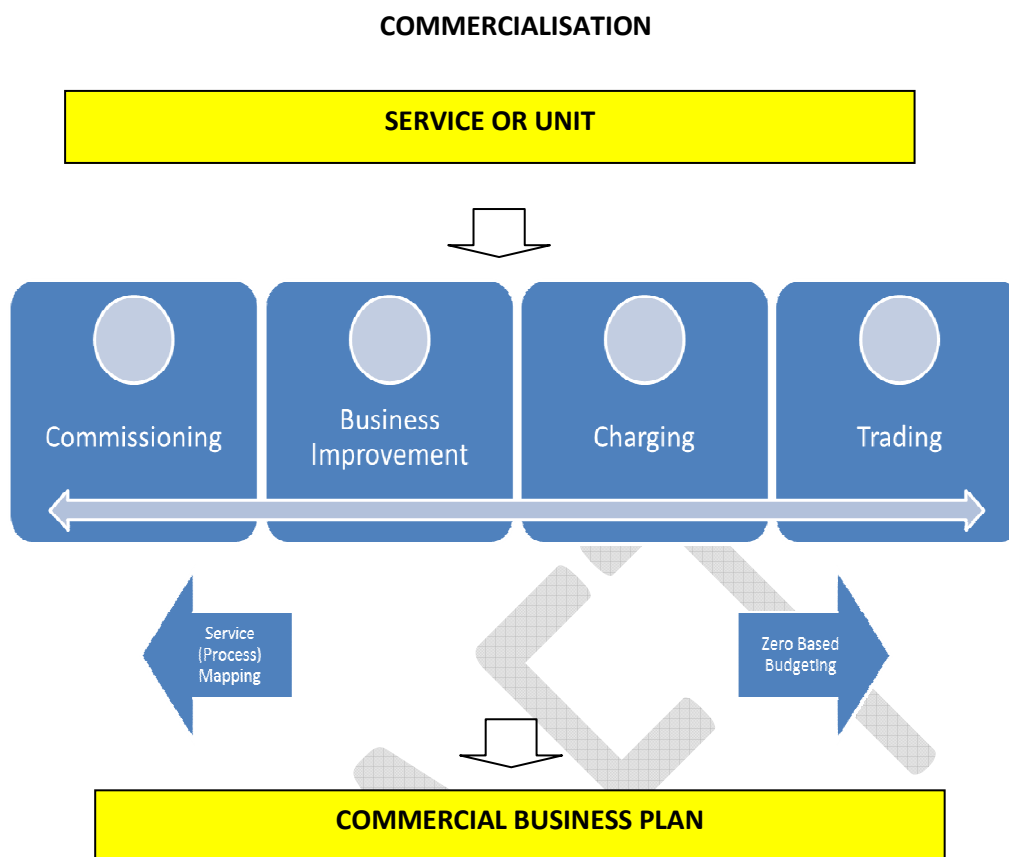


profitability (or otherwise); work out the true costs of delivery (including accurate overheads and required reinvestment as allowed by the Local Government Act 2003), and ensuring fees reflect this (within the constraints made by the Corporate Fee and Charging Policy); to analyse the impact of fee variations to the AST target; to ensure fees are set at the maximum possible level. As the 'profit' rules under the Act allow MBC to take one financial year with another, Charging also represents opportunities to test ideas identified under 'Trading' of this paragraph before they move to trading proper; and then eventually to an external trading company as discussed at para. 4.7. **The objective is to ensure that the maximum revenues possible; allowed by the Corporate Fees and Charges Policy, and at levels that reflect political appetite, are actually being received.**

- **Trading** – Not every Unit or Service will have the opportunity to trade, but a review will be conducted by the Service, with assistance of the CPDT (see para. 4.1) in order to identify, and develop those opportunities which might exist. The CPDT will then assist with modelling these opportunities for inclusion in the commercial business plan; and bidding for resources, if required, to implement the trading activity. **The objective of trading will be to introduce the net profit into the Service revenues, and to adjust Service net affect to AST, and their target.**

The framework of commercial business plans will be developed and rolled out across units and services within MBC by means of a formal project. The commercial business plans will show how a Unit or Service intends to achieve their targets' to impact the AST.

**A percentage (to be set by Head of Resources and Finances) of positive contribution to the AST will be available for reinvestment back into the Service which generated it; it effectively becoming a part of the Commercial Investment Fund at para. 4.4.2. Services will bid for this reinvestment via the CDT, who will model and then make recommendations to CLT for final consideration as per para. 4.1.**



#### 4.2 Corporate Investment and Trading.

- **Corporate Property Investment** – MBC will start to develop a property portfolio, from which three main benefits will be derived:
  - Net revenue.
  - Appreciating assets through market movement or development.
  - A positive impact to social housing within the Borough.

The rules about borrowing against MBC owned assets make developing a portfolio of investment property extremely difficult to do 'in-house'. There is also a risk to MBC's property investments presented by Right to Buy. MBC will, therefore create a company Ltd. by share to develop its portfolio. This is an increasingly common vehicle local authorities are using to hold property. The model used will be based on ABC Holdings Ltd. the property company owned by Ashford Borough Council for this purpose.

- **Corporate Trading** – Where Service trading (para.4.1) has reached a level where it is profitable and where it would be possible to bid for clients other than MBC, consideration will be given to the formation of an external trading company. The Teckal rules allow MBC to award a company which it owns contracts without recourse to tender, under certain conditions, and this will put any new company on a sound footing to bid for further work.

Although if it is successful bidding for external work it may have to re-bid for the MBC contracts as Teckal may no longer apply.

MBC, in the course of its core activities facilitates the flow of lot of public money to the private sector, or creates commercial opportunity. Examples might include the funding of emergency housing; or the awarding of enforcement to third parties. These are situations where corporate trading can flourish and bring this money back to the public purse.

At all times s.4 of the Localism Act 2011 will be considered, if it is the Act which is providing the legal basis to trade.

MBC must always be look to reinforce commercial success, when it is achieved, and within the constraints specified in this section.

Examples of successful, Public Sector owned companies:

[www.westcotrading.com](http://www.westcotrading.com) City of Westminster Council

[www.norsegroup.co.uk](http://www.norsegroup.co.uk) Norfolk County Council

MBC will identify where it can trade successfully and emulate this sort of success.

#### **4.3 Organisational Changes.**

In support of the development of the commercial business plan framework a new internal team will be formed: the Commercial Projects Development Team. The team will be supported by new specific responsibilities assumed by CLT.

##### **Corporate Leadership Team (CLT)**

Although the CLT is clearly not a new group, it will have new special responsibilities to execute as part of this strategy, as follows:

- To receive recommendations for projects and proposed Service commercial business plans for final review before submission to cabinet, or council.
- To 'hold' the Commercial Investment Fund outlined at para.4.4.2 and weigh the cost/benefit (opportunity cost) of a proposal and make recommendations to cabinet/council accordingly.
- To act as the final arbiter where potential internal conflicts of commercial interest are raised by the CDT.

##### **Commercial Projects Development Team (CDT).**

The CPDT will be a permanent but ad-hoc group providing support to Service and Unit Managers, where required. It will be chaired by the Head of Commercial and Economic Development. Other members of the unit will be called in depending upon the project, and will be drawn from the following departments: Legal; Finance; Procurement; Property; ICT; Communications; Policy and

Customer Services. It will also be able to retain external expertise in support of its functions where skills or knowledge gaps are identified, or where there may be a conflict of interest.

Functions of the CDT will be as follows:

- To provide advice to Service and Unit Managers on the development of commercial opportunities.
- To assist with Commercial Business Plan writing, and financial modelling.
- To provide analysis of the impact of projects or plans to the AST.
- To provide recommendations and advice to Cabinet and CLT on the approval of commercial business plans.
- To hold the corporate commercial projects register.
- To deconflict commercial conflicts of interest, or to highlight them to CLT for direction.
- To hold the approved framework of approved Commercial Business Plans across MBC.
- To allocate, under the direction of Head of Finance and Resources Service and Unit AST and ensure these are considered in Commercial Business Plans.
- To measure, with Finance and Resources annual performance against AST and Commercial Business Plans.

#### **4.4 Measuring Success.**

The only proper measure of success is the net effect of commercialisation to the AST, expressed in monetary terms; and as a percentage of the AST.

In order to plan for, and measure success, it is going to be essential to 'benchmark' each service as Commercialisation is introduced to it. In practice, this means identifying its net financial impact to the Corporate Budgets (its net Service Spend) at a given point; which, it is envisioned will be the current total budget. Head of Finance and Resources will set confirm these start points. We will then, in effect conduct zero based budgeting to start each business plan and ensure that more accurate rebilling is applied.

This gives the basis for handing a Service or Unit a target to alter that financial impact. This has happened historically, but the Service will no longer be targeted to reduce its financial impact through reduced budgets, alone. Now the Service will be allowed to undertake wide reaching commercial activity in order to generate net profit, which can be counted towards its target. Service Heads and Unit Managers will have discretion to plan activity: cost-cutting or generating net profit to achieve those targets, using the measures highlighted in this Strategy.

The Service Head or Unit Manager can now plan for those actions with the assistance of the Commercial Development Unit (see para. 4.1) and produce a Commercial Business Plan for approval

by their Director and the Commercial Opportunities Board (see para.4.1). It is envisioned that these plans will include the authority to re-invest a portion of turnover into stock or services for trading.

#### **4.5 Review and Performance Measures.**

##### **4.5.1 Accounting.**

In order that impact to the AST can be accurately measured, those Services and Units which have had Commercialisation implemented will need to be able to access commercial management account reports, reflecting activity against its commercial business plan. The current Corporate Chart of Accounts can produce these reports using Agresso, and Service Accountants will set these reports up, based on the Commercial Business plans which are developed.

All commercial accounting measures and financial projections will be included in Service and Unit commercial business plans and include profit and loss forecasts and actuals.

##### **4.5.2 Strategy Review.**

As commercialisation is a new strategy for MBC the Strategy will be subject to heavy review as the actual results of the strategy are assessed and the lessons learned from the roll-out programme are applied.

The Commercialisation Strategy will be reviewed annually by the CPDT and recommendations for amendments to the Strategy will be submitted to CLT and Cabinet for adoption by the council.

##### **4.5.3 Service Plans, Covalent and KPI.**

The roll-out program will be controlled and measured through the use of actions in Service Plans, and monitored through Covalent.

As discussed at para. 4.2, the only proper measure of the success of Commercialisation is the measurement of profitability; demonstrated either through the generation of surplus revenue or a reduction in costs. The Commercial Projects Manager and Head of Finance and Resources will be responsible for recording the programme affect and submit an annual report to CLT.

#### **5. Resources.**

##### **5.1 Commercial Development.**

In order that the CPDT can properly fulfil its functions , resources will be required to properly develop and research commercial opportunities and commercial business plans.; primarily for the retention of professional services, where required. Some of this work will be conducted in support of abortive projects.

The Invest to Save Fund has been established and for this purpose and stands at £500,000. Applications to the fund will be formulated by the CPDT under the review of Head of Commercial and Economic Development.

## 5.2 Commercial Investment Fund.

In June 2013 Council decided that a decision to approve £6m of prudential borrowing would be extended so that purchases could be made for:

*“Residential property including derelict and long term empty property, in order to restore and bring them back into use and property suitable for use as temporary accommodation, in order to reduce reliance upon bed and breakfast accommodation.”*

Previously, by decision in September 2012, the approved categories of investment were:

- a) Additions to the Council’s commercial property portfolio;
- b) Derelict residential property in order to restore and bring them back into use; and
- c) For strategic investment such as to progress stalled development.

An amendment to this decision will be tabled so that the types of acceptable investment will be widened to include all types of commercial investment.

## 5.3 Reserves.

MBC has allocated £500,000 of its reserves to mitigate any failed commercial activity; specifically, these reserves can fund measures required to bring a failed activity to a close.

The acceptable activities covered by this mitigation are the same categories defined at para. 4.4.2. These categories will be widened to cover all commercial activity.

## 5.4 Trading Options.

When considering appropriate vehicles to deliver commercial activity, and the consequent capitalisation of a commercial project, the CPDT will consider:

- Legal basis to trade.
- Tax.
- Appropriate mechanism for capitalisation (e.g. liability for assets/funding to MBC).
- A PESTLE analysis.

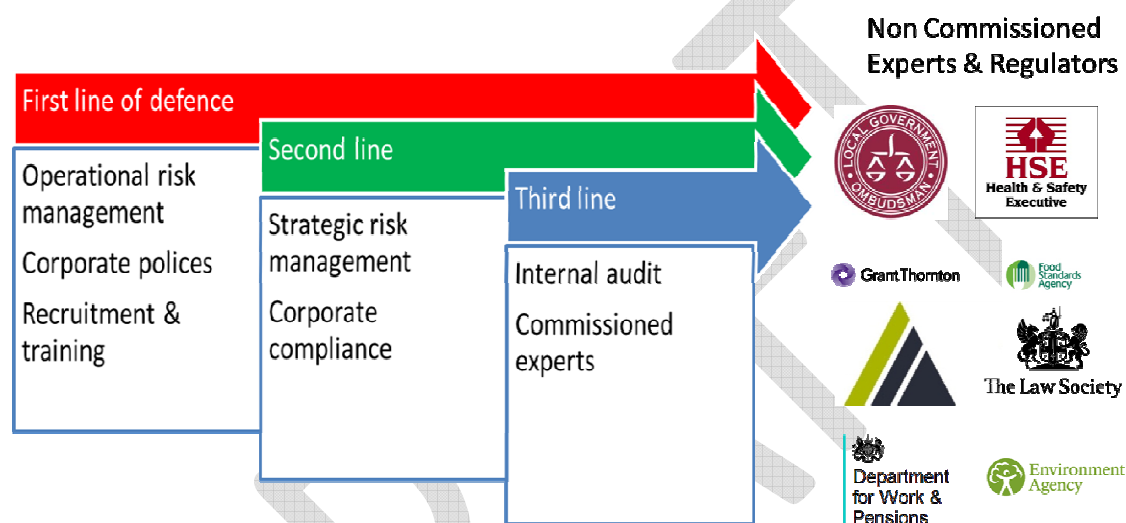
Types of options could include: Community Interest Company; company limited by share or guarantee; in-house; etc.

## 6 Audit and Risk Management Provision.

### 6.1 Audit Strategy.

An audit is a planned and documented activity performed by qualified personnel to determine by investigation, examination, or evaluation of objective evidence, the adequacy and compliance with established procedures, or applicable documents, and the effectiveness of implementation.

The range and scope of the types of project that could be executed under this strategy is vast; consequently a hard audit framework is impossible to design as a one size fits all solution. The Audit Partnership follows and advocates a three tier approach to audit which can be understood as follows:



Commercial projects conducted as part of this strategy will not deviate from this model.

The Audit Partnership will be engaged by the CPDT at early in the development of business cases to advise and check adequate, specific audit provision is included in project plans.

### 6.2 Risk Management.

Risk is part of life. Avoiding all risk would result in no achievement, no progress and no reward.

Risk management is the systematic process of understanding, evaluating and addressing these risks to maximise the chances of objectives being achieved and ensuring organisations, individuals and communities are sustainable. Risk management also exploits the opportunities uncertainty brings, allowing organisations to be aware of new possibilities. Essentially, effective risk management requires an informed understanding of relevant risks, an assessment of their relative priority and a rigorous approach to monitoring and controlling them.

- Operational risk – This will be assessed by the CPDT on a project-by-project basis and will be managed by the project manager through the project risk register.

- Strategic risk – This will be assessed and managed by CLT when considering recommendations to Cabinet and Council regarding a specific project.

### **6.3 Communicating the Strategy.**

MBC is launching a new way of doing business which, it is anticipated has scope to be misinterpreted with consequent damage to corporate reputation. The Communications Team will develop a plan to mitigate this special risk, which:

- Informs the electorate about this strategy, and why it is being implemented.
- Informs the elected members and officers about this strategy and why it is being implemented.
- Sets out criteria which can be applied during the planning of a particular commercial project in order to measure impact to the electorate's perception of MBC.
- Includes a communications strategy to deal with any commercial failures, or sudden interest in the Commercialisation Strategy from the press, or any other interested party.

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**7. CONSOLIDATED TASKS AND TIMINGS LIST.**

<b>Serial</b>	<b>Task</b>	<b>Outcome</b>	<b>Responsible</b>	<b>Deadline</b>
<b>1</b>	Review of Strategy by CLT	CLT makes final amendments prior to recommendation to Council	Commercial Projects Manager	16 <sup>th</sup> July 2014
<b>2</b>	Pre-submission review by Overview and Scrutiny	Ascertain OSC input prior to the Strategy being considered for adoption.	Senior Corporate Policy Officer	16 <sup>th</sup> July 2014 for 29 <sup>th</sup> July 2014
<b>3</b>	All member briefing	Introduce concept and details of the strategy to the new council.	Head of Commercial and Economic Development	24 <sup>th</sup> September 2014
<b>4</b>	Submission to Cabinet	Strategy is approved by the Council	Senior Corporate Policy Officer	13 <sup>th</sup> August 2014
<b>5</b>	Call-in period completed	The Strategy is adopted by the Council	Senior Corporate Policy Officer	August 2014
<b>6</b>	Starting Up and Initiating a project paperwork prepared	Mandate to start the roll-out programme.	Commercial Projects Manager	31 <sup>st</sup> August 2014
<b>7</b>	Start and Initiate the Commercialisation roll-out programme	Start the programme with Maidstone Culture and Leisure	Project Sponsor – Zena Cooke	1 <sup>st</sup> September 2014
<b>8</b>	Complete the roll-out programme	Commercialisation of all services complete	Commercial Projects Manager	End of financial year 2018/19
<b>9</b>	First Commercialisation Strategy review	Adjust targets Apply Lessons Learned	Commercial Development Team (CDT)	September 2015 (annually thereafter)
<b>10</b>	Commercialisation is contributing £1m annually towards the AST.			Financial year 2018/19

**8. GLOSSARY.**

<b>Term</b>	<b>Definition</b>
Agresso	An accountancy software package used by MBC.
AST	Annual Savings Target. These are defined within the Budget Strategy and represent the discrepancy between total revenue and operational spend. The Commercialisation Strategy is designed to assist MBC bridge the gap.
BI	Business Improvement. Ensuring that a particular service is being delivered in as efficient manner as possible by removing unnecessary actions performed in that delivery. It will also examine action costs and, within restrictions imposed by desired service quality, will search for cheaper ways of performing that action.
Business Rates	For the purposes of the Strategy business rates are the portion of NDR retained by MBC.
Cabinet	MBC does not operate a committee system and has delegated much executive authority to a single body. This body is the Cabinet.
Charging	Charging is the recovery of some or all of the cost of delivering a service; charging levels being set by political decision. The rules; statutes concerning charging; and governance of charging are clearly set out in MBC's Corporate Fees and Charging Policy.
CiC	Community interest company. A trading vehicle which protects assets and most profits for community benefit.
CLT	Corporate Leadership Team. The senior paid service organisation, within MBC which advises Council.
Commissioning	The process of defining desired outcomes for individuals and groups and the sourcing the most effective way of delivering services which meet those defined outcomes.
CPDT	Commercial Projects Development Team. An organisation designed to help research and develop commercial ideas and business cases for consideration by the council.
Invest to save.	A fund established at MBC which allows the capitalisation of activities and projects which, it is anticipated will result in a net reduction of operational spend.

Localism Act 2011	The Act which will give MBC the legal basis to trade, where no other exists. The Act in full can be found at <a href="http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted">http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted</a>
MBC	Maidstone Borough Council
Other Income	Income designation within The Medium Term Financial Strategy and Budget Strategies which is defined as any income received by MBC which is not a grant or local taxation. It specifically refers to revenue counting towards MBC's operational spend.
PESTLE	<p>An analysis too which takes into account the following factors:</p> <ul style="list-style-type: none"> <li>• Political</li> <li>• Economic</li> <li>• Social</li> <li>• Technological</li> <li>• Legal</li> <li>• Environmental</li> </ul> <p>PESTLE started as a marketing analysis tool but is now being usefully applied to assess the impacts of policies and actions of public sector organisations; particularly commercial activities.</p>
Property Portfolio	<p>A group of assets, the Strategy aspires for MBC to hold (either directly or through an 'arms-length vehicle') which will allow MBC to benefit from:</p> <ul style="list-style-type: none"> <li>• Net revenue</li> <li>• Asset growth.</li> </ul>
RSG	Revenue Support Grant. A central government grant which is gradually being phased out and which, it is assumed will eventually be abolished.
Trading	The buying and selling of goods and services for profit.
Zero Based budgeting	Zero based budgeting also refers to the identification of a task or tasks and then funding resources to complete the task independent of current resourcing.