

POLICY AND RESOURCES COMMITTEE MEETING

Date: Wednesday 24 January 2018
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership: Councillors

Barned, Mrs Blackmore, Boughton, Brice, Cox, Fermor, Garland, Mrs Gooch, Harper (Vice-Chairman), Harvey, Harwood, Hastie, McLoughlin, Perry and Mrs Wilson (Chairman)

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3. Urgent Items	
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7. To consider whether any items should be taken in private because of the possible disclosure of exempt information.	
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Issued on Tuesday 16 January 2018

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

PUBLIC SPEAKING

In order to book a slot to speak at this meeting of the Policy and Resources Committee, please contact Democratic Services 01622 602263 or by email on committeeservices@maidstone.gov.uk by 5 pm one clear working day before the meeting. If asking a question, you will need to provide the full text in writing. If making a statement, you will need to tell us which agenda item you wish to speak on. Please note that slots will be allocated on a first come, first served basis.

ALTERNATIVE FORMATS

The reports included in Part I of this agenda can be available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact Democratic Services on committeeservices@maidstone.gov.uk or 01622 602263**. To find out more about the work of the Committee, please visit www.maidstone.gov.uk

MAIDSTONE BOROUGH COUNCIL

Policy and Resources Committee

MINUTES OF THE MEETING HELD ON WEDNESDAY 13 DECEMBER 2017

Present: Councillors Barned, Boughton, Brice, Butler, Cox, Fermor, Garland, Mrs Gooch, Harper, Harvey, Harwood, Hastie, McLoughlin, Perry and Mrs Wilson (Chairman)

110. APOLOGIES FOR ABSENCE

Apologies were received by Councillor Harper.

111. NOTIFICATION OF SUBSTITUTE MEMBERS

The following members were present as substitute members:

- Councillor Adkinson for Councillor Harper; and
- Councillor Butler for Councillor Blackmore.

112. URGENT ITEMS

The Chairman informed the Committee that an urgent update had been accepted for the following items:

- Item 13. Strategic Plan 2015-20, 2018-19 Refresh. The update was an updated Appendix A, which showed the tracked changes demonstrating where changes would be made for the refreshed strategic plan. The reason for urgency was that there was a software error when the agenda pack was put together, meaning the tracked changes had been accepted. Circulating the urgent update to the Committee provided clarity around the proposed changes.
- Item 16. Medium Term Financial Strategy and Budget Proposals. The update was an updated Appendix C, and the reason for urgency was that it was not available at time of publication due to consultation with Political Groups. Committee provided clarity around the proposed changes.

113. NOTIFICATION OF VISITING MEMBERS

There were no visiting members.

114. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

115. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

116. TO CONSIDER WHETHER ANY ITEMS SHOULD BE TAKEN IN PRIVATE BECAUSE OF THE POSSIBLE DISCLOSURE OF EXEMPT INFORMATION.

RESOLVED: That item 17. Minutes (Part II) of the Meeting held on 30 October 2017 and item 18. Minutes (Part II) of the Meeting held on 21 November 2017 be taken in private due to the possible disclosure of exempt information.

117. MINUTES OF THE MEETING HELD ON 30 OCTOBER 2017

The following amendments to the minutes were requested:

- That for minute item 73, Councillor Butler was present as a substitute for Councillor Perry
- That for minute item 83, the reference to M Burton be changed to D Burton

RESOLVED: That, with the amendments outlined above, the minutes of the meeting held on 30 October 2017 be agreed as an accurate record and signed.

118. MINUTES (PART II) OF THE MEETING HELD ON 30 OCTOBER 2017

RESOLVED: That the minutes (Part II) of the meeting held on 30 October 2017 be agreed as an accurate record and signed.

119. MINUTES OF THE MEETING HELD ON 22 NOVEMBER 2017

RESOLVED: That the minutes of the meeting held on 22 November 2017 be agreed as an accurate record and signed.

120. MINUTES (PART II) OF THE MEETING HELD ON 22 NOVEMBER 2017

RESOLVED: That the minutes (Part II) of the meeting held on 22 November 2017 be agreed as an accurate record and signed.

121. PRESENTATION OF PETITIONS (IF ANY)

There were no petitions.

122. QUESTIONS AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC (IF ANY)

There were no questions from members of the public.

123. COMMITTEE WORK PROGRAMME

The Director of Finance and Business Improvement updated the Committee on the Committee Work Programme.

It was noted that there had been several changes to the Work Programme since it had been published. These changes had been made as there were a too many items in the Work Programme for January.

The Chairman requested that an amended work programme be circulated to the Committee following the meeting.

RESOLVED: That the Committee Work Programme is noted.

124. STRATEGIC PLAN 2015-20, 2018-19 REFRESH

The Head of Policy, Communications and Governance presented the Strategic Plan 2015-2020, 2018-19 Refresh to the Committee.

The Committee noted that the Strategic Plan was in the process of being refreshed for 2018-19. It was proposed that the three priority areas of 2017-18 of a home for everyone, a clean and safe environment and regenerating the town centre would be retained for 2018-19. Once the draft plan had been agreed by Policy and Resources Committee, the Service Committees would consider their individual areas. The final document would then be considered for adoption by Council in time for the new municipal year.

During the debate, the Committee highlighted that the Biodiversity Action Plan was missing from the policies map and that when considering transportation it was difficult for residents to travel around the borough using any mode of transport at peak times and not just by car as stated in the current draft of the Strategic Plan.

RESOLVED:

1. That the Biodiversity Action Plan be referred to under the Clean and Safe Environment priority and included in the Strategic Plan policies map.

Voting: For - 12 Against - 2 Abstentions - 1

2. That reference is made to the Strategic Planning, Sustainability and Transportation Committee to consider removing reference to 'by car' in the phrase 'We do however recognise that travelling in and around the borough by car during peak periods can be difficult'.

Voting: Unanimous

3. The refreshed Strategic Plan is approved for consideration by the Service Committees, prior to approval in February before submission to Full Council.

4. The three prioritised action areas and performance reporting arrangements from 2017-18 be approved for retention in 2018-19.

Voting: For - 14 Against - 1 Abstentions - 0

125. THAMES GATEWAY KENT PARTNERSHIP

The Chief Executive introduced a proposal to join the Thames Gateway Kent Partnership to the Committee. The Chief Executive explained that the benefits to joining the partnership were:

- Giving Maidstone a stronger voice and more regular access to Ministers and Senior Civil Servants, allowing for greater advocacy for the economic interests of the borough.
- There may be a possibility for MBC to nominate a business representative on the board, as there was a vacant seat.
- The partnership had early access to, and was better informed of, central government initiatives and policies.
- The partnership had an earlier insight into bidding opportunities, and could provide greater support and guidance in drafting and submitting funding bids.

In response to a question from the Committee, the Chief Executive explained that there were a lot of similarities economically with the other Districts in the Thames Gateway Kent Partnership. This included travel to work patterns, employment levels, average earnings, skill levels and training provision.

The Chief Executive explained to the Committee that the membership of the Partnership would initially be for two years, and after that a review would be carried out to determine the impact and effectiveness of the Council's membership.

RESOLVED:

1. That the invitation to join the Thames Gateway Kent Partnership is accepted.
2. That Maidstone Borough Council will be represented on the Thames Gateway Partnership Board by the Chairman of Policy and Resources Committee, with the Vice Chairman as the substitute.

Voting: For - 11 Against - 4 Abstentions - 0

126. COUNCIL TAX BASE & COLLECTION FUND ADJUSTMENT 2018-19

The Director of Finance and Business Improvement presented the Council Tax Base and Collection Fund adjustment for 2018-19 to the Committee.

It was noted that agreeing the Council Tax Base and Collection Fund Adjustment was an important step in agreeing the Council's budget for 2018-19.

The Director of Finance and Business Improvement explained that properties in the Council Tax Base had increased by 1.6%, which was very close to the forecast made last year. The Council Tax Collection Fund was in surplus, and therefore the Council would retain a proportion of this surplus. The surplus had not yet been taken into account of for the purpose of budget setting as Business Rates also required the same exercise to be carried out and in previous year Business Rates had tended to be in deficit. This was due to the impact of appeals on the Business Rates Collection Fund.

RESOLVED:

1. Pursuant to this report and in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, that the amount calculated by this Authority as its Council Tax Base for the year 2018/19 will be 60,921.6, as outlined in Option 1 of this report.
2. In accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, that the amount calculated by this Authority as the Council Tax Base for each parish area for the year 2018/19, as outlined in Option 1 of this report, will be as identified in Appendix 2 to this report.
3. That the 2017/18 Council Tax projection and proposed distribution detailed in Appendix 3 of this report is agreed.

Voting: Unanimous

127. MEDIUM TERM FINANCIAL STRATEGY AND BUDGET PROPOSALS

The Director of Finance and Business Improvement gave a presentation to the Committee which provided an update on the Medium Term Financial Strategy and Budget Proposals.

The Committee noted that on the basis of the budget proposals and financial projections contained in the report, the Council was scheduled to be able to set a balanced budget for the next two financial years. However the budget gap at the end of the five year period was projected to be £4.6 million and the additional savings identified in the adverse scenario would need to be reviewed in 2018-19.

RESOLVED:

1. Planning on the basis of the updated Strategic Revenue Projection, set out at Appendix A, is agreed.

2. The budget proposals for services in the remit of this Committee, as set out in Appendix C, are agreed.
3. The remaining budget proposals, set out in Appendix C, which will be considered by the relevant Service Committees during the course of January 2018, are noted.

Voting: Unanimous

128. DURATION OF MEETING

7.31 p.m. to 8.52 p.m.

2017/18 WORK PROGRAMME

	Report Title	Work Stream	Committee	Month	Lead	Report Author
1	Fees & Charges	Corporate Finance and Budgets	P&R	Jan-18	Mark Green	Ellie Dunnet
2	Business Rates Retention Pilot	Corporate Finance and Budgets	P&R	Jan-18	Mark Green	Ellie Dunnet
3	Medium Term Financial Strategy 2018/19 Onwards - Capital Programme	Corporate Finance and Budgets	P&R	Jan-18	Mark Green	Ellie Dunnet
4	Business Terrace Update	Updates, Monitoring Reports and Reviews	P&R	Feb-18	William Cornall	Dawn Hudd
5	Counter Fraud and Corruption Policy	New/Updates to Strategies & Policies	P&R	Feb-18	Mark Green	Rich Clarke
6	Strategic Plan Action Plan 2018/19	Corporate Planning	P&R	Feb-18	Angela Woodhouse	Angela Woodhouse
7	Council Tax Penalty Policy	New/Updates to Strategies & Policies	P&R	Feb-18	Steve McGinnes	Sheila Coburn
8	Digital Strategy	New/Updates to Strategies & Policies	P&R	Feb-18	Georgia Hawkes	Georgia Hawkes
9	Brunswick Street & Union Street Housing Developments	Regeneration and Commercialisation	P&R	Feb-18	William Cornall	
10	Medium Term Financial Strategy 2018/19 Onwards	Corporate Finance and Budgets	P&R	Feb-18	Mark Green	
11	Q3 Performance Report 2017/18	Updates, Monitoring Reports and Reviews	P&R	Feb-18	Angela Woodhouse	Anna Collier
12	Kent Medical Campus Innovation Centre	Changes to Services & Commissioning	P&R	Mar-18	Dawn Hudd	Abi Lewis
13	Setting new Key Performance Indicators (please note that there will be workshops with each committee prior to the report in January/February)	Corporate Planning	P&R	Mar-18	Angela Woodhouse	Anna Collier
14	Debt Recovery Policy	New/Updates to Strategies & Policies	P&R	Mar-18	Sheila Coburn	Sheila Coburn
15	New Ways of Working - Maidstone House Office Accomodation	New/Updates to Strategies & Policies	P&R	Mar-18	Mark Green	Georgia Hawkes
16	Phase 3 Public Realm - Funding	Regeneration and Commercialisation	P&R	Mar-18	Dawn Hudd	Fran Wallis
17	Commissioning & Procurement Strategy	New/Updates to Strategies & Policies	P&R	Apr-18	Mark Green	Steve Trigg/Georgia Hawkes
18	Mote Park Lake Dam	Capital projects	P&R	Apr-18	Mark Green	Lucy Stroud
19	Commercial Investment Strategy	New/Updates to Strategies & Policies	P&R	Jun-18	Mark Green	Lucy Stroud
20	King Street	Regeneration and Commercialisation	P&R	TBC	William Cornall	Alison Elliott

Agenda Item 13

Policy and Resources Committee

24 January 2018

Business Rates Retention Pilot 2018/19

Final Decision-Maker	Council
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2018/19 and setting next year's Council Tax. It explains that the Council is likely to receive additional income, initially estimated as £640,000, for one year only in 2018/19 as a result of its participation in the Kent and Medway Business Rates Retention pilot. The report sets out proposals for the budget allocation of the additional income.

This report makes the following recommendations to this Committee:

It is recommended that the Committee:

1. Notes that Kent and Medway have been selected to carry out a 100% business rates retention pilot in 2018/19;
2. Notes that preliminary estimates indicate that Maidstone Borough Council may receive an additional £640,000 in Business Rates income in 2018/19 as a consequence;
3. Agrees the parameters set out in paragraph 1.10 of this report for the allocation of the additional Business Rates income in the 2018/19 budget.

Timetable

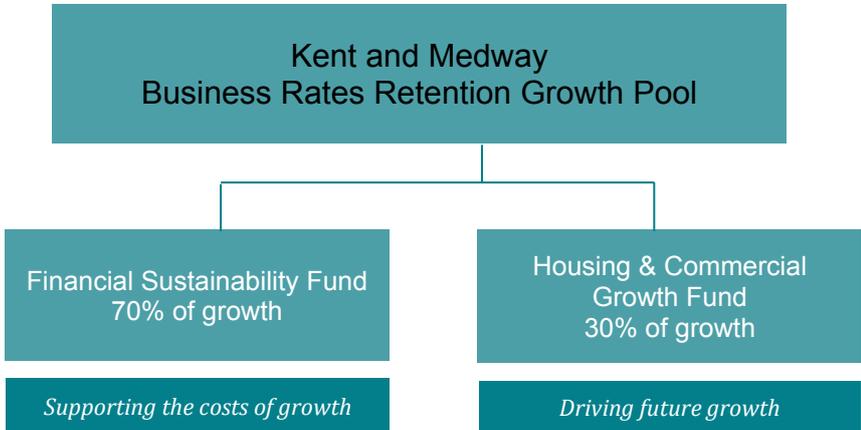
Meeting	Date
Policy and Resources Committee	14 February 2018
Council (as part of the Medium Term Financial Strategy)	28 February 2018

Business Rates Retention Pilot 2018/19

1. INTRODUCTION AND BACKGROUND

100% Business Rates Retention Pilot

- 1.1 There is a longstanding commitment from Central Government to increase the proportion of business rates retained by local authorities from the current level of 50%. Prior to the 2017 General Election, the Government was preparing to move to 100% business rates retention for local authorities with effect from 2020. However, pressure on the Government’s legislative timetable has meant that the necessary legislation will not now be enacted. The Government’s current plan is to increase business rates retention to 75% with effect from 2020/21. Nevertheless, it still wishes to explore the operation of 100% business rates retention, and last year invited local authorities to participate in a pilot of 100% Business Rates Retention in 2018/19.
- 1.2 The Government encouraged groups of authorities, particularly in two-tier areas, to apply to become pilots. Accordingly, Kent County Council, Medway Council, and all twelve districts within the Kent county area submitted a joint application. This set out how the participating authorities proposed to operate the pilot, including governance arrangements. The details were agreed by the Leader and the Director of Finance and Business Improvement under delegated authority from this Committee. It was announced on 19th December that the application, along with nine others, had been successful.
- 1.3 The main financial implication of pilot status is that the Government will allow 100% of business rates growth to be retained within the local area. Kent and Medway’s pilot application included a projection of the consequent financial gain, which was estimated to be £24.7 million in 2018/19. The application proposed that this amount be split between a Financial Sustainability Fund and a Housing and Commercial Growth Fund.



- 1.4 The Financial Sustainability Fund (FSF) is designed to support local authorities in managing the pressures associated with growth. The FSF is distributed according to a formula which:
- provides a guaranteed revenue baseline for each authority, provided that there are sufficient proceeds from 100% retention
 - links growth in funding with population increase and business rates increase (as a proxy for commercial growth) over the past five years
 - for two-tier authorities (the 12 Kent Districts and Kent County Council), splits growth 50:50 between the tiers.
- 1.5 The remaining 30% of retained business rates growth will be invested in a Housing and Commercial Growth Fund (HCGF). The HCGF is designed to pool a sufficiently large level of resources to make a significant difference to support future delivery, where outcomes can be better achieved by local authorities working together across a wider area. This will include (for example) investment in:
- Measures to unlock housing development – including investment in the existing stock to help people remain in their own homes for longer and supporting the delivery of a wider range of housing tenures - potentially matching future Growing Places Fund and similar schemes as well as private sector investment
 - Measures to unlock commercial development, again matching where possible commercial and Government investment
 - Promoting investment and trade, linked with the UK’s international trade priority and driving demand for key employment sites
 - Speeding up the planning process, by increasing the resources to support growth management across all tiers.
- 1.6 The HCGF funds will be pooled in three ‘clusters’, for North Kent, East Kent and West Kent, with the distribution based on each area’s share of total business rate receipts. It is intended to publish a prospectus, agreed by Kent and Medway Council Leaders, setting out the parameters for the use of the HCGF.
- 1.7 Details of the notional allocation of the £24.7 million between the two funds and the participating authorities are set out in Appendix A. Maidstone Borough Council has the discretion to determine how to spend its share of the FSF, estimated at £640,000, having regard to the fund’s overall objectives as set out in the pilot application. Decisions about the North Kent fund within the HCGF will require further discussion between the relevant Council Leaders.

Allocation of Financial Sustainability Fund

- 1.8 In determining how to allocate Maidstone’s share of the FSF, it is important to note that the money is a one-off sum. It is possible that the Business

Rates Retention pilot will be extended to 2019/20, but the Government has made no commitment to doing this. Accordingly, whilst the funds are intended to support the costs of growth, they will not be available on a recurring annual basis, and it would be inappropriate for them to be used to support regular annual outgoings. Instead, it is suggested that a more appropriate use would be to identify projects where an initial investment from the FSF will equip the Council to manage growth on a self-sustaining basis in the future.

1.9 Although the FSF will arise from 2018/19 business rates income, it will not all have to be spent in the financial year 2018/19.

1.10 With this in mind, the following approach to the allocation of the Fund is proposed.

Optimising impact of FSF expenditure

In order to achieve maximum impact from the FSF, it is proposed that it is focused on a small number of discrete projects, distinct from existing agreed revenue and capital expenditure. A greater number of projects would risk spreading management input into individual projects too thinly, and would lead to relatively small budgets for each project, thus limiting their potential to make an impact.

Alignment with strategic objectives

The projects will respond to the Council's corporate priorities. In general, therefore, they will promote social, economic and environmental wellbeing. They are likely to relate to one or more of the three action areas – A Home for Everyone, Town Centre Regeneration and Clean and Safe. They must also be consistent with relevant Council strategies such as the Economic Development Strategy. Performance against corporate priorities is evaluated regularly through public engagement, eg through Resident Surveys, so it would be appropriate to consider projects that residents are likely to see as improving their quality of life.

Leveraging benefit of expenditure

The FSF provides a relatively limited sum of money, and is only available on a one-off basis. Accordingly, it is important that any investment of the FSF exploits the opportunities for leveraging additional income, either by creating a future income stream or by attracting a matching contribution in cash or through partnership working, eg with external organisations like central government or Kent County Council.

Identification and sign-off of projects

Officers will develop more detailed proposals for investment of the FSF. Further information will be contained in the budget proposals for consideration by this Committee at its meeting on 24th February. A process will be set out in this report for project approval.

Allocation of Housing and Commercial Growth Fund

1.11 Allocation of the HCGF is to be determined by Leaders of the North Kent authorities (Dartford, Gravesham, Medway, Swale and Maidstone) and Kent County Council, based on the broad criteria set out above at paragraph 1.5. Following a decision by this Committee at its meeting on 28 September 2016, the Leader meets regularly with her peers in North Kent, so there is already an established forum for discussion about such allocations. Discussions are currently in progress at an officer level amongst the North Kent authorities about the way forward and the outcomes will be fed back to this Committee as part of our reporting on the Business Rates Retention Pilot.

Medium Term Financial Strategy and Budget Process - generally

1.12 At its meeting on 13 December 2017, this Committee received budget proposals which used as a starting point the financial projections for the next five years that had been set out in the Council's Medium Term Financial Strategy. The budget proposals are being considered by the Service Committees during the course of January 2018, prior to Policy and Resources Committee submitting final budget proposals to Council for a decision on the 2018/19 budget at its meeting on 28th February.

1.13 The resources likely to become available as a result of the Council's participation in the Kent and Medway Business Rates Retention pilot are for one year only. Accordingly, it is appropriate for these resources to be dealt with discretely as set out in this report, but with a decision to be made about their budget allocation at the same time as the main budget decisions at Council on 28th February.

2. AVAILABLE OPTIONS

- 2.1 Agree the proposals set out in paragraph 1.10.
- 2.2 Amend or delete some or all of the proposals, and agree alternative proposals.
- 2.3 Defer a decision on the proposals to this Committee's meeting on 14 February 2018.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The preferred option is that the Committee agrees the proposals set out in paragraph 1.9. Whilst a final decision is not required until Council sets a budget on 28 February 2018, an early decision by this Committee will allow advance planning to commence and will potentially allow the benefits of investment to be realised more quickly.

4. RISK

- 4.1 There is a risk the forecast business rates growth will not be achieved, and that some or all of the projected £640,000 additional income will not be received.
 - 4.2 It should be noted that the overall projected gain of £24.7 million for Kent and Medway is around 4% of the area's estimated 2017/18 business rates income. In the light of steady recent growth in business rates income, it would take a very significant setback to business rates income growth for no growth at all to be achieved in 2018/19. However, business rates income is volatile, largely because of the potential for business rates appeals, so the precise amount received could fall within a broad range around the estimated figure of £640,000.
 - 4.3 Maidstone Borough Council has an annual budget contingency of £200,000, and total usable reserves of £18 million. This would allow a shortfall on business rates income growth to be covered, subject to other demands on the contingency and reserves, in the event of a shortfall in projected income. However, it is recommended that business rates income is monitored on a regular monthly basis, and if it appears at any time that there will be a shortfall, and some or all of the £640,000 income will not be achieved, then projects would be prioritised and funds released only to the extent that that income is expected to be available to cover them.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Policy and Resources Committee received an initial report on the MTFs at its meeting on 28 June 2017 and has subsequently received further reports on the development of the budget for 2018/19. The Committee also received a report on the 100% Business Rates Retention pilot at its meeting on 20th September 2019, when it agreed that Maidstone Borough Council would participate in the pilot application.
 - 5.2 Consultation is currently being carried out on the broader budget proposals for 2018/19. Individual Service Committees are considering the budget proposals relating to the services within their areas of responsibility and there will be an opportunity for Policy and Resources Committee to consider the outcomes of consultation at its meeting on 14th February 2018, before submitting final budget proposals to Council.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The timetable for setting the budget for 2018/19 is set out below.

Date	Meeting	Action
January 2018	All Service Committees	Consider 18/19 budget proposals
14 February 2018	Policy and Resources Committee	Agree 18/19 budget proposals for recommendation to Council
28 February 2018	Council	Approve 18/19 budget

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. Allocation of business rates retention pilot income forms part of the MTFS and budget process.	Section 151 Officer & Finance Team
Risk Management	See section 4 above.	Section 151 Officer & Finance Team
Financial	Set out in report.	Section 151 Officer & Finance Team
Staffing	None.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced budget. Allocation of resources in the way set out in this report supports achievement of a balanced budget.	Legal Team
Privacy and Data Protection	None.	Section 151 Officer & Finance Team
Equalities	Where appropriate, Equalities Impact Assessments are carried	Section 151 Officer &

	out for specific budget proposals.	Finance Team
Crime and Disorder	None.	Section 151 Officer & Finance Team
Procurement	Procurement of the services described in section 1.9 of this report will be in accordance with the procurement provisions within the Council's constitution.	Section 151 Officer & Finance Team

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Kent & Medway Business Rates Retention Pilot Projected Growth Shares

9. BACKGROUND PAPERS

There are no background papers.

APPENDIX A

KENT & MEDWAY BUSINESS RATES RETENTION PILOT PROJECTED GROWTH SHARES

- A.1 The tables below illustrate the distribution of retained growth through the Financial Sustainability Fund and the Housing and Commercial Growth Fund.
- A.2 At this stage, all figures are indicative, but are based on an estimate of £24.7 million additional retained growth, as identified in independent analysis carried out by LG Futures.

Figure 1: Financial Sustainability Fund

	Population (Number) 2011 Official Census	Population Growth 2011 to 2016 (Number)	Business Rates Growth 2013-14 to 2017-18 (£)	Population Growth 2011 to 2016 (% of total growth)	Business Rates Growth 2013-14 to 2017-18 (Est) (%)	Initial Distribution (Population Based for Kent and Medway, £250,000 for Districts)	Revised Distribution (Multiplied by % Growth in Population & Business Rates)
Kent CC	1,463,740	75,400	10,500,000	7% *	7% *	3,000,000	7,300,000
Medway UC	263,925	13,600	1,600,000	15%	3%	1,081,800	2,710,000
Ashford	117,956	7,800	5,500,000	9%	9%	250,000	630,000
Canterbury	151,145	11,800	2,000,000	13%	3%	250,000	630,000
Dartford	97,365	7,900	5,200,000	9%	9%	250,000	630,000
Dover	111,674	2,500	1,000,000	3%	2%	250,000	550,000
Gravesham	101,720	5,000	2,500,000	6%	4%	250,000	580,000
Maidstone	155,143	10,600	4,500,000	12%	8%	250,000	640,000
Sevenoaks	114,893	3,700	1,200,000	4%	2%	250,000	560,000
Shepway	107,969	3,000	9,400,000	3%	16%	250,000	640,000
Swale	135,835	8,700	12,500,000	10%	21%	250,000	700,000
Thanet	134,186	6,300	900,000	7%	2%	250,000	570,000
T&M	120,805	6,200	(4,200,000)	7%	0% **	250,000	560,000
Tunbridge Wells	115,049	1,900	6,600,000	2%	11%	250,000	600,000
Totals	1,727,665	89,000	59,200,000			7,081,800	17,300,000

* Population and business rates growth factors for KCC are average of all Kent districts

** Tonbridge and Malling Borough Council adjusted to zero

**APPENDIX A
KENT & MEDWAY BUSINESS RATES RETENTION PILOT PROJECTED GROWTH SHARES**

Figure 2: Housing and Commercial Growth Fund

		Growth Fund (Estimated):	7,400,000
		Business Rates Baselines	Share of Growth Fund
East Kent Cluster	Ashford	2,800,000	3,054,000
	Canterbury	4,500,000	
	Dover	3,600,000	
	Shepway	3,600,000	
	Thanet	4,900,000	
	KCC (EK Share)	90,550,000	
North Kent Cluster	Dartford	2,600,000	3,291,000
	Gravesham	2,900,000	
	Maidstone	3,100,000	
	Medway	46,500,000	
	Swale	4,100,000	
	KCC (NK Share)	59,277,580	
West Kent Cluster	Sevenoaks	2,200,000	1,055,000
	T&M	2,200,000	
	Tunbridge Wells	2,300,000	
	KCC (WK Share)	31,272,420	
Total		266,400,000	7,400,000

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Policy and Resources Committee

24 January 2018

Medium Term Financial Strategy – Capital Programme

Final Decision-Maker	Council
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2018/19 and setting next year's Council Tax. It develops the outline of the capital programme that was set out in the Medium Term Financial Strategy, agreed by Council on 25 October 2017. It reconfirms the principles behind the Council's capital strategy, explains how the capital programme will be funded, and describes the individual projects that comprise the programme.

This report makes the following recommendations to this Committee:

It is recommended that the Committee:

1. Agrees the capital strategy principles set out in paragraph 1.4;
2. Agrees the capital funding projection set out in Appendix B to this report;
3. Agrees the capital programme 2018/19 onwards as set out in Appendix C to this report;
4. Notes that in agreeing recommendations 2 and 3 above the Committee will set a prudential borrowing limit of £44,651,000 over the period of the programme which will be recommended to Council as part of the Treasury Management Strategy 2018/19.

Timetable

Meeting	Date
Policy and Resources Committee	14 February 2018
Council	28 February 2018

Medium Term Financial Strategy – Capital Programme

1. INTRODUCTION AND BACKGROUND

Background

- 1.1 The capital programme plays a vital part in the Council's strategic plan, since long term investment is required to deliver many of the objectives of the plan. The capital programme is a rolling five year programme, so sets out over the medium term how the Council will invest its capital resources.
- 1.2 The existing capital programme 2017/18 – 2021/22 was approved by Council at its budget meeting on 1st March 2017 and totals £60 million over five years. Details are set out in Appendix A.
- 1.3 The largest element of the capital programme by value is devoted to housing development and regeneration, reflecting the strategic priority 'A Home for Everyone' and the refinement of the Council's housing development and regeneration plans over the past 18 months.

Capital strategy principles

- 1.4 The Council has developed some core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:
 - (i) Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
 - (ii) Self-funding schemes focused on strategic plan priority outcomes;
 - (iii) Other schemes focused on strategic plan priority outcomes; and
 - (iv) Other priority schemes which will attract significant external funding.
- 1.5 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:
 - (a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.
 - b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must first be prepared.

- 1.6 Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed, they may still be included within the programme if they fall within one of the four categories set out at paragraph 1.4 above.
- 1.7 If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme, a prioritised list of schemes that can be added to the programme as future resources permit will be created and approved by Policy and Resources Committee, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.
- 1.8 The MTFS requires the Council to identify actual funding before commencement of schemes. Accordingly, while schemes may be prioritised for the programme, ultimately commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.
- 1.9 The MTFS principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:
 - a) The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies;
 - b) Opportunities to obtain receipts from asset sales as identified in the asset management plan and approved for sale by Policy and Resources Committee;
 - c) The approval of prudential borrowing when the following criteria also apply to the schemes funded by this method:
 - i. they are commercial in nature;
 - ii. the outcome returns a financial benefit at least equal to the cost incurred by borrowing to fund the schemes;
 - iii. after covering the cost of funding, a further financial or non-financial benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan or the medium term financial strategy.
 - d) The use of New Homes Bonus for capital purposes in line with the Council's strategic plan priorities;
 - e) The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.

Funding the Capital Programme

- 1.10 Typically, local authorities rely on prudential borrowing, usually through the Public Works Loan Board, to fund capital expenditure. Maidstone Borough Council has taken a different course, having set aside the annual New Homes Bonus that has been received from central government since 2011 to fund its capital programme. This has allowed the Council to avoid the financial costs of borrowing and the requirement to make provision for loan repayment.
- 1.11 However, it has been recognised for some time by the Council that the scale of its capital programme, together with the progressive reduction in New Homes Bonus funding, means that this approach is not sustainable in the medium term. The Council has therefore approved the use of prudential borrowing provided that it meets the criteria set out in the MTFS principles (see paragraph 1.9 above). Accordingly, prudential borrowing may be used for capital schemes such as the following:
- 1) Acquisition of commercial property;
 - 2) Acquisition of property in order to meet statutory obligations in relation to homelessness;
 - 3) Action to enable stalled development to progress;
 - 4) Self-funding developments that support the objectives of the Council's Strategic Plan and the Medium Term Financial Strategy.
- 1.12 The use of prudential borrowing is subject to an approved business case that evidences a benefit above that required to repay any debt over the life of the activity. The additional benefit may be financial or non-financial but must support the objectives of the strategic plan.
- 1.13 The Council maintains a principle of prior funding of schemes. Although commitment to a scheme is given by its inclusion in the programme the strategy requires that funding is identified in advance of formal commencement of the work. The quarterly monitoring of the capital programme enables Policy and Resources Committee to take effective decisions based on current levels of funding before major projects commence.
- 1.14 The funding assumptions made in the development of the future capital programme are essential to the development of the budget. Specific detail in relation to each source is set out in the paragraphs below.

New Homes Bonus

- 1.15 It has been a principle of the Council's capital programme that New Homes Bonus receipts are used to support the capital programme. The scale of New Homes Bonus payments was reduced in the Local Government Finance Settlement 2017/18, which included a reduction of the period for which New Homes Bonus would be paid from six years to five in 2017/18 and then to four in 2018/19. An allowance was also made in calculating New Homes

Bonus for the natural growth in housing from 'normal' levels of development. This means that New Homes Bonus will now only be paid on growth in excess of 0.4% per annum.

- 1.16 Given these principles, it was projected that New Homes Bonus payable in 2018/19 would be £3.1 million. The actual amount payable, announced in December 2017, is £3.2 million, and is projected to be £3.4 million in 2020/21.
- 1.17 The New Homes Bonus grant is considered to be a revenue grant and its use for capital expenditure is a local decision by this Council. It is therefore properly accounted for as revenue support to the capital programme.

Capital Grants and Contributions

- 1.18 Many of the grants that were available to the council for funding capital projects in the past no longer exist. However, recent projects have received support through grants and contributions, eg the Museum, Mote Park, and the High Street. Some government grants are annual sums, such as the disabled facilities grant, but the majority of sums are one-off and scheme specific.
- 1.19 The government's objective of building new homes has meant that grants are potentially available through sources such as the Housing Infrastructure Fund and the Land Assembly Fund. The Council seeks to identify opportunities wherever possible to bid for money from these funds where there is a gap in funding from other sources.
- 1.20 In addition, funding is also available through Local Enterprise Partnerships (LEP). Proposals must be submitted as bids to the South East LEP if the resources are to be directed towards Maidstone initiatives.
- 1.21 The estimated grant for disabled facilities grants is included within the calculation of overall capital programme funding. As other grants are subject to a bidding process, the outcomes of which cannot be predicted with certainty, this is the only grant assumed to be received in the future.

Developer Contributions (S 106) and Community Infrastructure Levy

- 1.22 The Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a 'planning obligation' with the developer. Such obligations, authorised by section 106 of the Town and Country Planning Act 1990, generally either improve the quality of the development, or overcome difficulties which would otherwise result in planning permission being refused. A planning obligation must be:
- (a) necessary to make the development acceptable in planning terms;
 - (b) directly related to the development; and
 - (c) fairly and reasonably related in scale and kind to the development.

1.23 The Council may therefore receive funds to enable it, or the relevant public authority, to undertake works arising from these planning obligations. Examples of the use of planning obligations are the:

provision of affordable housing;
improvement to community facilities, eg - public open space / play areas, educational facilities;
improved transport facilities;
public art;
renewable energy measures;
specific measures to mitigate impact on a local area - parking restrictions, landscaping or noise insulation.

1.24 Local Authorities in England and Wales can now charge Community Infrastructure Levy (CIL) on new developments in their area. The levy is designed to be fairer, faster and more transparent than the previous system of agreeing planning obligations between local Councils and developers under S 106. In areas where a CIL is in force, land owners and developers must pay the levy to the local Council. The charges are set by the Council, based on the size and type of the new development and the money raised from the community infrastructure levy can be used to support development by funding infrastructure that the Council, local community and neighbourhoods want, such as new or safer road schemes or park improvements.

1.25 Maidstone Borough Council has approved a CIL charging schedule and expects to implement CIL in October 2018. In approving the CIL charging schedule, the Council has specified infrastructure projects that may be funded wholly or partly through CIL. These include, for example, strategic green and blue infrastructure measures and improvements, such as open space, improvements and mitigation required to make the development acceptable in planning terms. No CIL funded projects are included in the capital programme at this stage, but with the implementation of CIL they are likely to form an increasingly important component of the Capital Programme.

Prudential Borrowing

1.26 The Council has the power to borrow to finance capital expenditure subject to the guidance set out in the Prudential Code. This code of practice is published by the Chartered Institute of Public Finance and Accountancy and covers the full range of capital planning, not just borrowing.

1.27 Compliance with the code is a statutory requirement and the Council's MTFS has been developed to ensure compliance. In summary the key objectives of the code are:

- a) To ensure within a clear framework that capital expenditure plans are affordable, prudent and sustainable;
- b) That treasury management decisions are taken in accordance with good professional practice;
- c) That local strategic planning, asset management planning and proper option appraisal are supported; and

d) To provide a clear and transparent framework to ensure accountability.

- 1.28 The Government has recently consulted on proposed changes to the Prudential Framework, following concerns that some local authorities were making inappropriate use of their borrowing powers. The proposed changes, as circulated for consultation, are not considered so restrictive as to prevent the relatively limited use of prudential borrowing envisaged by Maidstone Borough Council. It was originally anticipated that the new Framework would apply from 2018/19, but following representations from the local government sector it now appears that implementation of the new Framework will be delayed.
- 1.29 In 2012 the Council approved in principle the use of prudential borrowing, but it has not yet needed to undertake any. Current cash flow projections indicate that prudential borrowing will not be required until 2019/20.
- 1.30 The proposals set out in this report suggest a need to consider up to £44.6 million of prudential borrowing over the life of the programme. This level of borrowing would be subject to the principles set out in paragraph 1.10.
- 1.31 In considering the Treasury Management Strategy 2018/19, for recommendation to Council, the Audit Governance & Standards Committee has been made aware of the potential for the level of prudential borrowing that would arise from the approval of the recommendations in this report.

Internal Borrowing

- 1.32 To date the Council has not borrowed to finance the capital programme, as the value of borrowing was outweighed by the benefit of using the Council's own resources. So long as the Council is holding cash balances, there is no merit in borrowing externally, given the margin between borrowing and lending rates of interest. This is termed 'internal borrowing'. It is anticipated that the Council will continue to be able to rely on internal borrowing in 2018/19.

Overall Funding Level

- 1.33 The resource available for the capital programme, based on the detail above, is given in Appendix B. The appendix shows total resources expected in the period 2018/19 to 2022/3 as £73,652,000.

Capital Programme proposals

- 1.34 Appendix C to this report sets out a recommended programme. This includes schemes that already form part of the existing capital programme together with new schemes that it is now proposed to include within the capital programme. New schemes and schemes whose scope has been significantly expanded are indicated below.

Communities, Housing and Environment

- 1.35 Housing Development and Regeneration - £34.2 million

The Housing Development and Regeneration Investment Plan agreed by Policy and Resources Committee at its meeting on 25 July 2017 envisages development by the Council of new homes, including the existing planned developments at Brunswick Street and Union Street, together with future developments, potentially undertaken in partnership with the social housing sector in order to maximise the impact of the programme. This will contribute to the delivery of the Local Plan and help to complement market provision of new housing, particularly affordable housing.

In addition, where appropriate, direct purchases will be made of existing properties where these meet strategic objectives such as town centre regeneration, eg purchase of Lenworth House. The identification of sites for future development will have regard to other relevant Council initiatives, including the Regeneration Opportunity Areas project and the development of the Maidstone East site.

The costs included in the capital programme include both land acquisition costs, where applicable, and construction costs.

1.36 Temporary Accommodation – £6.9 million

MBC has acquired 14 homes for use as temporary accommodation over the past year. It is now proposed to buy a further 15 units in 18/19, at an average fully inclusive cost of £300,000 each. It is projected that the net return will be sufficient to cover the cost of funds in the form of prudential borrowing. Additionally, the use of these properties will reduce our reliance on nightly paid temporary accommodation. To allow for potential further acquisitions, an amount of £600,000 per annum has been included thereafter.

1.37 Disabled Facilities Grants – £4.4 million

The Council works with Kent County Council Social Services to deliver adaptations and facilities to enable disabled people to remain at home. This element of the capital programme therefore has a directly beneficial impact for individual local residents. Assistance under this budget is not funded by the Council but is funded from the Department of Health Better Care Fund (BCF) as a specific capital grant.

1.38 Flood Action Plan - £1.1 million

The existing capital programme includes £1 million for flood defences. Maidstone Borough Council is part of the Medway Flood Partnership, which includes the Environment Agency and Kent County Council, and has recently published a Flood Action Plan setting out a range of initiatives. The Partnership plans to spend at least £19 million over the next five years in the Medway catchment area on schemes to manage and reduce flood risk. In many cases, partnership funding from local authorities is essential in order to secure matching funds from central government and other agencies. Maidstone's proposed contribution of £1 million is expected therefore to leverage significant further funding.

1.39 Public Realm capital improvements - £0.2 million

With an increasing population and new development and growing pressure on the public realm, there is a need to upgrade equipment such as litter bins and mechanical sweepers, above and beyond the normal end-of-life replacement of existing assets. This will improve help the Council maintain the public realm efficiently and well, and will improve the quality of the public realm.

1.40 Commercial waste expansion - £0.2 million

The commercial waste service has proved to be successful in generating income for the Council. In particular, it provides a valuable service to small businesses that do not have access to nationwide waste collection contracts. In order to expand the service an additional refuse collection vehicle is required at a cost of £180,000, which would be funded through the additional income generated.

Heritage, Culture and Leisure

1.41 Mote Park Dam works - £1.9 million (new)

Mote Park Lake is effectively a reservoir retained by a dam at its western end. A recent review of dam safety under the Reservoirs Act 1975 included a mandatory recommendation that the spillway capacity is increased to reduce the risk of failure due to overtopping. The Council must carry out the necessary work by June 2020 to avoid enforcement action by the Environment Agency. This work therefore comes under the first heading set out in paragraph 1.4, 'required for statutory reasons'. Consultants have been commissioned to design a suitable scheme for upgrading the spillway. Current estimates are that the cost will be in the order of £1.4 million to £1.9 million. The higher figure has been used for the purposes of capital planning, but detailed work is needed in order to arrive at a scheme budget. Member approval will in any case be sought for expenditure on the scheme.

1.42 Mote Park Visitor Centre - £1.6 million

An allowance has been made in the capital programme for a visitor centre as part of the strategy to develop a sustainable future for Mote Park. Plans are now well advanced for its construction.

1.43 Mote Park Adventure Zone and Other Improvements - £0.9 million

The Adventure Zone forms part of the current capital programme. It is linked to improvements intended to increase parking capacity within the park.

1.44 Continued improvements to play areas - £0.9 million

The rationale of this project is to establish a standard for play across the borough, such that 'most residents will live within 12 minutes' walk of a good quality play area'. As some of these strategically important play areas are owned by parish councils it is proposed that these parishes be

offered a £10,000 grant towards improving their play areas. The total cost of this grant would be £200,000. S106 money is available to be used towards improving play areas.

1.45 Museum Development Plan - £0.4 million

As part of the ongoing development of the museum, a number of further projects are envisaged.

1.46 Crematorium Development Plan - £0.4 million

A number of schemes are proposed to upgrade the crematorium including the provision of additional parking.

1.47 Other Parks Improvements - £0.1 million

These works are to update aging infrastructure.

Policy and Resources

1.48 Property Investment Strategy - £12.4 million (expanded)

The Council has a successful track record of acquiring commercial assets, which generate a return that has helped to support the revenue budget and contribute to the local economy. The capital programme includes a fund of £12.5 million which is intended to give the capacity to pursue investment opportunities in line with the Property Investment Strategy. These may include the acquisition of new investment properties in the short term and, over the longer term, development projects such as the Kent Medical Campus.

1.49 Infrastructure Delivery Plan - £3.0 million

It is expected that infrastructure schemes as outlined in the Local Plan will be funded directly from the benefits gained from the development. However, viability assessments of expected developments suggest that there will be a funding gap. The Council is prepared to support that infrastructure need in order to deliver its strategic priorities. Accordingly, £3 million has been set aside within the capital programme to contribute towards a range of schemes, to be identified in due course, to provide local infrastructure.

1.50 Town Centre Public Realm improvements - £2.5 million

Following Phases 1 and 2 of the High Street regeneration, further improvements are proposed for Week Street and Gabriels Hill.

1.51 Asset Management / Corporate Property - £1.5 million

The Property Services section carries out a 5 year cycle of condition surveys of Council property which provide a costed programme of essential replacement or refurbishment of building elements to ensure the

proper, compliant and efficient operation of the buildings in accordance with the Asset Management Plan. There is no financial return from the projects, but they do eliminate the accumulation of a backlog of maintenance, reduce the risk of failure and interruption of service and the cost of reactive maintenance. An additional allowance has been included for forthcoming one-off remedial work including that at Heather House.

1.52 Software / PC replacement - £0.5 million

This is for replacement of hardware and software within the remit of Maidstone Borough Council (MBC). It is used wholly for MBC assets and is not available to any other partner within the MKS ICT shared service. It may however be used to pay a proportion of costs (related to MBC) for a shared service initiative.

1.53 Maidstone East - £0.3 million

This amount is to fund ongoing work to facilitate short term uses for the Maidstone East site.

1.54 Feasibility Studies - £0.1 million

An allowance has been included in the capital programme for feasibility works on schemes that are not yet ready to be included in the main programme.

Strategic Planning, Sustainability and Transportation

1.55 Bridges Gyratory Scheme - £0.3 million

This amount is the balance of funding for the Bridges Gyratory Scheme. This project is now substantially complete and the balance of the funding will be used for flood prevention measures in the area.

2. AVAILABLE OPTIONS

- 2.1 Agree the capital strategy principles, funding arrangements and detailed proposals as set out in section 1 above.
- 2.2 Amend or delete some or all of the proposals, and agree alternative proposals.
- 2.3 Defer a decision on the proposals to this Committee's meeting on 14 February 2018.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The preferred option is that the Committee agrees the proposals set out in section 1. Whilst a final decision is not required until Council sets a budget

on 28 February 2018, an early decision by this Committee will allow advance planning to commence and will potentially allow the benefits of investment to be realised more quickly.

4. RISKS

- 4.1 From 2019/20, the capital programme will require funding through prudential borrowing. Many of the schemes outlined above are projected to be self-funding. However, this assumes that the income assumptions on which they are based are reliable. In an increasingly uncertain economic environment, there is a significant risk that the cost of borrowing and the requirement to make provision for repayment will not be covered.
 - 4.2 The scale of the capital programme – in excess of £60 million of expenditure over five years – is much greater than has been attempted by Maidstone Council in recent years. It will require considerable capacity for delivery and project management.
 - 4.3 At present it is anticipated that funding will be available for the capital programme. Typically, local authorities rely for funding on the Public Works Loan Board. There is a risk that, alongside the implementation of a more rigorous Prudential Framework, the Government may seek to limit Public Works Loan Board funding directly. Whilst other funders, including the commercial sector, could provide alternative sources of capital in such a scenario, the cost of borrowing would be likely to increase, thus putting at risk the viability of more marginal schemes.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 28 June 2017 and has subsequently received further reports on the development of the budget for 2018/19.
 - 5.2 Consultation is currently being carried out on the broader budget proposals for 2018/19. Individual Service Committees are considering the budget proposals relating to capital schemes within their areas of responsibility. There will be an opportunity for Policy and Resources Committee to consider the outcomes of consultation at its meeting on 14th February 2018, before submitting final budget proposals to Council.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The timetable for setting the budget for 2018/19 is set out below.

Date	Meeting	Action
January 2018	All Service Committees	Consider 18/19 budget proposals
14 February 2018	Policy and Resources Committee	Agree 18/19 budget proposals for recommendation to Council
28 February 2018	Council	Approve 18/19 budget

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. Specifically, the capital programme allows for investment in long term projects that support the strategic plan objectives.	Section 151 Officer & Finance Team
Risk Management	See section 4 above.	Section 151 Officer & Finance Team
Financial	Set out in report.	Section 151 Officer & Finance Team
Staffing	None.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced budget. Allocation of resources in the way set out in this report supports achievement of a balanced budget.	Legal Team
Privacy and Data Protection	None.	Section 151 Officer & Finance Team
Equalities	Where appropriate, Equalities	Section 151

	Impact Assessments are carried out for specific budget proposals.	Officer & Finance Team
Crime and Disorder	None.	Section 151 Officer & Finance Team
Procurement	Procurement of the capital schemes described in section 1 of this report will be in accordance with the procurement provisions within the Council's constitution.	Section 151 Officer & Finance Team

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Current Capital Programme 2017/18 to 2021/22
 - Appendix B: Estimated Capital Resources 2018/19 to 2022/23
 - Appendix C: Proposed Capital Programme 2018/19 to 2022/23
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9. BACKGROUND PAPERS

There are no background papers.

AGREED CAPITAL PROGRAMME 2017/18 - 2012/22

	Outturn	Five year plan					Total
	16/17	17/18	18/19	19/20	20/21	21/22	
	£000	£000	£000	£000	£000	£000	£000
Housing and regeneration schemes	21	1,500	7,500	11,500	8,500	3,000	32,000
Housing investments	754	3,900	600	600	600	600	6,300
Other housing	840	1,376	1,150	1,150	1,150	1,150	5,976
Commercial property investments	3,653	1,500	0	0	0	0	1,500
Parks and open spaces	641	2,292	1,919	625	0	0	4,836
Town Centre regeneration	131	1,400	1,400	0	0	0	2,800
Maidstone East	2,783	288	212	0	0	0	500
Flood defences	28	50	50	300	550	50	1,000
Infrastructure delivery	500	0	3,000	0	0	0	3,000
Bridges Gyratory Scheme	941	0	0	0	0	0	0
Other	1,559	740	601	520	415	225	2,501
TOTAL	11,851	13,046	16,432	14,695	11,215	5,025	60,413

ESTIMATED CAPITAL PROGRAMME RESOURCES 2018/19 - 2022/23

Source of funding	Estimate					Total £000
	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	
Contribution from Earmarked Reserve (New Homes Bonus)	3,200	3,400	0	0	0	6,600
Capital Grants (Disabled Facilities)	800	800	800	800	800	4,000
Internal Borrowing	18,401	0	0	0	0	18,401
Prudential Borrowing	4,132	17,983	8,086	7,225	7,225	44,651
TOTAL	26,533	22,183	8,886	8,025	8,025	73,652

PROPOSED FIVE YEAR CAPITAL PROGRAMME 2018/19 - 2022/23

	17/18	Five year plan					Total
	Projected £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	
Housing Development and Regeneration	1,666	9,066	14,631	3,786	3,350	3,350	34,183
Temporary Accommodation	3,914	4,500	600	600	600	600	6,900
Disabled Facilities Grants	692	1,192	800	800	800	800	4,392
Flood Action Plan	5	500	500	63			1,063
Public Realm Capital Improvements	50	150	25	25			200
Commercial Waste		180					180
Gypsy Site Fencing Works	42						0
Sub-total Communities, Housing & Environment	6,369	15,588	16,556	5,274	4,750	4,750	46,918
Mote Park Dam Works	0	1,300	600				1,900
Mote Park Visitor Centre	74	562	1,073				1,635
Mote Park Adventure Zone	1,469	515	375				890
Continued Improvements to Play Areas	469	881					881
Museum Development Plan	145	175	170	90			435
Crematorium Development Plan	264	353					353
Other Parks Improvements		100					100
Sub-total Heritage, Culture & Leisure	2,421	3,886	2,218	90	0	0	6,194
Property Investment Strategy	3,597	2,403	2,500	2,500	2,500	2,500	12,403
Infrastructure Delivery		600	600	600	600	600	3,000
Town Centre Public Realm	444	2,540					2,540
Corporate Property	200	756	175	175	175	175	1,456
Software / PC Replacement	143	115	84	247			446
Maidstone East/Sessions Square	576	296					296
Feasibility Studies	50	50	50				100
Sub-total Policy & Resources	5,010	6,760	3,409	3,522	3,275	3,275	20,241
Bridges Gyrotory Scheme	160	299					299
Riverside Towpath	40						0
Sub-total Strategic Planning, Sustainability & Transportation	200	299	0	0	0	0	299
TOTAL	14,000	26,533	22,183	8,886	8,025	8,025	73,652

Agenda Item 15

Policy & Resources Committee

24 January 2018

Fees & Charges 2018/19

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report sets out the proposed fees and charges for 2018/19 for the services within the remit of this Committee, and summarises the overall changes for all Committees. Fees and charges determined by the council are reviewed annually, and this forms part of the budget setting process.

The Committee is invited to consider the appropriateness of the proposals for charges which are set at the Council's discretion.

Charges which are determined centrally have been included in Appendix 1 for information.

This report makes the following recommendations to this Committee:

1. That the proposed discretionary fees and charges set out in Appendix 1 to this report are agreed.
2. That the centrally determined fees and charges set out in Appendix 1 to this report are noted.
3. That the overall change in fees and charges attached at Appendix 2 is noted.

Timetable

Meeting	Date
Policy & Resources Committee	24 January 2018

Fees & Charges 2018/19

1. INTRODUCTION AND BACKGROUND

1.1 The updated Charging Policy was considered and agreed by this Committee on 22 November 2017. The policy seeks to ensure that:

- a) Fees and charges are reviewed regularly, and that this review covers existing charges as well services for which there is potential to charge in the future.
- b) Budget managers are equipped with guidance on the factors which should be considered when reviewing charges.
- c) Charges are fair, transparent and understandable, and a consistent and sensible approach is taken to setting the criteria for applying concessions or discounted charges.
- d) Decisions regarding fees and charges are based on relevant and accurate information regarding the service and the impact of any proposed changes to the charge is fully understood.

1.2 The policy covers fees and charges that are set at the discretion of the council and does not apply to services where the council is prohibited from charging, e.g. the collection of household waste. Charges currently determined by central government, e.g. statutory licensing fees, are also outside the scope of the policy. However, consideration of any known changes to such fees and charges and any consequence to the medium term financial strategy are included in this report for information.

1.3 Budget managers are asked to consider the following factors when reviewing fees and charges:

- a) The Council's strategic plan and values, and how charge supports these;
- b) The use of subsidies and concessions targeted at certain user groups or to facilitate access to a service;
- c) The actual or potential impact of competition in terms of price or quality;
- d) Trends in user demand including an estimate of the effect of price changes on customers;
- e) Customer survey results;
- f) Impact on users, both directly and on delivering the Council's objectives;
- g) Financial constraints including inflationary pressure and service budgets;

- h) The implications of developments such as investment made in a service;
- i) The corporate impact on other service areas of Council wide pressures to increase fees and charges;
- j) Alternative charging structures that could be more effective;
- k) Proposals for targeting promotions during the year and the evaluation of any that took place in previous periods.

1.4 Charges for services which fall within the remit of this Committee have been reviewed by budget managers in line with the policy, as part of the development of the medium term financial strategy for 2018/19 onwards. The detailed results of the review carried out this year are set out in Appendix 1 and the approval of the Committee is sought to the amended fees and charges for 2018/19 as set out in that appendix.

1.5 Table 1 below summarises the 2016/17 outturn and 2017/18 estimate for income from the discretionary fees and charges which fall within the remit of this Committee. It also indicates the proposed budget for 2018/19, taking into account any changes in the fees and charges, as well as expected changes in the volume of transactions. Please note that the table only reflects changes relating to fees and charges and does not include other budget proposals which may impact these service areas.

Service Area	2016-17 Outturn £	2017-18 Estimate £	Proposed increase in income £	2018-19 Estimate £
Business Terrace	58,998	89,680	0	89,680
Jubilee Square	8,155	3,500	0	3,500
Legal Services	56,729	43,400	0	43,400
Town Hall	1,302	3,990	0	3,990
Maidstone House (staff parking)	0	15,000	0	15,000
Total income from charges set by the Council	125,184	155,570	0	155,570

Table 1: Discretionary Fees & Charges Summary (P&R)

- 1.6 The review of fees and charges has resulted in a small number of increases to counteract the impact of inflation and increased contract costs. Overall it is not anticipated that this will give rise to a net increase in the Council's income budgets for these areas.
- 1.7 The fee structure for Mid Kent Legal Services has been rationalised with fees for individual services being discontinued and replaced with an hourly rate. Income in 2016/17 was higher than anticipated due to a significant volume of income derived from s106 agreements. As it is unclear whether or not this will be sustained through to 2018/19, the budget has been set at the same level as for the current year. Any increase in income arising from a higher volume of work would be used to finance increased costs payable under the shared service contract.

- 1.8 Table 2 below summarises the income due from fees which are set by the government. There is no change in the level of charge or income expected for the forthcoming financial year. However, the budget has been increased by 23.23% from the 2017/18 level due to the expansion of the service. The increased income will be used to cover additional operational costs.

Service Area	2016-17 Outturn	2017-18 Estimate	Proposed increase in income	2018-19 Estimate
	£	£	£	£
Mid Kent Enforcement Service*	370,848	710,580	165,420	876,000
Total income from charges set externally	370,848	710,580	165,420	876,000

Table 2: Statutory Fees & Charges Summary (P&R)

*This operates as a shared service, the income is gross and the net profit is shared equally between the 3 authorities.

- 1.9 The updated Charging Policy states that this Committee will consider the overall impact of the proposed changes in fees and charges, and a summary of main changes in each area is therefore provided within Appendix 2. Overall, the anticipated impact of the proposals represents a 2.75% increase on the existing budget.

2. AVAILABLE OPTIONS

Option 1

- 2.1 The Committee could approve the recommendations as set out in the report, adopting the revised fees and charges as proposed in Appendix 1. As these proposals have been developed in line with the council's policy on fees and charges they will create a manageable impact on service delivery whilst maximising income levels.

Option 2

- 2.2 The Committee could agree different increases to those proposed within Appendix 1. Any alternative increase may not be fully compliant with the policy, would require further consideration before implementation and may not deliver the necessary levels of income to ensure a balanced budget for 2018/19. The impact on demand for a service should also be taken into account when considering increases to charges beyond the proposed level.

Option 3

- 2.3 The Committee could reject the proposed changes and leave all fees at the current level. However, this would limit the Council's ability to recover the cost of delivering discretionary services, and could result in the Council being unable to set a balanced budget for 2018/19.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 Option 1 as set out above is recommended as the proposed fees and charges shown within Appendix 1 have been developed by budget managers in line with the Council’s Charging Policy. The proposed charges are considered appropriate and are expected to create a manageable impact on service delivery whilst maximising cost recovery.

4. RISK

4.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council’s Risk Management Framework. We are satisfied that the risks associated are within the Council’s risk appetite and will be managed as per the Policy.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 Fees and charges proposals are being considered by service Committees throughout December and January.

5.2 No specific consultation has been completed on these fees and charges but the previous resident’s survey included questions relating to direct payment for services and this option was seen by residents as the second most popular way of managing pressures on council budgets, with 19.7% of responders voting in favour of this option.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 If agreed, the revised fees will come into effect from 1 April 2018, unless otherwise stated.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<ul style="list-style-type: none"> The Council’s policy on charging 	Head of Finance
Risk Management	<ul style="list-style-type: none"> Risk implications have been set out in section 4 of the report. 	Head of Finance
Financial	<ul style="list-style-type: none"> We expect accepting the recommendations will ensure that inflationary 	Head of Finance

	<p>and contract increases can be met from additional fee income. If agreed, this income will be incorporated into the Council's medium term financial strategy for 2018/19 onwards.</p>	
Staffing	<ul style="list-style-type: none"> We will deliver the recommendations with our current staffing. 	Head of Finance
Legal	<ul style="list-style-type: none"> A number of the fees and charges made for services by the Council are set so as to provide the service at cost. These services are set up as trading accounts to ensure that the cost of service is clearly related to the charge made. In other cases the fee is set by statute and the Council must charge the set fee. In both cases the proposals in this report meet the Council's obligations. Where a customer defaults the fee or charge for a service must be defensible, in order to recover it through legal action. Adherence to the policy on setting fees and charges provides some assurance that appropriate factors have been considered in setting these charges. 	Legal Team

Privacy and Data Protection	<ul style="list-style-type: none"> No specific impact identified. 	Legal Team
Equalities	<ul style="list-style-type: none"> The recommendations do not propose a change in service therefore will not require an equalities impact assessment 	Policy & Information Manager
Crime and Disorder	<ul style="list-style-type: none"> No specific impact identified. 	Head of Finance
Procurement	<ul style="list-style-type: none"> No specific impact identified. 	Head of Finance

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Proposed fees & charges 2018-19 - Policy & Resources Committee
- Appendix 2: Summary of fees & charges 2018-19 - All Committees

9. BACKGROUND PAPERS

Charging Policy: <http://aluminum:9080/documents/s58019/Appendix%201%20-%20Charging%20Policy%20November%202017.pdf>

Medium Term Financial Strategy 2018/19

Fees Charges

Policy Resources Committee

Fees and Charges April 2017 - March 2018	* Includes VAT	Discretionary Fee	Statutory Fee	2016-2017 Actuals	2017 - 2018 Current Estimate	Current Charges 2017-2018	Proposed Charges 2018-2019	% Change	2017-2018 +/- Income	2018 -2019 Estimate	Comments
Business Terrace											
Business Terrace											
Offices (month)				49636	49,580					49,580	Average price increase of 21.43% on 2015 prices. Removing the need for further inflation-based increases for several years
Office 1		x				600.00	600.00	0.00%			
Office 2		x				250.00	250.00	0.00%			
Office 3		x				250.00	250.00	0.00%			
Office 4		x				167.00	167.00	0.00%			
Office 5		x				360.00	360.00	0.00%			
Office 6		x				360.00	360.00	0.00%			
Office 7		x				525.00	525.00	0.00%			
Office 8		x				375.00	375.00	0.00%			
Office 9		x				500.00	500.00	0.00%			
Office 10		x				375.00	375.00	0.00%			
Office 11		x				250.00	250.00	0.00%			
Office 12		x				250.00	250.00	0.00%			
Office 13		x				845.00	845.00	0.00%			
Office 14		x				496.00	496.00	0.00%			
Office 15		x				1,457.00	1,457.00	0.00%			
Office 16		x				1,165.00	1,165.00	0.00%			
Office 17		x				1,078.00	1,078.00	0.00%			
Hot desks and meeting space				9362	40,100					40,100	Prices unchanged due to market demand. Increased awareness will increase usage, increasing income
Hot desk day pass		x				10.00	10.00	0.00%			
Hot desk package 30 (month)		x				40.00	40.00	0.00%			
Hot desk package 50 (month)		x				62.50	62.50	0.00%			
Hot desk package 100 (month)		x				120.00	120.00	0.00%			
Hot desk unlimited (month)		x				162.50	162.50	0.00%			
Meeting room (hour)		x				5.00	5.00	0.00%			
Seminar Room (half day)		x				58.33	58.33	0.00%			
Seminar Room (full day)		x				125.00	125.00	0.00%			
Business Terrace Total				58,998	89,680				0	89,680	
Economic Development-Jubilee Square											
Jubilee Square (EN40 B724)				8155	3500					3500	
Use of premises licence		x				68.00	68.00	0.00%			
Use of electricity (incl Openreach call out)		x				22.00	80.00	263.64%			
Promotional/educational stands		x				230.00	240.00	4.35%			
Promotional with use of Licence		x				250.00	240.00	-4.00%			
Events (min) charity fee		x				105.00	50.00	-52.38%			
Economic Development Total	****			8,155	3,500				0	3,500	

Medium Term Financial Strategy 2018/19

Fees Charges

Fees and Charges April 2017 - March 2018	* Includes VAT	Discretionary Fee	Statutory Fee	2016-2017 Actuals	2017 - 2018 Current Estimate	Current Charges 2017-2018	Proposed Charges 2018-2019	% Change	2017-2018 +/- Income	2018 -2019 Estimate	Comments
Legal Services											
Business Tenancies and Leases				56,729	43,400					43,400	
Licences (minimum charges)						212.00	0.00				Discontinued
Initial lease/tenancy (minimum charges)						318.00	0.00				Discontinued
Renewal (minimum charges)						162.00	0.00				Discontinued
Licences to assign/sublet/change use/alter premises (minimum charges)						162.00	0.00				Discontinued
Hourly Rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
New Road licences											
						Contribution negotiated with asset management team	Contribution negotiated with asset management team				
Council Land											
Routine transactions* (subject to minimum charge)						527.00	0.00				Discontinued
Hourly Rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
Complex transactions (hourly rate shown - subject to a minimum charge of £1,000)						207.00	0.00				Discontinued
Sale as mortgagee in possession (minimum charge)						369.00	0.00				Discontinued
<i>*Includes sale of council land and disposal of public open spaces (advertising is a separate fee)</i>											
Easement											
Residential (minimum charge)						222.00	0.00				Discontinued
Commercial (minimum charge)						333.00	0.00				Discontinued
Hourly Rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
Completion of Section 106 Planning Agreements											
Routine (minimum charge)						578.00	0.00				Discontinued
hourly rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
Complex (minimum charge)						1,060.00	0.00				Discontinued
Complex (per hour)						207.00	0.00				Discontinued
Variation (minimum charge)						581.00	0.00				Discontinued
Variation (per hour)						210.00	215.00	2.38%			
Other Legal work (not covered by the above)											
External hourly rate		x				210.00	215.00	2.38%			
Administrative Fees (plus postage where applicable)											
A4 Documents Single Sided per page						0.50	0.50	0.00%			
A4 Documents Double Sided per page						1.00	1.00	0.00%			
Colour A4 Documents Single Sided per page						1.00	1.00	0.00%			
Copies of Legal Agreements/Deeds etc						5.00 to 40.00	5.00 to 40.00	0.00%			
Legal Services Total				56,729	43,400					0	43,400

Medium Term Financial Strategy 2018/19

Fees Charges

Fees and Charges April 2017 - March 2018	* Includes VAT	Discretionary Fee	Statutory Fee	2016-2017 Actuals	2017 - 2018 Current Estimate	Current Charges 2017-2018	Proposed Charges 2018-2019	% Change	2017-2018 +/- Income	2018 -2019 Estimate	Comments
Town Hall											
Fees & Charges		x		0	1,840					1,840	
Town Hall Lettings F071		x		1302	2,150					2,150	Tenants are currently being sought for the ground floor and the charge will be subject to negotiation with prospective tenants.
Town Hall Total				1,302	3,990				0	3,990	
Maidstone House (parking at MBC)											
Maidstone House (Staff Parking at MBC) Total	*	x		0	15,000	480.00	480.00	0.00%	0	15,000	Per annum - officer working over 25 hours
		x		0	15,000				0	15,000	
Mid Kent Enforcement Service (MKES)											
45 Compliance Fees - statutory charge		x		370,848	710,580	75.00	75.00	0.00%	165,420	876,000	This operates as a shared service, the income is gross and the net profit is shared equally between the 3 authorities.
Enforcement Fees - statutory charge		x				235.00	235.00	0.00%			Budget for 2017/18 full year effect and set as per cabinet report 14/04/2015
Shared MKES Total				370,848	710,580				165,420	876,000	
GRAND TOTAL				496,032	866,150				165,420	1,031,570	

Medium Term Financial Strategy 2018/19

Fees and Charges

Policy and Resources Committee

Service Area	2016-17	2017-18	Proposed	2018-19
	Outturn	Estimate	change in	Estimate
	£	£	£	£
Environmental Enforcement & Community Protection	4,804	3,900	0	3,900
Environmental Health	5,100	3,480	0	3,480
Licensing	30,657	29,560	0	29,560
Hackney Carriage and Private Hire Drivers Licences	114,899	133,360	0	133,360
HMO Licensing	21,850	13,380	0	13,380
Marde/Ulcombe Caravan Sites	74,918	66,200	0	66,200
Recycling & Refuse Collection	1,073,603	1,116,380	0	1,116,380
Environmental Enforcement & Community Protection	111,524	101,520	-99,000	2,520
Environmental Health	12,746	9,570	0	9,570
Licensing (statutory)	0	0	0	0
Communities, Housing & Environment Total	1,450,101	1,477,350	-99,000	1,378,350
Museum	52,683	64,500	0	64,500
Parks and Open Spaces	42,711	60,040	0	60,040
Cemetery	112,560	137,640	0	137,640
Crematorium	1,262,045	1,213,420	0	1,213,420
Market	163,017	179,840	-40,000	139,840
Heritage, Culture & Leisure Total	1,633,016	1,655,440	-40,000	1,615,440
Business Terrace	58,998	89,680	0	89,680
Jubilee Square	8,155	3,500	0	3,500
Legal Services	56,729	43,400	0	43,400
Town Hall	1,302	3,990	0	3,990
Maidstone House (staff parking)	0	15,000	0	15,000
Mid Kent Enforcement Service*	370,848	710,580	165,420	876,000
Policy & Resources Total	496,032	866,150	165,420	1,031,570
Street Naming & Numbering	66,995	49,000	0	49,000
Parking Services – off street	2,354,496	2,492,610	200,000	2,692,610
Park & Ride	232,617	236,830	0	236,830
Development Control – Pre-application fees	155,619	115,000	0	115,000
Parking Services	218,341	186,020	0	186,020
Local Land Charges	254,747	253,750	50,000	303,750
Building Control	377,697	326,850	0	326,850
Development Control – Planning & Conservation	1,277,616	1,520,530	0	1,520,530
Parking services - PCNs	884,204	864,660	0	864,660
Strategic Planning, Sustainability & Transportation Total	5,822,332	6,045,250	250,000	6,295,250
Grand Total	9,401,481	10,044,190	276,420	10,320,610