

**MAIDSTONE BOROUGH COUNCIL**

**REVENUE AND  
CAPITAL ESTIMATES**

**2019/20**

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## **STATEMENT OF ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

### **1. INTRODUCTION**

- 1.1 Section 25 of the Local Government Act 2003 requires that a local authority's Chief Finance Officer must report on:
- the robustness of the estimates made for the purposes of the budget calculations; and
  - the adequacy of the proposed financial reserves.
- 1.2 The following statement seeks to fulfil this requirement in respect of the 2019/20 budget setting process for Maidstone Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of the process.
- 1.3 The context for the budget setting process is set out in the Council's Medium Term Financial Strategy (MTFS), which is included as section 8 of this Appendix. The MTFS covers both revenue and capital budgets and underpins the budget setting process over the coming five year period. It sets out in financial terms how the Council will deliver its Strategic Plan. The constraints include the overall economic outlook, the financial resources available to the Council, and current service pressures. The MTFS identifies a gap between spending plans and available resources, and sets out how this can be addressed.

### **2. ROBUSTNESS OF ESTIMATES**

- 2.1 The budget contains estimates of future income and expenditure, which like any future events are subject to risk and uncertainty. The way in which the estimates have been drawn up has sought to mitigate this risk as much as possible.
- 2.2 It has done this, first of all, by adopting a structured approach in preparing the estimates. The budget estimates are the outcome of an exhaustive process, which commenced with Members agreeing underlying assumptions and a plan for developing a Medium Term Financial Strategy at the meeting of Policy and Resources Committee on 27 June 2018. The MTFS recognises that there is a high degree of uncertainty about the medium term financial position, and therefore incorporates various potential scenarios, representing favourable, neutral and adverse sets of circumstances. Budget proposals were developed to address the neutral and adverse scenarios. The neutral scenario budget proposals were subject to consultation with the relevant Service Committees.
- 2.3 There has been a thorough assessment of future spending pressures. In drawing up Strategic Revenue Projections, careful estimates have been made of the way in which spending is likely to increase and the potential sources of new spending pressures. There is considerable uncertainty about the impact of the new local government funding regime that is due to be implemented in 2020. Whilst the likely overall framework, incorporating 75% business rates retention for local authorities, has now been defined, the overall amount of funding for local authorities depends on the 2019 Spending Review. Moreover, the distribution of funding between authorities depends on the government's assessment of local authorities' relative needs and resources. Both factors

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indicate that the trend towards dependence entirely on Council Tax and self-generated income from fees, charges, etc will continue, with no support from central government and minimal benefits from the business rates retention regime.

- 2.4 Future financial projections have been checked against current performance as reported through the Council's regular quarterly budget monitoring. The budget estimates have been reviewed in the light of the latest budget monitoring information. Overall, current budget monitoring indicates a positive position, but where appropriate additional contingency has been included in respect of overspends that are likely to continue into 2019/20.
- 2.5 The table below sets out the specific factors that have been taken into account in the process of drawing up the MTFS and setting the 2019/20 budget.

The Council's corporate objectives and key priorities	The estimates reflect an assessment of growth required to implement the priorities within the Council's new Strategic Plan. The estimates also include resources to deliver the outcomes of other key strategies and to maintain service delivery.
Consultation with Council Taxpayers	The results of the 2018 Residents' Survey and the views expressed in prior year consultations have been taken into account when developing the budget proposals.
Consultation with Business Ratepayers	The Council publishes its Medium Term Financial Strategy and budget proposals. Business ratepayers may make written representations and these will be considered as part of the budget process.
Consultation with Service Committees	The Policy & Resources Committee has consulted each of the Service Committees on the budget proposals. A proposed change requested by the Strategic Planning, Sustainability and Transportation Committee and an amendment agreed by Policy & Resources Committee at their meeting on 13 February 2019 have been reflected in the final budget proposals
The level of funding likely from Central Government towards the costs of local services	The level of Revenue Support Grant fell to zero with effect from 2017/18 and this is reflected in the Strategic Revenue Projections. Other government grants are normally service specific and the amount and future risk is considered as part of the service budget and service risk assessment.
Retained element of business rates	Since 1 April 2013 a proportion of business rates income has been retained by the Council, separately from Revenue Support Grant. The amount of business rates income due to the Council under existing arrangements has been projected using prudent assumptions and has been reflected in the Strategic Revenue Projections. Additional income is anticipated as a result of the Council's participation in the Kent & Medway Business Rates Pool and is earmarked as a separate exercise from the main budget setting process.

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Council Tax Base	The recommended council tax base for 2019/20 is 62,033.4 and represents a 1.82% increase in the tax base over the 2018/19 figure.
Power of the Secretary of State to require a local referendum in respect of rising Council Tax levels	The Localism Act 2011 contained requirements for the Council to hold a referendum in circumstances where it plans an increase in council tax that is considered excessive and due regard has been paid to this requirement. This is consistent with the objective of the Medium Term Financial Strategy for the revenue budget to achieve a balanced budget whilst maintaining a reasonable level of council tax increase.
The Prudential Code and its impact on Capital Planning	<p>The Council uses a number of sources for the financing of its capital expenditure. The main source in recent years has been New Homes Bonus but financing also includes the use of capital grants and contributions and revenue resources.</p> <p>Within the current strategy it is envisaged that the Council will use prudential borrowing in future, in line with the requirements of the Prudential Code. A major objective of the Prudential Code is to ensure, within a clear framework, that the capital expenditure plans of the authority are affordable, prudent and sustainable. These principles are set out in the Medium Term Financial Strategy statement for capital with specific details contained in the Council's Treasury Management Strategy.</p>
The Council's Capital Programme	<p>The Council's capital programme is based on the principles of prioritisation, affordability and deliverability. The Council has adopted a Medium Term Financial Strategy for capital which sets out the planning process and priorities for capital.</p> <p>The revenue costs of the capital programme are reflected in the Strategic Revenue Projections.</p>
Interest Rates	Interest costs and returns have been assumed based on the advice of the Council's treasury management advisors as set out in the Treasury Management Strategy. Where prudential borrowing is undertaken, interest costs are fixed at the start of the loan term.
Adequacy of Balances	At the start of 2019/20 it is anticipated that the uncommitted general fund balance will be £6.6 million. The adequacy of reserves is discussed in more detail below.

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Earmarked Reserves	The Council maintains a series of Earmarked Reserves to manage more effectively the resources set aside for specific activities. At the start of 2019/20 these reserves are estimated to be £2.2m.
Pay and Price Inflation	The MTFS takes account of the impact of inflation on service expenditure, based on current predictions of the future level of inflation. Included within the budget is suitable provision for these increases.
Fees and Charges	The Council's strategy is to maximise income, subject to market conditions, opportunities, comparable charges elsewhere and the impact of charges on the delivery of key objectives. The Council has approved a policy on the use of fees and charges and service managers have regard to that policy when proposing changes to fees and charges. Increased levels of fees and charges are incorporated in the 2019/20 budget where these have been proposed and subsequently agreed by Members.
Growth Pressures	The Budget for 2019/20 and the projections within the MTFS for the revenue budget include all known and quantified key priorities and growth pressures that the Council is aware of at the present time. New priorities and growth pressures are anticipated to emerge over the period and in consequence, the strategy will be updated at least annually. There is an expectation that expenditure on expanding and improving services should be accommodated by direct charges to service users or reductions elsewhere within the Council's budget from efficiencies and low priority services through a prioritisation process.
Achieving budget savings	The MTFS depends on the delivery of budgeted savings. The Council has a good track record of delivering planned savings and regular budget monitoring ensures that prompt action is taken where savings are delayed. The deliverability of future savings is assessed as part of the budget preparation process.
Financial Management	The Council's financial information, management and reporting arrangements are sound and its procedures in relation to budget under / overspends are clear. Collection rates for council tax and business rates remain satisfactory. The Council's external auditor has found the Council's budgetary control procedures to be sound and is satisfied with the overall internal financial control arrangements, the Council's arrangements for ensuring the legality of transactions and has given an unqualified opinion on the 2017/18 Accounts. It is anticipated that a similar position will be reported for future years.

<p>Insurance Arrangements and Business Continuity</p>	<p>Risks identified via the preparation of Service Risk Registers have wherever possible been mitigated to an acceptable level. Any remaining risks have been transferred to an external insurance provider where possible. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council has a well-established Business Continuity Plan for key services.</p>
<p>Corporate Governance and Risk Management</p>	<p>The Council has adopted a local Code of Corporate Governance based upon the requirements of the CIPFA/SOLACE Corporate Governance framework. This incorporates risk management and the Council has a risk management strategy involving the preparation of risk registers at a Corporate level and for each Service area. The Council has had an established and effective Audit Committee since 2007.</p>

### **3. Adequacy of Reserves**

3.1 The Council maintains reserves as a financial safety net to allow for unforeseen circumstances. There is no statutory definition of a minimum level of reserves. Rather, it is accepted that minimum prudent level of reserves that the Council should maintain is a matter of judgement.

3.2 The Council has set a target for the minimum General Fund balance of £2 million. It is useful to establish a benchmark in this way but in the end the appropriate level of reserves is likely to fluctuate depending on the degree of risk that the Council faces. It is even possible that a given level of reserves may be excessive, if there is no likelihood of their being required, and there is an opportunity cost from failing to use the money in some more productive way.

3.3 The corporate risks faced by the Council, which might give rise to a call on reserves, include the following:

- breakdown of governance controls
- legal / compliance breaches
- inadequate workforce capacity / skills
- project failure
- ICT system failure / security
- poor partner relationships
- housing pressures continue to increase
- delivery of the Local Plan Review by April 2022
- financial restrictions
- General Data Protection Regulations (GDPR)
- major contraction in retail and leisure sectors.

These risks are kept under regular review and mitigations developed as appropriate.

3.4 Specific financial risks facing the Council include the following:

- Failure to contain expenditure within agreed budgets
- Fees and Charges fail to deliver sufficient income
- Commercialisation fails to deliver additional income
- Planned savings are not delivered
- Shared services fail to perform within budgeted levels
- Council holds insufficient balances
- Inflation rate predictions underlying MTFS are inaccurate
- Adverse impact from changes in local government funding
- Constraints on council tax increases
- Capital programme cannot be funded
- Increased complexity of government regulation
- Collection targets for Council Tax and Business Rates missed
- Business Rates pool / pilot fails to generate sufficient growth
- Adverse financial consequences from a disorderly Brexit.

These risks are likewise kept under regular review and mitigating actions taken. The financial risks, and an up to date evaluation of each, are reported to each meeting of the Audit, Governance and Standards Committee.

3.5 The Council's risk management strategy and policies seek to identify risk such those outlined above and to promote appropriate mitigations. Nevertheless, there will remain a degree of residual risk, and it is for this reason that it is appropriate to hold reserves.

3.6 The uncommitted General Fund balance as at 31 March 2019 is projected to be £6.6 million. Other earmarked balances total £2.2 million. As at 31 March 2020, the General Fund balance is projected to remain at £6.6 million with earmarked balances totalling £4.0 million. This is above the minimum level of balances set by the Council but is appropriate given the variety and potential severity of risks that the Council faces.

3.7 Taking into account the risks that the Council faces, and the overall scale and scope of the Council's activities, I consider the level of reserves to be adequate but not excessive. The level of reserves remains under regular review and is reported to Members as part of the quarterly budget monitoring process.

## 4. Conclusion

4.1 I am of the opinion that the approach taken in developing the 2019/20 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves.

Mark Green  
Director of Finance and Business Improvement

Date: 27 February 2019





**REVENUE ESTIMATE 2019/20 TO 2023/24  
STRATEGIC REVENUE PROJECTION (Neutral)**

2018/19 £000		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>AVAILABLE FINANCE</b>						
15,407	COUNCIL TAX EMPTY HOMES PREMIUM	16,159 17	16,812	17,491	18,198	18,933
3,136	RETAINED BUSINESS RATES	3,208	1,681	446	513	581
1,237	BUSINESS RATES GROWTH LEVY ACCOUNT SURPLUS	1,129 49	0	177	357	717
-418	COLLECTION FUND ADJUSTMENT	-85				
<b>19,362</b>	<b>BUDGET REQUIREMENT</b>	<b>20,477</b>	<b>18,493</b>	<b>18,114</b>	<b>19,067</b>	<b>20,231</b>
20,669	OTHER INCOME	20,839	21,013	21,190	21,371	21,556
<b>40,031</b>	<b>TOTAL RESOURCES AVAILABLE</b>	<b>41,316</b>	<b>39,506</b>	<b>39,304</b>	<b>40,438</b>	<b>41,787</b>
<b>EXPECTED SERVICE SPEND</b>						
37,870	<b>CURRENT SPEND</b>	40,031	41,316	39,506	39,304	40,438
<b>INFLATION &amp; CONTRACT INCREASES</b>						
960	PAY, NI & INFLATION INCREASES	997	1,058	1,096	1,136	1,178
40	MAIDSTONE HOUSE RENT INCREASE	40				
<b>NATIONAL INITIATIVES</b>						
100	LOSS OF ADMINISTRATION GRANT					
34	PENSION DEFICIT FUNDING	6	150	150	150	
70	PLANNING SERVICE					
<b>LOCAL PRIORITIES</b>						
400	PLANNING APPEALS	-400				
100	PLANNING ENFORCEMENT	-100				
0	LOCAL PLAN REVIEW			-200		
0	GROWTH TO MEET STRATEGIC PRIORITIES	131	24			
0	ADDITIONAL GROWTH AGREED BY P & R 13-02-19	80	10	-10		
0	FINANCIAL SUSTAINABILITY FUND ALLOCATION	-80				
50	GENERAL GROWTH PROVISION	50	50	50	50	
20	ENVIRONMENTAL ENFORCEMENT	-20				
265	OTHER SERVICE PRESSURES	91				
123	REVENUE COSTS OF CAPITAL PROGRAMME	78	471	650	451	523
	PROVISION FOR MAJOR CONTRACTS					500
	CONTINGENCY FOR FUTURE FUNDING PRESSURES	1,589	-1,589			
<b>40,031</b>	<b>TOTAL PREDICTED REQUIREMENT</b>	<b>42,493</b>	<b>41,490</b>	<b>41,242</b>	<b>41,091</b>	<b>42,640</b>
	<b>SAVINGS REQUIRED</b>	<b>-1,177</b>	<b>-1,985</b>	<b>-1,938</b>	<b>-652</b>	<b>-853</b>
	<b>SAVINGS IDENTIFIED</b>	<b>1,007</b>	<b>1,014</b>	<b>860</b>	<b>608</b>	<b>0</b>
	<b>NEW / AMENDED SAVINGS PROPOSALS</b>	<b>175</b>	<b>597</b>	<b>80</b>	<b>15</b>	<b>200</b>
	<b>SURPLUS / (DEFICIT)</b>	<b>5</b>	<b>-374</b>	<b>-998</b>	<b>-29</b>	<b>-653</b>

**APPENDIX A****THE MAIDSTONE BOROUGH COUNCIL****STATEMENT OF COUNCIL TAX REQUIREMENT - 2019/20**

	£	£	<b>BAND D</b> £
<b>MAIDSTONE BOROUGH COUNCIL NET SPEND</b>		20,475,138	330.07
<b>ADD:</b>			
Parish Precepts		1,936,075	31.21
<b>ADD/(DEDUCT):</b>			
Empty Homes Premium	-17,376		
Retained Business Rates	-3,207,567		
Retained Business Rates Growth	-1,129,201		
Levy Account Surplus	-49,210		
Collection Fund Deficit	85,435	-4,317,919	-69.61
<b>TOTAL COUNCIL TAX REQUIREMENT</b>		<u>18,093,294</u>	<u>291.67</u>
<b>ADD PRECEPTS</b>			
Kent County Council Precept		74,856,944	1,206.72
Kent County Council Adult Social Care Charge		5,750,497	92.70
Kent Police & Crime Commissioner Precept		11,981,751	193.15
Kent & Medway Fire & Rescue Authority Precept		<u>4,823,717</u>	<u>77.76</u>
<b>TOTAL COUNCIL TAX REQUIREMENT</b>		<u>115,506,203</u>	<u>1,862.00</u>
<b>MAIDSTONE BOROUGH COUNCIL (EXCLUDING PARISH PRECEPTS)</b>			260.46
<b>TOTAL COUNCIL TAX (EXCLUDING PARISH PRECEPTS)</b>			1,830.79
<b>TAX BASE</b>			62,033.4

**MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES**

**REVISED ESTIMATE 2018/19 AND ESTIMATE 2019/20**

**COMMITTEE SUMMARY**

<b>Cost Centre/Service</b>	<b>Original Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Policy & Resources	7,518,050	8,009,138	6,935,660
Strategic Planning, Sustainability & Transportation	-1,227,240	-965,620	-1,499,050
Communities, Housing & Environment	7,944,440	8,516,870	7,790,150
Heritage, Culture & Leisure	1,333,460	1,662,160	1,289,310
	<b>15,568,710</b>	<b>17,222,548</b>	<b>14,516,070</b>
Slippage	-395,904		
	<b>15,172,806</b>	<b>17,222,548</b>	<b>14,516,070</b>
Transfers to and from General Balances	10,000	10,000	10,000
Transfers to and from Earmarked Reserves	4,179,310	2,129,568	5,949,068
<b>Net Revenue Expenditure</b>	<b>19,362,116</b>	<b>19,362,116</b>	<b>20,475,138</b>

**SUMMARY ESTIMATE 2019/20 - BY COMMITTEE**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 (Expenditure ) £</b>	<b>Estimate 2019/20 (Income) £</b>	<b>Estimate 2019/20 £</b>
<b>Policy &amp; Resources</b>					
Contingency	248,210	147,000	183,420	0	183,420
Unapportionable Central Overheads	1,777,370	1,766,000	1,783,370		1,783,370
Non Service Related Government Grants	-3,218,600	-3,051,325	0	-3,880,840	-3,880,840
Appropriation Account	950,940	979,580	978,880		978,880
Pensions Fund Appropriation	0	0	0	0	0
<b>Balances, Pensions &amp; Appropriations Total</b>	<b>-242,080</b>	<b>-158,745</b>	<b>2,945,670</b>	<b>-3,880,840</b>	<b>-935,170</b>
Sandling Road Site	0	16,650	17,220		17,220
Business Support & Enterprise	0	20,970	0		0
Town Centre Management Sponsorship	0	14,340	0	0	0
Business Terrace	73,220	72,970	171,140	-94,410	76,730
Business Terrace Expansion	440	23,880	72,880	-71,980	900
<b>Business Support Total</b>	<b>73,660</b>	<b>148,810</b>	<b>261,240</b>	<b>-166,390</b>	<b>94,850</b>
Council Tax Collection	-301,440	-371,640	89,240	-459,840	-370,600
Council Tax Collection – Non Pooled	0	57,230	57,780	0	57,780
Council Tax Benefits Administration	-158,480	-152,120		-152,120	-152,120
NNDR Collection	-233,850	-244,990	7,800	-252,710	-244,910
NNDR Collection – Non Pooled	0	79,510	7,840		7,840
MBC-BID	0	0	16,920	-16,920	0
Registration Of Electors	46,740	79,390	50,130	-2,340	47,790
Elections	116,870	116,870	164,340	-430	163,910
External Interest Payable	231,610	231,610	310,310		310,310
Interest & Investment Income	-100,000	-100,000		-100,000	-100,000
<b>Central Services to the Public Total</b>	<b>-398,550</b>	<b>-304,140</b>	<b>704,360</b>	<b>-984,360</b>	<b>-280,000</b>
Palace Gatehouse	-7,650	-5,100	5,000	-10,300	-5,300
Archbishops Palace	-99,750	-96,540	42,890	-141,280	-98,390
Parkwood Industrial Estate	-316,690	-303,510	13,200	-323,050	-309,850
Industrial Starter Units	-22,920	-27,980	23,760	-52,710	-28,950
Parkwood Equilibrium Units	-59,230	-70,450	51,420	-123,470	-72,050
Sundry Corporate Properties	-299,160	-200,740	57,890	-402,750	-344,860
Parks Dwellings	-50,890	-42,250	34,280	-77,700	-43,420
Chillington House	-24,830	-24,540	8,800	-34,000	-25,200
Phoenix Park Units	-216,870	-229,900	19,160	-253,480	-234,320
Granada House - Commercial	-111,980	-104,590	12,760	-120,530	-107,770
Granada House - Residential	-106,070	-105,900	1,450	-189,150	-187,700
Heronden Road Units	-151,430	-152,130	11,950	-165,120	-153,170
Boxmend Industrial Estate	0	-100,740	15,350	-118,180	-102,830
Lockmeadow Complex	0	0	81,020	-148,870	-67,850
Lenworth House	0	1,360	3,770		3,770
<b>Commercial Investments Total</b>	<b>-1,467,470</b>	<b>-1,463,010</b>	<b>382,700</b>	<b>-2,160,590</b>	<b>-1,777,890</b>
Performance & Development	9,240	7,350	7,480		7,480
Corporate Projects	40,450	93,880	40,450		40,450
Press & Public Relations	30,990	34,840	35,450	0	35,450
Corporate Management	102,060	103,430	92,380		92,380
<b>Corporate Management Total</b>	<b>182,740</b>	<b>239,500</b>	<b>175,760</b>	<b>0</b>	<b>175,760</b>
Economic Development Section	278,630	278,510	292,800	-13,630	279,170
Head of Economic and Commercial Development	98,920	105,410	90,920	-10,700	80,220
Democratic Services Section	162,090	158,560	165,270		165,270
Mayoral & Civic Services Section	105,390	106,580	109,550		109,550
Chief Executive	173,810	173,320	176,790		176,790
Communications Section	198,340	195,600	201,770	-1,900	199,870
Policy & Information Section	220,470	249,060	222,100		222,100
Head of Policy and Communications	107,230	108,730	109,290		109,290
Registration Services Section	134,040	137,620	137,300		137,300
Director of Finance & Business Improvement	137,330	136,450	139,180		139,180
Accountancy Section	684,750	708,900	730,640	-14,580	716,060
Director of Regeneration & Place	136,570	136,460	139,230	-1,600	137,630
Procurement Section	72,040	157,400	171,610	-37,300	134,310
Property & Projects Section	258,710	455,650	410,280	-9,800	400,480
Facilities & Corporate Support Section	418,910	260,860	266,140		266,140
Improvement Section	251,170	340,930	347,470	-25,000	322,470
Executive Support Section	159,900	160,330	164,330		164,330
Head of Commissioning and Business Improvement	126,130	93,030	101,470		101,470
Customer Services Section	599,020	641,460	638,860		638,860
Salary Slippage P&R Committee	0	-221,740	-246,520		-246,520
<b>Corporate Support Services Total</b>	<b>4,323,450</b>	<b>4,383,120</b>	<b>4,368,480</b>	<b>-114,510</b>	<b>4,253,970</b>
Civic Occasions	36,390	41,440	42,310		42,310
Members Allowances	371,000	371,000	379,970		379,970

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure ) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Members Facilities	39,940	39,940	40,520		40,520
Subscriptions	7,390	0	0		0
<b>Democratic Representation Total</b>	<b>454,720</b>	<b>452,380</b>	<b>462,800</b>	<b>0</b>	<b>462,800</b>
Economic Dev - Promotion & Marketing	630	105,140	5,010	-3,500	1,510
<b>Economic Development Total</b>	<b>630</b>	<b>105,140</b>	<b>5,010</b>	<b>-3,500</b>	<b>1,510</b>
Emergency Centre	32,960	32,960	33,140		33,140
<b>Emergency Planning Total</b>	<b>32,960</b>	<b>32,960</b>	<b>33,140</b>	<b>0</b>	<b>33,140</b>
Housing Benefits Administration	-337,220	-389,520	14,000	-403,520	-389,520
<b>Housing Benefit Administration Total</b>	<b>-337,220</b>	<b>-389,520</b>	<b>14,000</b>	<b>-403,520</b>	<b>-389,520</b>
Medway Conservancy	115,400	115,400	115,400		115,400
<b>Levies Total</b>	<b>115,400</b>	<b>115,400</b>	<b>115,400</b>	<b>0</b>	<b>115,400</b>
Town Hall	86,390	94,420	102,620	-3,990	98,630
South Maidstone Depot	136,770	169,160	140,600		140,600
The Link	108,210	99,530	345,550	-243,890	101,660
Maidstone House	1,115,110	1,121,130	1,282,500	-135,530	1,146,970
Museum Buildings	0	15,650	299,270	-1,110	298,160
<b>Office Accommodation Total</b>	<b>1,446,480</b>	<b>1,499,890</b>	<b>2,170,540</b>	<b>-384,520</b>	<b>1,786,020</b>
Rent Allowances	-222,790	-161,160	43,016,890	-43,178,050	-161,160
Non HRA Rent Rebates	-4,550	-6,710	664,010	-670,720	-6,710
Discretionary Housing Payments	1,210	1,680	349,290	-347,610	1,680
<b>Rent Rebates Total</b>	<b>-226,130</b>	<b>-166,190</b>	<b>44,030,190</b>	<b>-44,196,380</b>	<b>-166,190</b>
Mid Kent Improvement Partnership	560	700	50,710	-49,960	750
Revenues Section	439,660	460,410	792,800	-317,560	475,240
Benefits Section	438,030	0	0	0	0
Fraud Section	52,290	0	0	0	0
Head of Revenues & Benefits	65,810	0	0	0	0
Revenues & Benefits Business Support	134,870	0	0	0	0
Benefits Section	0	447,230	722,570	-274,230	448,340
Fraud Section	0	64,503	226,010	-183,680	42,330
Mid Kent Audit Partnership	205,960	212,770	719,150	-507,710	211,440
Legal Services Section	491,030	491,030	571,140	-60,000	511,140
Mid Kent ICT Services	693,220	691,240	1,491,180	-955,290	535,890
GIS Section	104,900	104,910	181,460	-72,570	108,890
Director of Mid Kent Services	38,340	40,440	128,210	-85,440	42,770
Mid Kent HR Services Section	378,930	379,020	641,160	-254,190	386,970
MBC HR Services Section	208,980	93,220	178,610	-530	178,080
Head of Revenues & Benefits	0	61,660	101,240	-36,170	65,070
Revenues & Benefits Business Support	0	150,810	382,690	-228,770	153,920
Dartford HR Services Section	0	-18,510	53,230	-70,830	-17,600
I.T. Operational Services	244,330	267,930	326,900		326,900
Central Telephones	61,400	61,400	14,620		14,620
<b>Shared Services Total</b>	<b>3,558,310</b>	<b>3,508,763</b>	<b>6,581,680</b>	<b>-3,096,930</b>	<b>3,484,750</b>
Mid Kent ICT Software	187,420	187,420	532,260	-334,400	197,860
Youth Development Programme	48,450	41,440	48,630	-170	48,460
Internal Printing	-86,270	-86,270	50,850	-83,670	-32,820
Debt Recovery Service	-148,450	-8,600	970,140	-980,310	-10,170
Debt Recovery MBC Profit Share	0	-129,210		-127,100	-127,100
<b>Trading Accounts Total</b>	<b>1,150</b>	<b>4,780</b>	<b>1,601,880</b>	<b>-1,525,650</b>	<b>76,230</b>
<b>Policy &amp; Resources</b>	<b>7,518,050</b>	<b>8,009,138</b>	<b>63,852,850</b>	<b>-56,917,190</b>	<b>6,935,660</b>

**POLICY & RESOURCES COMMITTEE**

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	894,600	1,102,050	1,043,300
Allowances	360,910	360,910	369,920
Benefits	45,471,150	44,030,190	44,030,190
Employee Direct	9,415,090	9,234,100	9,355,110
Employee Other	1,748,400	2,105,453	1,953,940
Equipment & Furniture	1,113,790	1,176,240	1,166,240
Fees & Charges	-1,092,050	-1,249,800	-1,202,960
General Insurances	15,310	16,640	16,800
Grants & Contributions Paid	345,910	354,750	426,250
Grants & Contributions Received	-52,927,960	-51,485,785	-52,198,610
Income Other	-1,156,040	-1,606,020	-1,223,530
Information & Communications	9,400	8,400	6,920
Leasing & Capital Charges	957,370	979,580	978,880
Premises Other	1,493,310	1,534,920	1,670,670
Printing & Stationery	145,430	169,310	153,350
Professional Services	586,030	693,180	461,800
Rent	-1,846,480	-1,863,020	-2,292,090
Repairs & Maintenance	404,020	450,110	617,600
Security & Protection	36,150	37,850	38,590
Subsistence & Training	162,340	125,120	173,330
Supplies & Services Other	824,150	1,245,410	721,740
Utilities	405,060	406,290	483,980
Vehicle & Transport	152,160	183,260	184,240
<b>Policy &amp; Resources</b>	<b>7,518,050</b>	<b>8,009,138</b>	<b>6,935,660</b>

**SUMMARY ESTIMATE 2019/20 - BY COMMITTEE**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 (Expenditure ) £</b>	<b>Estimate 2019/20 (Income) £</b>	<b>Estimate 2019/20 £</b>
<b>Strategic Planning, Sustainability &amp; Transportation</b>					
Building Regulations Chargeable	-320,030	-320,030	6,960	-331,850	-324,890
Building Control	-1,020	-1,020	2,050	-3,080	-1,030
Street Naming & Numbering	-49,000	-49,000		-69,000	-69,000
<b>Building Control Total</b>	<b>-370,050</b>	<b>-370,050</b>	<b>9,010</b>	<b>-403,930</b>	<b>-394,920</b>
Land Charges	-299,200	-298,370	38,090	-335,550	-297,460
<b>Central Services to the Public Total</b>	<b>-299,200</b>	<b>-298,370</b>	<b>38,090</b>	<b>-335,550</b>	<b>-297,460</b>
Development Management Section	864,420	911,850	912,110	0	912,110
Spatial Policy Planning Section	396,470	331,150	361,860		361,860
Head of Planning and Development	104,430	140,180	106,420		106,420
Development Management Enforcement Sect	169,160	264,280	174,220		174,220
Building Surveying Section	367,640	365,620	374,880		374,880
Heritage Landscape and Design Section	175,700	173,160	184,000		184,000
Planning Business Management	72,220	135,740	142,160	-5,000	137,160
Parking Services Section	323,630	327,370	448,680	-114,710	333,970
Salary Slippage SPST Committee	0	-73,530	-81,380		-81,380
<b>Corporate Support Services Total</b>	<b>2,473,670</b>	<b>2,575,820</b>	<b>2,622,950</b>	<b>-119,710</b>	<b>2,503,240</b>
Development Control Advice	-115,000	-73,460	83,920	-151,300	-67,380
Development Control Applications	-1,433,740	0	0	0	0
Development Control Appeals	121,800	121,800	124,240		124,240
Development Control Majors	0	-681,880	20,540	-716,150	-695,610
Development Control - Other	0	-836,900	6,090	-842,910	-836,820
Development Control Enforcement	165,810	67,030	67,130	0	67,130
<b>Development Control Total</b>	<b>-1,261,130</b>	<b>-1,403,410</b>	<b>301,920</b>	<b>-1,710,360</b>	<b>-1,408,440</b>
Environment Improvements	16,450	17,440	17,460		17,460
Name Plates & Notices	17,950	17,950	18,310		18,310
<b>Network &amp; Traffic Management Total</b>	<b>34,400</b>	<b>35,390</b>	<b>35,770</b>	<b>0</b>	<b>35,770</b>
On Street Parking	-288,460	-364,420	405,010	-755,830	-350,820
Residents Parking	-222,090	-263,040	88,510	-347,750	-259,240
Pay & Display Car Parks	-1,750,250	-1,776,660	499,210	-2,412,520	-1,913,310
Non Paying Car Parks	9,990	10,590	10,920	-10	10,910
Off Street Parking - Enforcement	-159,970	-74,930	120,620	-190,220	-69,600
Mote Park Pay & Display	-174,380	-174,390	32,110	-206,380	-174,270
Sandling Road Car Park	-111,500	-680	155,400	-152,530	2,870
<b>Parking Services Total</b>	<b>-2,696,660</b>	<b>-2,643,530</b>	<b>1,311,780</b>	<b>-4,065,240</b>	<b>-2,753,460</b>
Planning Policy	200,000	252,340	196,320		196,320
Neighbourhood Planning	0	75,000	0		0
Conservation	-11,470	-11,470	4,130	-15,600	-11,470
Town Centre Opportunity Area Project	0	80,000	0		0
<b>Planning Policy Total</b>	<b>188,530</b>	<b>395,870</b>	<b>200,450</b>	<b>-15,600</b>	<b>184,850</b>
Park & Ride	197,230	236,930	547,720	-367,740	179,980
Socially Desirable Buses	48,130	48,130	32,590		32,590
Other Transport Services	-9,550	-9,550	25,850	-36,110	-10,260
<b>Public Transport Total</b>	<b>235,810</b>	<b>275,510</b>	<b>606,160</b>	<b>-403,850</b>	<b>202,310</b>
Mid Kent Planning Support Service	434,460	420,970	614,510	-217,190	397,320
Mid Kent Local Land Charges Section	32,930	46,180	139,260	-107,520	31,740
<b>Shared Services Total</b>	<b>467,390</b>	<b>467,150</b>	<b>753,770</b>	<b>-324,710</b>	<b>429,060</b>
<b>Strategic Planning, Sustainability &amp; Transportation</b>	<b>-1,227,240</b>	<b>-965,620</b>	<b>5,879,900</b>	<b>-7,378,950</b>	<b>-1,499,050</b>



**STRATEGIC PLANNING, SUSTAINABILITY & TRANSPORTATION COMMITTEE**

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	601,690	577,230	602,330
Employee Direct	3,131,280	3,065,360	3,095,010
Employee Other	-51,510	76,790	121,280
Equipment & Furniture	76,480	76,890	78,160
Fees & Charges	-6,377,620	-6,745,000	-6,445,640
General Insurances	9,470	11,040	11,470
Grants & Contributions Paid	65,820	124,720	50,030
Grants & Contributions Received	-465,040	-436,830	-455,420
Income Other	-277,270	-110,190	-102,980
Information & Communications	500	190	190
Leasing & Capital Charges			
Premises Other	255,980	285,130	293,170
Printing & Stationery	36,220	30,080	29,930
Professional Services	675,400	706,690	547,540
Rent	-7,030	-7,030	-7,170
Repairs & Maintenance	192,650	201,730	201,780
Security & Protection	172,420	102,190	73,870
Subsistence & Training	2,590	24,120	2,630
Supplies & Services Other	208,660	493,330	301,940
Utilities	14,350	14,350	15,790
Vehicle & Transport	507,720	543,590	87,040
<b>Strategic Planning, Sustainability &amp; Transportation</b>	<b>-1,227,240</b>	<b>-965,620</b>	<b>-1,499,050</b>

**SUMMARY ESTIMATE 2019/20 - BY COMMITTEE**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 (Expenditure) £</b>	<b>Estimate 2019/20 (Income) £</b>	<b>Estimate 2019/20 £</b>
<b>Communities, Housing &amp; Environment</b>					
Grants	195,270	195,270	184,270		184,270
Delegated Grants	2,100	2,100	2,100		2,100
Parish Services	127,320	127,320	127,320		127,320
Members Community Grant	0	60,000	60,000		60,000
<b>Central Services to the Public Total</b>	<b>324,690</b>	<b>384,690</b>	<b>373,690</b>	<b>0</b>	<b>373,690</b>
Social Inclusion	0	5,100	0		0
<b>Community Development Total</b>	<b>0</b>	<b>5,100</b>	<b>0</b>	<b>0</b>	<b>0</b>
Community Safety	42,770	49,560	44,150		44,150
Police & Crime Commissioner	0	0	30,640	-30,640	0
C C T V	193,310	198,650	229,230	-21,100	208,130
<b>Community Safety Total</b>	<b>236,080</b>	<b>248,210</b>	<b>304,020</b>	<b>-51,740</b>	<b>252,280</b>
Head of Environment and Public Realm	92,090	94,580	97,660		97,660
Community Partnerships & Resilience Section	473,340	529,870	502,430		502,430
Licensing Section	107,050	106,130	108,490		108,490
Environmental Protection Section	240,820	240,410	246,420		246,420
Food and Safety Section	249,630	249,140	255,370		255,370
Depot Services Section	653,460	663,520	730,450	-39,310	691,140
Head of Housing & Community Services	104,760	106,020	106,750		106,750
Homechoice	199,990	197,380	250,340	-44,200	206,140
Housing & Inclusion Section	555,420	556,500	697,680	-180,150	517,530
Housing & Health Section	288,790	291,940	252,770	0	252,770
Housing Management	0	194,360	246,800		246,800
Homelessness Outreach	0	41,690	0	0	0
Salary Slippage CHE Committee	0	-93,100	-98,600		-98,600
<b>Corporate Support Services Total</b>	<b>2,965,350</b>	<b>3,178,440</b>	<b>3,396,560</b>	<b>-263,660</b>	<b>3,132,900</b>
Drainage	31,720	31,720	31,740		31,740
<b>Flood Defences &amp; Land Drainage Total</b>	<b>31,720</b>	<b>31,720</b>	<b>31,740</b>	<b>0</b>	<b>31,740</b>
Homeless Temporary Accommodation	559,030	589,030	912,900	-336,070	576,830
Homelessness Prevention	284,640	515,950	261,760	0	261,760
Predictive Analysis and Preventing Homelessness	0	0	0		0
Aylesbury House	42,070	36,930	71,680	-69,140	2,540
Magnolia House	-2,220	-8,220	31,480	-49,760	-18,280
St Martins House	0	0	1,640	-1,640	0
Marsham Street	46,720	4,370	77,020	-42,070	34,950
Sundry Temporary Accommodation (TA) Properties	-19,630	-33,310	16,560	-50,930	-34,370
Pelican Court (Leased TA Property)	0	1,150	0	0	0
2 Bed Property - Temporary Accommodation	-11,150	-28,330	37,970	-104,130	-66,160
3 Bed Property - Temporary Accommodation	-9,800	-16,630	23,750	-89,340	-65,590
4 bed Property - Temporary Accommodation	-9,400	-17,770	8,020	-25,660	-17,640
1 Bed Property- Temporary Accommodation	0	100	3,660	-3,520	140
Housing First Project	0	80,000	0		0
<b>Homelessness Total</b>	<b>880,260</b>	<b>1,123,270</b>	<b>1,446,440</b>	<b>-772,260</b>	<b>674,180</b>
Housing Register & Allocations	10,200	10,200	10,400		10,400
<b>Housing Advice Total</b>	<b>10,200</b>	<b>10,200</b>	<b>10,400</b>	<b>0</b>	<b>10,400</b>
Strategic Housing Role	13,770	64,790	14,040		14,040
<b>Housing Strategy Total</b>	<b>13,770</b>	<b>64,790</b>	<b>14,040</b>	<b>0</b>	<b>14,040</b>
Marden Caravan Site (Stilebridge Lane)	18,990	19,010	48,610	-29,510	19,100
Ulcombe Caravan Site (Water Lane)	6,880	6,900	45,670	-38,690	6,980
<b>Other Council Properties Total</b>	<b>25,870</b>	<b>25,910</b>	<b>94,280</b>	<b>-68,200</b>	<b>26,080</b>
Private Sector Renewal	-47,320	-47,320	2,730	-50,000	-47,270
HMO Licensing	-14,380	-14,380		-20,380	-20,380
<b>Private Sector Housing Renewal Total</b>	<b>-61,700</b>	<b>-61,700</b>	<b>2,730</b>	<b>-70,380</b>	<b>-67,650</b>
Public Health - Obesity	0	0	0	0	0
Public Health - Misc Services	0	2,380	0	0	0
<b>Public Health Total</b>	<b>0</b>	<b>2,380</b>	<b>0</b>	<b>0</b>	<b>0</b>
Recycling Collection	713,630	694,930	2,028,250	-1,315,680	712,570
<b>Recycling Total</b>	<b>713,630</b>	<b>694,930</b>	<b>2,028,250</b>	<b>-1,315,680</b>	<b>712,570</b>
Licences	-3,680	-5,830	23,630	-28,890	-5,260
Licensing Statutory	-69,990	-67,840	75,320	-141,320	-66,000
Licensing Non Chargeable	7,350	7,350	7,530		7,530
Dog Control	24,710	27,975	32,465	-3,900	28,565
Health Improvement Programme	8,980	8,980	9,160		9,160
Pollution Control - General	27,380	263,070	35,520	-9,360	26,160

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Contaminated Land	20	20	1,040	-1,000	40
Waste Crime	33,800	66,970	106,980	-98,080	8,900
Food Hygiene	9,050	9,050	11,900	-2,620	9,280
Sampling	3,370	3,370	3,440		3,440
Occupational Health & Safety	24,150	48,230	31,130	-6,370	24,760
Infectious Disease Control	980	1,030	1,030		1,030
Noise Control	1,200	1,200	1,200		1,200
Pest Control	-11,970	-11,970	160	-12,360	-12,200
Public Conveniences	137,400	161,400	160,470		160,470
Licensing - Hackney & Private Hire	-66,050	-66,050	74,640	-139,020	-64,380
<b>Regulatory Services Total</b>	<b>126,700</b>	<b>446,955</b>	<b>575,615</b>	<b>-442,920</b>	<b>132,695</b>
Street Cleansing	952,610	1,127,430	1,202,550	-16,140	1,186,410
<b>Street Cleansing Total</b>	<b>952,610</b>	<b>1,127,430</b>	<b>1,202,550</b>	<b>-16,140</b>	<b>1,186,410</b>
Commercial Waste Services	-70,970	-68,140	163,940	-228,170	-64,230
<b>Trade Waste Total</b>	<b>-70,970</b>	<b>-68,140</b>	<b>163,940</b>	<b>-228,170</b>	<b>-64,230</b>
Fleet Workshop & Management	679,010	267,905	274,955		274,955
MBS Support Crew	-70,780	-63,250	114,050	-175,250	-61,200
Grounds Maintenance - Commercial	26,900	-24,460	150,730	-172,520	-21,790
<b>Trading Accounts Total</b>	<b>635,130</b>	<b>180,195</b>	<b>539,735</b>	<b>-347,770</b>	<b>191,965</b>
Household Waste Collection	1,161,100	1,122,490	1,332,760	-149,680	1,183,080
<b>Waste Collection Total</b>	<b>1,161,100</b>	<b>1,122,490</b>	<b>1,332,760</b>	<b>-149,680</b>	<b>1,183,080</b>
<b>Communities, Housing &amp; Environment</b>	<b>7,944,440</b>	<b>8,516,870</b>	<b>11,516,750</b>	<b>-3,726,600</b>	<b>7,790,150</b>

**COMMUNITIES, HOUSING & ENVIRONMENT COMMITTEE**

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	4,143,560	4,108,910	4,243,000
Employee Direct	3,341,360	3,965,630	3,819,720
Employee Other	20,790	28,810	19,950
Equipment & Furniture	312,480	368,970	340,990
Fees & Charges	-1,237,860	-1,318,160	-1,390,160
General Insurances	4,700	4,420	4,450
Grants & Contributions Paid	350,060	585,320	346,880
Grants & Contributions Received	-234,550	-1,056,380	-304,990
Income Other	-1,072,000	-1,241,360	-1,262,250
Information & Communications	44,960	40,170	40,990
Leasing & Capital Charges	192,410	0	0
Premises Other	207,050	303,410	239,360
Printing & Stationery	10,060	10,070	10,250
Professional Services	1,107,920	1,253,990	1,105,220
Rent	-605,580	-720,940	-769,200
Repairs & Maintenance	207,370	262,870	255,040
Security & Protection	10,440	100,130	46,680
Subsistence & Training	100	15,420	100
Supplies & Services Other	693,710	1,363,890	620,070
Utilities	60,680	73,650	61,480
Vehicle & Transport	386,780	368,050	362,570
<b>Communities, Housing &amp; Environment</b>	<b>7,944,440</b>	<b>8,516,870</b>	<b>7,790,150</b>

**SUMMARY ESTIMATE 2019/20 - BY COMMITTEE**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 (Expenditure) £</b>	<b>Estimate 2019/20 (Income) £</b>	<b>Estimate 2019/20 £</b>
<b>Heritage, Culture &amp; Leisure</b>					
Cemetery	41,550	39,620	186,430	-143,000	43,430
National Assistance Act	-470	-470	2,080	-2,560	-480
Crematorium	-758,790	-777,750	465,700	-1,252,130	-786,430
Maintenance of Closed Churchyards	5,000	5,680	5,700		5,700
<b>Bereavement Services Total</b>	<b>-712,710</b>	<b>-732,920</b>	<b>659,910</b>	<b>-1,397,690</b>	<b>-737,780</b>
Leisure Services Section	53,810	50,320	52,600	-21,800	30,800
Cultural Services Section	501,790	502,680	522,170		522,170
Visitor Economy Section	87,800	111,800	111,240	0	111,240
Bereavement Services Section	153,490	177,000	180,630		180,630
Market Section	76,880	77,050	79,290		79,290
Salary Slippage HCL Committee	0	-49,520	-53,890		-53,890
<b>Corporate Support Services Total</b>	<b>873,770</b>	<b>869,330</b>	<b>892,040</b>	<b>-21,800</b>	<b>870,240</b>
Cultural Development Arts	14,800	13,450	13,720		13,720
Museum	277,530	309,020	58,720	-94,300	-35,580
Carriage Museum	35,060	28,680	5,290	-1,600	3,690
Museum-Grant Funded Activities	0	50,880	0	0	0
Museum Cafe	-3,460	-2,640	2,370	-5,130	-2,760
Hazlitt Arts Centre	267,680	267,880	279,460		279,460
Festivals and Events	-12,920	-20,560	29,050	-50,030	-20,980
<b>Culture &amp; Heritage Total</b>	<b>578,690</b>	<b>646,710</b>	<b>388,610</b>	<b>-151,060</b>	<b>237,550</b>
Market	-136,080	-132,360	96,030	-164,090	-68,060
<b>Economic Development Total</b>	<b>-136,080</b>	<b>-132,360</b>	<b>96,030</b>	<b>-164,090</b>	<b>-68,060</b>
Mote Park Adventure Zone	-57,000	-56,850	1,450	-114,000	-112,550
Parks & Open Spaces	750,810	920,390	943,910	-54,430	889,480
Playground Maintenance & Improvements	134,330	125,050	144,080	0	144,080
Parks Pavilions	25,400	24,410	25,010	-10	25,000
Mote Park	187,420	204,190	262,720	-54,280	208,440
Mote Park Cafe	-50,930	-48,390	41,980	-91,550	-49,570
Cobtree Manor Park	-56,030	-15,630	67,530	-67,530	0
Kent Life	-17,650	-17,490	0	0	0
Cobtree Manor Park Visitor Centre	-27,330	-66,580	0	0	0
Allotments	11,260	11,530	11,990		11,990
Community Environmental Engagement	0	90,000	0	0	0
<b>Open Spaces Total</b>	<b>900,280</b>	<b>1,170,630</b>	<b>1,498,670</b>	<b>-381,800</b>	<b>1,116,870</b>
Lettable Halls	-560	-3,020	7,830	-10,900	-3,070
Community Halls	72,450	77,780	92,740	-16,710	76,030
Leisure Centre	-223,600	-222,060	19,950	-200,000	-180,050
Cobtree Golf Course	-53,300	-53,220	0	-35,000	-35,000
<b>Recreation &amp; Sport Total</b>	<b>-205,010</b>	<b>-200,520</b>	<b>120,520</b>	<b>-262,610</b>	<b>-142,090</b>
Tourism	18,750	25,520	41,720	-15,450	26,270
Museum Shop	-18,670	-18,670	26,420	-45,530	-19,110
Leisure Services Other Activities	34,440	34,440	5,420		5,420
<b>Tourism Total</b>	<b>34,520</b>	<b>41,290</b>	<b>73,560</b>	<b>-60,980</b>	<b>12,580</b>
<b>Heritage, Culture &amp; Leisure</b>	<b>1,333,460</b>	<b>1,662,160</b>	<b>3,729,340</b>	<b>-2,440,030</b>	<b>1,289,310</b>

## HERITAGE, CULTURE & LEISURE COMMITTEE

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	246,470	236,180	247,880
Employee Direct	2,201,160	2,103,500	2,072,300
Employee Other	43,240	57,530	55,260
Equipment & Furniture	97,860	108,250	77,400
Fees & Charges	-1,690,140	-1,706,420	-1,652,970
General Insurances	39,520	39,850	39,950
Grants & Contributions Paid	16,930	39,670	17,470
Grants & Contributions Received	0	-101,260	0
Income Other	-1,312,140	-1,007,425	-695,090
Information & Communications	31,220	37,260	40,930
Leasing & Capital Charges	31,220	0	0
Premises Other	344,710	379,330	232,540
Printing & Stationery	7,720	6,370	4,750
Professional Services	158,860	166,940	119,470
Rent	-268,080	-289,940	-91,970
Repairs & Maintenance	556,920	570,945	264,160
Security & Protection	11,000	13,880	0
Subsistence & Training	1,500	4,410	500
Supplies & Services Other	562,290	612,940	259,170
Utilities	234,260	234,260	145,990
Vehicle & Transport	18,940	155,890	151,570
<b>Heritage, Leisure &amp; Culture</b>	<b>1,333,460</b>	<b>1,662,160</b>	<b>1,289,310</b>

**MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES**

**REVISED ESTIMATE 2018/19 AND ESTIMATE 2019/20**

**PRIORITY SUMMARY**

<b>Cost Centre/Service</b>	<b>Original Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Safe, Clean and Green	6,058,850	6,307,550	6,203,140
Homes and Communities	2,055,500	2,663,820	1,997,660
Thriving Place	1,444,240	1,734,840	1,239,230
Embracing Growth and Enabling Infrastructure	-1,227,240	-802,090	-1,417,670
Central and Democratic	7,237,360	7,318,428	6,493,710
	<b>15,568,710</b>	<b>17,222,548</b>	<b>14,516,070</b>
Slippage	-395,904		
	<b>15,172,806</b>	<b>17,222,548</b>	<b>14,516,070</b>
Transfers to and from General Balances	10,000	10,000	10,000
Transfers to and from Earmarked Reserves	4,179,310	2,129,568	5,949,068
<b>Net Revenue Expenditure</b>	<b>19,362,116</b>	<b>19,362,116</b>	<b>20,475,138</b>

**SUMMARY ESTIMATE 2019/20 - BY PRIORITY**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19</b>	<b>Revised Estimate 2018/19</b>	<b>Estimate 2019/20 (Expenditure )</b>	<b>Estimate 2019/20 (Income)</b>	<b>Estimate 2019/20</b>
	£	£	£	£	£
<b>Safe, Clean and Green</b>					
Mote Park Adventure Zone	-57,000	-56,850	1,450	-114,000	-112,550
Parks & Open Spaces	750,810	920,390	943,910	-54,430	889,480
Playground Maintenance & Improvements	134,330	125,050	144,080	0	144,080
Parks Pavilions	25,400	24,410	25,010	-10	25,000
Mote Park	187,420	204,190	262,720	-54,280	208,440
Mote Park Cafe	-50,930	-48,390	41,980	-91,550	-49,570
Cobtree Manor Park	-56,030	-15,630	67,530	-67,530	0
Kent Life	-17,650	-17,490	0	0	0
Cobtree Manor Park Visitor Centre	-27,330	-66,580	0	0	0
Allotments	11,260	11,530	11,990		11,990
Cemetery	41,550	39,620	186,430	-143,000	43,430
National Assistance Act	-470	-470	2,080	-2,560	-480
Crematorium	-758,790	-777,750	465,700	-1,252,130	-786,430
Maintenance of Closed Churchyards	5,000	5,680	5,700		5,700
Community Safety	42,770	49,560	44,150		44,150
Police & Crime Commissioner	0	0	30,640	-30,640	0
C C T V	193,310	198,650	229,230	-21,100	208,130
Drainage	31,720	31,720	31,740		31,740
Licences	-3,680	-5,830	23,630	-28,890	-5,260
Licensing Statutory	-69,990	-67,840	75,320	-141,320	-66,000
Licensing Non Chargeable	7,350	7,350	7,530		7,530
Dog Control	24,710	27,975	32,465	-3,900	28,565
Health Improvement Programme	8,980	8,980	9,160		9,160
Pollution Control - General	27,380	263,070	35,520	-9,360	26,160
Contaminated Land	20	20	1,040	-1,000	40
Waste Crime	33,800	66,970	106,980	-98,080	8,900
Food Hygiene	9,050	9,050	11,900	-2,620	9,280
Sampling	3,370	3,370	3,440		3,440
Occupational Health & Safety	24,150	48,230	31,130	-6,370	24,760
Infectious Disease Control	980	1,030	1,030		1,030
Noise Control	1,200	1,200	1,200		1,200
Pest Control	-11,970	-11,970	160	-12,360	-12,200
Public Conveniences	137,400	161,400	160,470		160,470
Licensing - Hackney & Private Hire	-66,050	-66,050	74,640	-139,020	-64,380
Street Cleansing	952,610	1,127,430	1,202,550	-16,140	1,186,410
Household Waste Collection	1,161,100	1,122,490	1,332,760	-149,680	1,183,080
Commercial Waste Services	-70,970	-68,140	163,940	-228,170	-64,230
Recycling Collection	713,630	694,930	2,028,250	-1,315,680	712,570
Medway Conservancy	115,400	115,400	115,400		115,400
Head of Environment and Public Realm	92,090	94,580	97,660		97,660
Bereavement Services Section	153,490	177,000	180,630		180,630
Community Partnerships & Resilience Section	473,340	529,870	502,430		502,430
Licensing Section	107,050	106,130	108,490		108,490
Environmental Protection Section	240,820	240,410	246,420		246,420
Food and Safety Section	249,630	249,140	255,370		255,370
Depot Services Section	653,460	663,520	730,450	-39,310	691,140
Fleet Workshop & Management	679,010	267,905	274,955		274,955
MBS Support Crew	-70,780	-63,250	114,050	-175,250	-61,200
Grounds Maintenance - Commercial	26,900	-24,460	150,730	-172,520	-21,790
<b>Safe, Clean and Green</b>	<b>6,058,850</b>	<b>6,307,550</b>	<b>10,574,040</b>	<b>-4,370,900</b>	<b>6,203,140</b>



## SUMMARY ESTIMATE 2019/20 - BY PRIORITY

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	4,038,220	4,007,330	4,212,180
Employee Direct	3,734,770	3,804,720	3,844,790
Employee Other	48,550	41,250	34,650
Equipment & Furniture	380,950	438,820	387,110
Fees & Charges	-2,641,080	-2,738,060	-2,750,610
General Insurances	14,760	15,110	14,550
Grants & Contributions Paid	20,880	252,420	26,060
Grants & Contributions Received	-32,250	-38,140	-30,640
Income Other	-1,829,380	-1,677,775	-1,531,990
Information & Communications	34,970	29,450	29,880
Leasing & Capital Charges	223,630	0	0
Premises Other	282,870	280,690	268,090
Printing & Stationery	13,910	13,360	12,900
Professional Services	238,400	287,960	224,680
Rent	-84,000	-102,530	-57,660
Repairs & Maintenance	350,420	368,575	270,030
Security & Protection	21,440	79,000	46,680
Subsistence & Training	1,200	2,950	200
Supplies & Services Other	613,240	517,620	484,470
Utilities	255,340	253,070	242,730
Vehicle & Transport	372,010	471,730	475,040
<b>Safe, Clean and Green</b>	<b>6,058,850</b>	<b>6,307,550</b>	<b>6,203,140</b>

**SUMMARY ESTIMATE 2019/20 - BY PRIORITY**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19</b>	<b>Revised Estimate 2018/19</b>	<b>Estimate 2019/20 (Expenditure)</b>	<b>Estimate 2019/20 (Income)</b>	<b>Estimate 2019/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Homes &amp; Communities</b>					
Social Inclusion	0	5,100	0		0
Public Health - Misc Services	0	2,380	0	0	0
Grants	195,270	195,270	184,270		184,270
Delegated Grants	2,100	2,100	2,100		2,100
Parish Services	127,320	127,320	127,320		127,320
Members Community Grants	0	60,000	60,000		60,000
Parks Dwellings	-50,890	-42,250	34,280	-77,700	-43,420
Chillington House	-24,830	-24,540	8,800	-34,000	-25,200
Granada House - Residential	-106,070	-105,900	1,450	-189,150	-187,700
Strategic Housing Role	13,770	64,790	14,040		14,040
Housing Register & Allocations	10,200	10,200	10,400		10,400
Private Sector Renewal	-47,320	-47,320	2,730	-50,000	-47,270
HMO Licensing	-14,380	-14,380		-20,380	-20,380
Homeless Temporary Accommodation	559,030	589,030	912,900	-336,070	576,830
Homelessness Prevention	284,640	515,950	261,760	0	261,760
Predictive Analysis and Preventing Homelessn	0	0	0		0
Aylesbury House	42,070	36,930	71,680	-69,140	2,540
Magnolia House	-2,220	-8,220	31,480	-49,760	-18,280
St Martins House	0	0	1,640	-1,640	0
Marsham Street	46,720	4,370	77,020	-42,070	34,950
Sundry Temporary Accommm (TA) Properties	-19,630	-33,310	16,560	-50,930	-34,370
Pelican Court (Leased TA Property)	0	1,150	0	0	0
2 Bed Property - Temporary Accommodation	-11,150	-28,330	37,970	-104,130	-66,160
3 Bed Property - Temporary Accommodation	-9,800	-16,630	23,750	-89,340	-65,590
4 bed Property - Temporary Accommodation	-9,400	-17,770	8,020	-25,660	-17,640
1 Bed Property- Temporary Accommodation	0	100	3,660	-3,520	140
Housing First Project	0	80,000	0	0	0
Marden Caravan Site (Stilebridge Lane)	18,990	19,010	48,610	-29,510	19,100
Ulcombe Caravan Site (Water Lane)	6,880	6,900	45,670	-38,690	6,980
Homechoice	199,990	197,380	250,340	-44,200	206,140
Housing & Inclusion Section	555,420	556,500	697,680	-180,150	517,530
Housing & Health Section	288,790	291,940	252,770	0	252,770
Housing Management	0	194,360	246,800		246,800
Homelessness Outreach	0	41,690	0	0	0
<b>Homes &amp; Communities</b>	<b>2,055,500</b>	<b>2,663,820</b>	<b>3,433,700</b>	<b>-1,436,040</b>	<b>1,997,660</b>

## SUMMARY ESTIMATE 2019/20 - BY PRIORITY

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	116,640	102,580	31,850
Employee Direct	984,690	1,527,370	1,370,020
Employee Other	20,000	39,340	24,880
Equipment & Furniture	2,440	12,930	8,440
Fees & Charges	-82,580	-82,580	-88,580
General Insurances	90	150	120
Grants & Contributions Paid	331,320	355,580	323,000
Grants & Contributions Received	-202,300	-1,025,740	-274,350
Income Other	-23,180	-38,570	-26,700
Information & Communications	15,820	15,820	16,140
Premises Other	99,830	195,060	129,010
Printing & Stationery	150	160	150
Professional Services	946,800	1,033,690	937,300
Rent	-798,930	-914,290	-1,046,410
Repairs & Maintenance	164,010	226,620	211,880
Security & Protection	0	32,130	0
Subsistence & Training	0	11,220	0
Supplies & Services Other	427,900	1,087,610	318,770
Utilities	37,350	54,590	40,430
Vehicle & Transport	15,450	30,150	21,710
<b>Homes and Communities</b>	<b>2,055,500</b>	<b>2,663,820</b>	<b>1,997,660</b>

**SUMMARY ESTIMATE 2019/20 - BY PRIORITY**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19</b>	<b>Revised Estimate 2018/19</b>	<b>Estimate 2019/20 (Expenditure)</b>	<b>Estimate 2019/20 (Income)</b>	<b>Estimate 2019/20</b>
	£	£	£	£	£
<b>Thriving Place</b>					
Cultural Development Arts	14,800	13,450	13,720		13,720
Museum	277,530	309,020	58,720	-94,300	-35,580
Carriage Museum	35,060	28,680	5,290	-1,600	3,690
Museum-Grant Funded Activities	0	50,880	0	0	0
Museum Cafe	-3,460	-2,640	2,370	-5,130	-2,760
Hazlitt Arts Centre	267,680	267,880	279,460		279,460
Festivals and Events	-12,920	-20,560	29,050	-50,030	-20,980
Lettable Halls	-560	-3,020	7,830	-10,900	-3,070
Community Halls	72,450	77,780	92,740	-16,710	76,030
Leisure Centre	-223,600	-222,060	19,950	-200,000	-180,050
Cobtree Golf Course	-53,300	-53,220	0	-35,000	-35,000
Tourism	18,750	25,520	41,720	-15,450	26,270
Museum Shop	-18,670	-18,670	26,420	-45,530	-19,110
Leisure Services Other Activities	34,440	34,440	5,420		5,420
Sandling Road Site	0	16,650	17,220		17,220
Business Support & Enterprise	0	20,970	0		0
Town Centre Management Sponsorship	0	14,340	0	0	0
Business Terrace	73,220	72,970	171,140	-94,410	76,730
Business Terrace Expansion	440	23,880	72,880	-71,980	900
Market	-136,080	-132,360	96,030	-164,090	-68,060
Economic Dev - Promotion & Marketing	630	105,140	5,010	-3,500	1,510
Leisure Services Section	53,810	50,320	52,600	-21,800	30,800
Cultural Services Section	501,790	502,680	522,170		522,170
Visitor Economy Section	87,800	111,800	111,240	0	111,240
Economic Development Section	278,630	278,510	292,800	-13,630	279,170
Market Section	76,880	77,050	79,290		79,290
Head of Economic and Commercial Development	98,920	105,410	90,920	-10,700	80,220
<b>Thriving Place</b>	<b>1,444,240</b>	<b>1,734,840</b>	<b>2,093,990</b>	<b>-854,760</b>	<b>1,239,230</b>

## SUMMARY ESTIMATE 2019/20 - BY PRIORITY

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	249,920	249,930	261,970
Employee Direct	1,084,010	1,130,570	1,091,700
Employee Other	-6,640	21,810	19,900
Equipment & Furniture	36,600	58,560	32,680
Fees & Charges	-358,000	-357,600	-357,600
General Insurances	30,640	29,950	30,680
Grants & Contributions Paid	14,990	20,660	15,910
Grants & Contributions Received	0	-93,760	0
Income Other	-570,920	-582,350	-462,850
Information & Communications	28,950	36,320	38,510
Premises Other	320,530	378,740	249,670
Printing & Stationery	7,790	6,990	6,090
Professional Services	81,700	158,780	62,830
Rent	-184,080	-187,410	-34,310
Repairs & Maintenance	306,920	299,750	98,550
Security & Protection	0	2,880	0
Subsistence & Training	800	12,910	800
Supplies & Services Other	247,920	391,200	106,870
Utilities	133,370	133,370	58,940
Vehicle & Transport	19,740	23,540	18,890
<b>Thriving Place</b>	<b>1,444,240</b>	<b>1,734,840</b>	<b>1,239,230</b>

**SUMMARY ESTIMATE 2019/20 - BY PRIORITY**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 (Expenditure) £</b>	<b>Estimate 2019/20 (Income) £</b>	<b>Estimate 2019/20 £</b>
<b>Embracing Growth and Enabling Infrastructure</b>					
Building Regulations Chargeable	-320,030	-320,030	6,960	-331,850	-324,890
Building Control	-1,020	-1,020	2,050	-3,080	-1,030
Street Naming & Numbering	-49,000	-49,000		-69,000	-69,000
Development Control Advice	-115,000	-73,460	83,920	-151,300	-67,380
Development Control Applications	-1,433,740	0	0	0	0
Development Control Appeals	121,800	121,800	124,240		124,240
Development Control Majors	0	-681,880	20,540	-716,150	-695,610
Development Control - Other	0	-836,900	6,090	-842,910	-836,820
Development Control Enforcement	165,810	67,030	67,130	0	67,130
Planning Policy	200,000	252,340	196,320		196,320
Neighbourhood Planning	0	75,000	0		0
Conservation	-11,470	-11,470	4,130	-15,600	-11,470
Town Centre Opportunity Area Project	0	80,000	0		0
Community Environmental Engagement	0	90,000	0		0
Land Charges	-299,200	-298,370	38,090	-335,550	-297,460
Environment Improvements	16,450	17,440	17,460		17,460
Name Plates & Notices	17,950	17,950	18,310		18,310
On Street Parking	-288,460	-364,420	405,010	-755,830	-350,820
Residents Parking	-222,090	-263,040	88,510	-347,750	-259,240
Pay & Display Car Parks	-1,750,250	-1,776,660	499,210	-2,412,520	-1,913,310
Non Paying Car Parks	9,990	10,590	10,920	-10	10,910
Off Street Parking - Enforcement	-159,970	-74,930	120,620	-190,220	-69,600
Mote Park Pay & Display	-174,380	-174,390	32,110	-206,380	-174,270
Sandling Road Car Park	-111,500	-680	155,400	-152,530	2,870
Park & Ride	197,230	236,930	547,720	-367,740	179,980
Socially Desirable Buses	48,130	48,130	32,590		32,590
Other Transport Services	-9,550	-9,550	25,850	-36,110	-10,260
Development Management Section	864,420	911,850	912,110	0	912,110
Spatial Policy Planning Section	396,470	331,150	361,860		361,860
Head of Planning and Development	104,430	140,180	106,420		106,420
Development Management Enforcement Section	169,160	264,280	174,220		174,220
Building Surveying Section	367,640	365,620	374,880		374,880
Mid Kent Planning Support Service	434,460	420,970	614,510	-217,190	397,320
Heritage Landscape and Design Section	175,700	173,160	184,000		184,000
Planning Business Management	72,220	135,740	142,160	-5,000	137,160
Mid Kent Local Land Charges Section	32,930	46,180	139,260	-107,520	31,740
Parking Services Section	323,630	327,370	448,680	-114,710	333,970
<b>Embracing Growth and Enabling Infrastructure</b>	<b>-1,227,240</b>	<b>-802,090</b>	<b>5,961,280</b>	<b>-7,378,950</b>	<b>-1,417,670</b>

## SUMMARY ESTIMATE 2019/20 - BY PRIORITY

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	601,690	577,230	602,330
Employee Direct	3,131,280	3,132,770	3,176,390
Employee Other	-51,510	82,910	121,280
Equipment & Furniture	76,480	76,890	78,160
Fees & Charges	-6,377,620	-6,745,000	-6,445,640
General Insurances	9,470	11,040	11,470
Grants & Contributions Paid	65,820	124,720	50,030
Grants & Contributions Received	-465,040	-436,830	-455,420
Income Other	-277,270	-110,190	-102,980
Information & Communications	500	190	190
Premises Other	255,980	285,130	293,170
Printing & Stationery	36,220	30,080	29,930
Professional Services	675,400	706,690	547,540
Rent	-7,030	-7,030	-7,170
Repairs & Maintenance	192,650	201,730	201,780
Security & Protection	172,420	102,190	73,870
Subsistence & Training	2,590	24,120	2,630
Supplies & Services Other	208,660	583,330	301,940
Utilities	14,350	14,350	15,790
Vehicle & Transport	507,720	543,590	87,040
<b>Embracing Growth and Enabling Infrastructure</b>	<b>-1,227,240</b>	<b>-802,090</b>	<b>-1,417,670</b>

**SUMMARY ESTIMATE 2019/20 - BY PRIORITY**

<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19</b>	<b>Revised Estimate 2018/19</b>	<b>Estimate 2019/20 (Expenditure)</b>	<b>Estimate 2019/20 (Income)</b>	<b>Estimate 2019/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Central &amp; Democratic</b>					
Civic Occasions	36,390	41,440	42,310		42,310
Members Allowances	371,000	371,000	379,970		379,970
Members Facilities	39,940	39,940	40,520		40,520
Subscriptions	7,390	0	0		0
Contingency	248,210	147,000	183,420	0	183,420
Performance & Development	9,240	7,350	7,480		7,480
Corporate Projects	40,450	93,880	40,450		40,450
Press & Public Relations	30,990	34,840	35,450	0	35,450
Corporate Management	102,060	103,430	92,380		92,380
Mid Kent Improvement Partnership	560	700	50,710	-49,960	750
Unapportionable Central Overheads	1,777,370	1,766,000	1,783,370		1,783,370
Council Tax Collection	-301,440	-371,640	89,240	-459,840	-370,600
Council Tax Collection – Non Pooled	0	57,230	57,780	0	57,780
Council Tax Benefits Administration	-158,480	-152,120		-152,120	-152,120
NNDR Collection	-233,850	-244,990	7,800	-252,710	-244,910
NNDR Collection – Non Pooled	0	79,510	7,840		7,840
MBC-BID	0	0	16,920	-16,920	0
Registration Of Electors	46,740	79,390	50,130	-2,340	47,790
Elections	116,870	116,870	164,340	-430	163,910
Emergency Centre	32,960	32,960	33,140		33,140
External Interest Payable	231,610	231,610	310,310		310,310
Interest & Investment Income	-100,000	-100,000		-100,000	-100,000
Palace Gatehouse	-7,650	-5,100	5,000	-10,300	-5,300
Archbishops Palace	-99,750	-96,540	42,890	-141,280	-98,390
Parkwood Industrial Estate	-316,690	-303,510	13,200	-323,050	-309,850
Industrial Starter Units	-22,920	-27,980	23,760	-52,710	-28,950
Parkwood Equilibrium Units	-59,230	-70,450	51,420	-123,470	-72,050
Sundry Corporate Properties	-299,160	-200,740	57,890	-402,750	-344,860
Phoenix Park Units	-216,870	-229,900	19,160	-253,480	-234,320
Granada House - Commercial	-111,980	-104,590	12,760	-120,530	-107,770
Heronden Road Units	-151,430	-152,130	11,950	-165,120	-153,170
Boxmend Industrial Estate	0	-100,740	15,350	-118,180	-102,830
Lockmeadow Complex	0	0	81,020	-148,870	-67,850
Lenworth House	0	1,360	3,770		3,770
Non Service Related Government Grants	-3,218,600	-3,051,325	0	-3,880,840	-3,880,840
Rent Allowances	-222,790	-161,160	43,016,890	-43,178,050	-161,160
Non HRA Rent Rebates	-4,550	-6,710	664,010	-670,720	-6,710
Discretionary Housing Payments	1,210	1,680	349,290	-347,610	1,680
Housing Benefits Administration	-337,220	-389,520	14,000	-403,520	-389,520
Democratic Services Section	162,090	158,560	165,270		165,270
Mayoral & Civic Services Section	105,390	106,580	109,550		109,550
Chief Executive	173,810	173,320	176,790		176,790
Communications Section	198,340	195,600	201,770	-1,900	199,870
Policy & Information Section	220,470	249,060	222,100		222,100
Head of Policy and Communications	107,230	108,730	109,290		109,290
Revenues Section	439,660	460,410	792,800	-317,560	475,240
Benefits Section	438,030	0	0	0	0
Fraud Section	52,290	0	0	0	0
Head of Revenues & Benefits	65,810	0	0	0	0
Revenues & Benefits Business Support	134,870	0	0	0	0
Registration Services Section	134,040	137,620	137,300		137,300
Head of Housing & Community Services	104,760	106,020	106,750		106,750
Benefits Section	0	447,230	722,570	-274,230	448,340
Fraud Section	0	64,503	226,010	-183,680	42,330
Mid Kent Audit Partnership	205,960	212,770	719,150	-507,710	211,440
Director of Finance & Business Improvement	137,330	136,450	139,180		139,180
Accountancy Section	684,750	708,900	730,640	-14,580	716,060
Legal Services Section	491,030	491,030	571,140	-60,000	511,140
Director of Regeneration & Place	136,570	136,460	139,230	-1,600	137,630
Procurement Section	72,040	157,400	171,610	-37,300	134,310
Property & Projects Section	258,710	455,650	410,280	-9,800	400,480
Facilities & Corporate Support Section	418,910	260,860	266,140		266,140
Improvement Section	251,170	340,930	347,470	-25,000	322,470
Executive Support Section	159,900	160,330	164,330		164,330
Head of Commissioning and Business Improvement	126,130	93,030	101,470		101,470
Mid Kent ICT Services	693,220	691,240	1,491,180	-955,290	535,890
GIS Section	104,900	104,910	181,460	-72,570	108,890
Customer Services Section	599,020	641,460	638,860		638,860
Director of Mid Kent Services	38,340	40,440	128,210	-85,440	42,770
Mid Kent HR Services Section	378,930	379,020	641,160	-254,190	386,970
MBC HR Services Section	208,980	93,220	178,610	-530	178,080



<b>Cost Centre/Service</b>	<b>Original Approved Estimate 2018/19</b>	<b>Revised Estimate 2018/19</b>	<b>Estimate 2019/20 (Expenditure)</b>	<b>Estimate 2019/20 (Income)</b>	<b>Estimate 2019/20</b>
	£	£	£	£	£
<b>Central &amp; Democratic</b>					
Head of Revenues & Benefits	0	61,660	101,240	-36,170	65,070
Revenues & Benefits Business Support	0	150,810	382,690	-228,770	153,920
Dartford HR Services Section	0	-18,510	53,230	-70,830	-17,600
Salary Slippage P&R Committee	0	-221,740	-246,520		-246,520
Salary Slippage SPST Committee	0	-73,530	-81,380		-81,380
Salary Slippage CHE Committee	0	-93,100	-98,600		-98,600
Salary Slippage HCL Committee	0	-49,520	-53,890		-53,890
Town Hall	86,390	94,420	102,620	-3,990	98,630
South Maidstone Depot	136,770	169,160	140,600		140,600
The Link	108,210	99,530	345,550	-243,890	101,660
Maidstone House	1,115,110	1,121,130	1,282,500	-135,530	1,146,970
Museum Buildings	0	15,650	299,270	-1,110	298,160
I.T. Operational Services	244,330	267,930	326,900		326,900
Central Telephones	61,400	61,400	14,620		14,620
Mid Kent ICT Software	187,420	187,420	532,260	-334,400	197,860
Youth Development Programme	48,450	41,440	48,630	-170	48,460
Internal Printing	-86,270	-86,270	50,850	-83,670	-32,820
Debt Recovery Service	-148,450	-8,600	970,140	-980,310	-10,170
Debt Recovery MBC Profit Share	0	-129,210		-127,100	-127,100
Appropriation Account	950,940	979,580	978,880		978,880
<b>Central &amp; Democratic</b>	<b>7,237,360</b>	<b>7,318,428</b>	<b>62,915,830</b>	<b>-56,422,120</b>	<b>6,493,710</b>

## SUMMARY ESTIMATE 2019/20 - BY PRIORITY

<b>Subjective Analysis</b>	<b>Original Approved Estimate 2018/19 £</b>	<b>Revised Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
Agency & Contractor	879,850	1,087,300	1,028,180
Allowances	360,910	360,910	369,920
Benefits	45,471,150	44,030,190	44,030,190
Employee Direct	9,154,140	8,773,160	8,859,240
Employee Other	1,750,520	2,083,273	1,949,720
Equipment & Furniture	1,104,140	1,143,150	1,156,400
Fees & Charges	-938,390	-1,096,140	-1,049,300
General Insurances	14,040	15,700	15,850
Grants & Contributions Paid	345,710	351,080	425,630
Grants & Contributions Received	-52,957,960	-51,485,785	-52,198,610
Income Other	-1,116,700	-1,556,110	-1,159,330
Information & Communications	5,840	4,240	4,310
Leasing & Capital Charges	987,370	979,580	978,880
Premises Other	1,341,840	1,363,170	1,495,800
Printing & Stationery	141,360	165,240	149,210
Professional Services	585,910	633,680	461,680
Rent	-1,653,130	-1,669,670	-2,014,880
Repairs & Maintenance	346,960	388,980	556,340
Security & Protection	36,150	37,850	38,590
Subsistence & Training	161,940	117,870	172,930
Supplies & Services Other	791,090	1,135,810	690,870
Utilities	273,940	273,170	349,350
Vehicle & Transport	150,680	181,780	182,740
<b>Central and Democratic</b>	<b>7,237,360</b>	<b>7,318,428</b>	<b>6,493,710</b>

**Maidstone Borough Council  
Medium Term Financial Strategy 2018/19**

**Estimate of General Fund Balances to 31 March 2019**

	Unallocated General Fund	Commercial Risk	Invest to Save	Contingency for Future Funding Pressures	Earmarked Reserves	Grand Total
	£,000	£,000	£,000		£,000	£,000
Balance as at 31st March 2018	8,503	500	500	0	2,418	11,921
2017/18 Carry Forwards Used in 2018/19	-1,486	0	0	0	0	-1,486
Movement in balances during 2018/19	-418	0	0	0	-1,196	-1,614
<b>Estimated Balance as at 31 March 2019</b>	<b>6,599</b>	<b>500</b>	<b>500</b>	<b>0</b>	<b>1,222</b>	<b>8,821</b>
Expected movement in balances during 2019/20	0	0	-30	1589	204	1763
<b>Estimated Balance as at 31 March 2020</b>	<b>6,599</b>	<b>500</b>	<b>470</b>	<b>1,589</b>	<b>1,426</b>	<b>10,584</b>

**Estimate of Earmarked Reserves to 31 March 2020**

	31/03/2018	Movement in 2018/19	Est. Balance at 31/3/19	Est. Movement in 2019/20	Est. Balance at 31/3/20
	£,000	£,000	£,000	£,000	£,000
Capital Support	1,404	-1,404	0	0	0
Local Plan Review	200	200	400	200	600
Neighbourhood Planning	70	-30	40	-40	0
Business Rates Reserve (50% Pool)	692	-457	235	520	755
Trading Accounts	51	19	70	0	70
Business Rates Pilot	0	476	476	-476	0
<b>Total</b>	<b>2,418</b>	<b>-1,196</b>	<b>1,222</b>	<b>204</b>	<b>1,426</b>

## ESTIMATED CAPITAL PROGRAMME RESOURCES 2019/20 - 2023/24

Source of Funding	Estimate					Total £000
	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	
Contribution from Earmarked Reserve (New Homes Bonus)	3,881	0	0	0	0	3,881
Capital Grants (Disabled Facilities)	800	800	800	800	800	4,000
External Capital Grants	810	5,006	0	0	0	5,816
S 106	201	280	63	754	60	1,358
Internal Borrowing	9,650	0	0	0	0	9,650
Prudential Borrowing	7,780	12,820	12,820	11,084	11,020	55,524
<b>TOTAL</b>	<b>23,122</b>	<b>18,906</b>	<b>13,683</b>	<b>12,638</b>	<b>11,880</b>	<b>80,229</b>

**PROPOSED FIVE YEAR CAPITAL PROGRAMME 2019/20 - 2023/24**

	18/19	Five Year Plan					Total
	Projected £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	
Purchase of Lenworth House	2,228						
Brunswick Street - Net Cost of Scheme	1,641	2,779	-100				2,679
Union Street - Net Cost of Scheme	917	1,887	-1,843				44
Indicative Schemes		4,124	5,426	3,750	3,750		17,050
Housing Delivery Partnership				3,750	3,750	7,500	15,000
Housing - Disabled Facilities Grants Funding	1,348	800	800	800	800	800	4,000
Temporary Accommodation	4,683	3,000					3,000
Housing Incentives	1,041	175	175	175	175	175	875
Gypsy Site Improvement Works		42					42
Commercial Waste	180						
Street Scene Investment	151	25	25				50
Flood Action Plan		1,000	63				1,063
<b>Sub-total Communities, Housing &amp; Environment</b>	<b>12,189</b>	<b>13,832</b>	<b>4,546</b>	<b>8,475</b>	<b>8,475</b>	<b>8,475</b>	<b>43,804</b>
Continued Improvements to Play Areas	574						
Commercial Projects - Crematorium Projects	416	40					40
Commercial Projects - Cemetery Chapel Repairs		100	130				230
Commercial Projects - Mote Park Adventure Zone	1,957						
Mote Park Improvements	391						
Mote Park Visitor Centre	150	2,090					2,090
Mote Park Lake - Dam Works	200	200	1,650	100			1,950
Other Parks Improvements	100						
Museum Development Plan	25		125	200	64		389
<b>Sub-total Heritage, Culture &amp; Leisure</b>	<b>3,814</b>	<b>2,430</b>	<b>1,905</b>	<b>300</b>	<b>64</b>		<b>4,699</b>
High Street Regeneration	2,830						
Asset Management / Corporate Property	844	1,115	467	175	175	175	2,107
Feasibility Studies	74	50	50	50	50	50	250
Infrastructure Delivery	600	600	600	600	600	600	3,000
Software / PC Replacement	159	124	287				411
Digital Projects		20	20	20	20	20	100
Acquisition of Commercial Assets	2,354	2,500	2,500	2,500	2,500	2,500	12,500
Kent Medical Campus - Innovation Scheme	150	750	8,250	1,500			10,500
Maidstone East/Sessions Square	552						
<b>Sub-total Policy &amp; Resources</b>	<b>7,564</b>	<b>5,159</b>	<b>12,174</b>	<b>4,845</b>	<b>3,345</b>	<b>3,345</b>	<b>28,868</b>
Mall Bus Station Redevelopment		1,500					1,500
Bridges Gyratory Scheme	228						
<b>Sub-total Strategic Planning, Sustainability &amp; Transportation</b>	<b>228</b>	<b>1,500</b>					<b>1,500</b>
<b>Sub-Total</b>	<b>23,795</b>	<b>22,921</b>	<b>18,625</b>	<b>13,620</b>	<b>11,884</b>	<b>11,820</b>	<b>78,871</b>
Section 106 Contributions	191	201	280	63	754	60	1,358
<b>TOTAL</b>	<b>23,986</b>	<b>23,122</b>	<b>18,905</b>	<b>13,683</b>	<b>12,638</b>	<b>11,880</b>	<b>80,229</b>

**MAIDSTONE BOROUGH COUNCIL**

**MEDIUM TERM FINANCIAL STRATEGY**  
**2019/20 – 2023/24**

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# 1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

## Background

- 1.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council has developed a new Strategic Plan, intended to take the place of the previous 2015-2020 Strategic Plan, which describes and prioritises our corporate objectives. The MTFS sets out how these objectives will be delivered, given the resources available.
- 1.2 Resources depend first of all on the broad economic environment. The combination of relatively slow economic growth and pressure on government expenditure from other areas of the public sector means that the Council cannot rely on government support to increase spending, and in the worst case may have to cut back. To the extent that it wishes to increase spending, it is likely to have to rely on self-generated resources.
- 1.3 Most of the Council's income already comes from Council Tax and other local sources, including parking, planning fees and property income. This relative self-sufficiency provides a level of reassurance, but there is considerable uncertainty about the position for 2020/21 onwards. The Government offered a four year funding settlement to local authorities in 2016, covering the years 2016/17 to 2019/20, but after this the position is very uncertain.
- 1.4 Capital investment faces a different set of constraints. As set out in section 4 below, funds have been set aside for capital investment and further funding is available, in principle, through prudential borrowing. The challenge is to ensure that capital investment delivers against the Council's priorities, providing the required return on investment for the community.

## Financial Projections

- 1.5 The strategic revenue projections underlying the current MTFS suggested that a small budget gap, having taken account of savings already planned, would arise in 2019/20, increasing to £1.5 million by the end of the five year period, as follows. The projections were based on a 'neutral' scenario.

**Table 1: Current MTFS Revenue Projections 2018/19 – 2022/23**

	18/19	19/20	20/21	21/22	22/23
	£m	£m	£m	£m	£m
Total Funding Available	38.8	38.6	38.1	38.2	39.1
Predicted Expenditure	40.3	39.8	40.1	39.6	39.6
Budget Gap	1.5	1.2	2.0	1.4	0.5
Required Savings – Cumulative	1.5	2.7	4.7	6.1	6.6



Savings identified - Cumulative	1.6	2.6	3.6	4.5	5.1
Still to be identified	-0.1	0.1	1.1	1.6	1.5

- 1.6 It is important to note that projections like these can only represent a best estimate of what will happen. In updating the projections, various potential scenarios have been modelled – adverse, neutral and favourable.
- 1.7 In accordance with legislative requirements the Council must set a balanced budget. Under the 'neutral' scenario there will be a budget gap from 2020/21 onwards, and in the 'adverse' scenario from 2019/20 onwards. The MTFS sets out a proposed approach that seeks to address this.

## **2. NEW STRATEGIC PLAN**

2.1 The Council has developed a new Strategic Plan, intended to take the place of the previous 2015-2020 Strategic Plan. The development of a new Strategic Plan was brought forward in order to inform the refresh of the Local Plan, which sets out the framework for development in the borough and is due to be completed by April 2022. The new Strategic Plan likewise informs the whole range of other Council strategies and policies.

2.2 The new Strategic Plan went through a thorough process of discussion and refinement over the period June – October 2018 and was approved by Council on 12 December 2018. It sets out four objectives, as follows:

- Safe, Clean and Green
- Homes and Communities
- A Thriving Place
- Embracing Growth and Enabling Infrastructure.

The purpose of the MTFS is to describe the how the outcomes associated with these objectives can be delivered, given the financial resources available to the Council, and bearing in mind the prioritisation of objectives. 'Financial resources' include both revenue resources, for day-to-day expenditure, and capital resources, for one-off investment that will deliver benefits over more than a year.

2.3 Resources are described below in section 4 of the MTFS. It will be seen that there are constraints on the funding available for the revenue budget, and there are in any case service pressures which must be accommodated. This implies a process of matching resources against the objectives in the Strategic Plan.

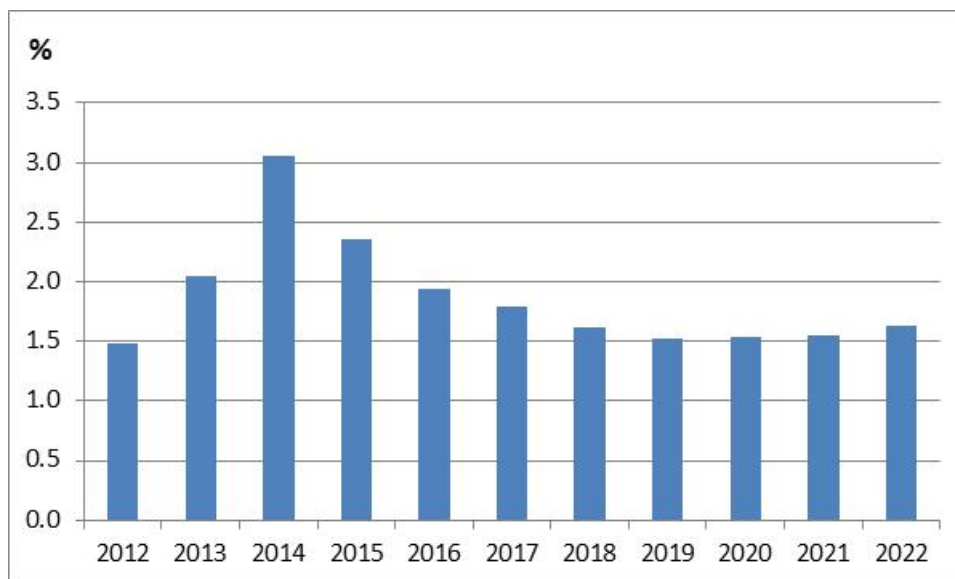
2.4 Capital investment is funded from the New Homes Bonus, borrowing and third party contributions such as Section 106 payments on new developments. The constraints in this case are different from those facing revenue expenditure, because the current local authority funding regime does not set cash limits for borrowing. However, borrowing must be sustainable in terms of the Council's ability to fund interest payments and ultimately repayment of capital. Capital investment plans also depend on having the capacity, in terms of internal resources, to develop projects, work effectively with partners, and secure third party funding.

### 3. NATIONAL CONTEXT

#### Economic Outlook 2019 – 2024

- 3.1 The national economy continues to grow, although at a modest rate by historical standards. There was a temporary slowdown in quarter 1 of 2018, but this has now been reversed. The Bank of England expects growth to continue at a rate of between 1.5% - 2% in the medium term.
- 3.2 The Bank expects that growth will be significantly influenced by the reaction of consumers and businesses to EU withdrawal in 2019. This is important, because consumer spending in particular is an important driver of economic growth. Consumer spending continued to grow after the EU referendum in 2016, thus averting the gloomiest predictions about its effects. Whilst this pattern may continue if there is an orderly exit from the EU, there is a risk that the shock from a 'no-deal' exit could impact consumer spending and lead to a downturn in growth.

**Figure 1: Real UK gross domestic product (GDP) growth rate**

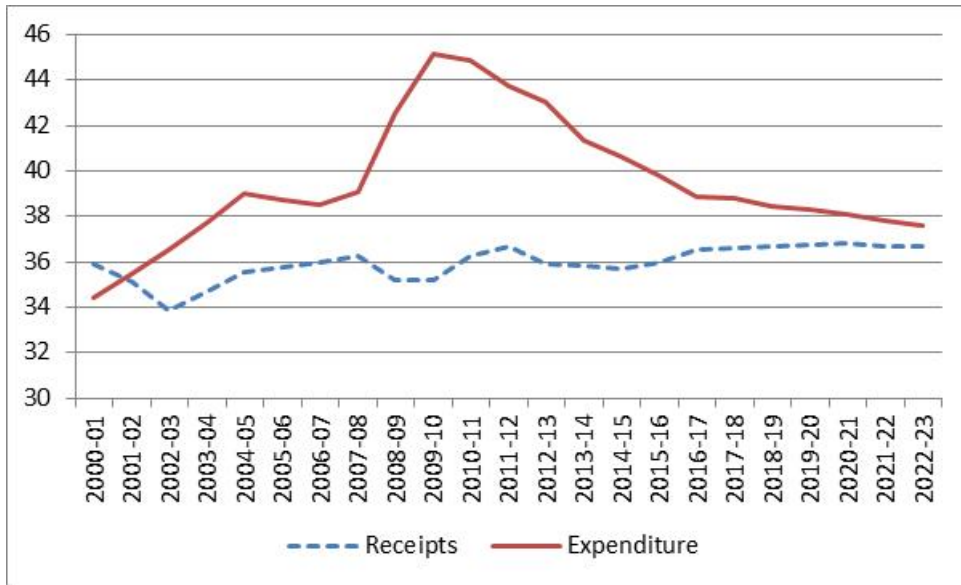


- 3.3 Consumer Price Inflation (CPI) is currently 2.0%, for the year to December 2019, in line with the Bank of England's target rate of 2%. The Bank increased interest rates by 0.25% in August, believing that a modest tightening of monetary policy was needed to return inflation to its target.

#### Public Finances

- 3.4 Following the financial crisis of 2008 and the demands that it placed on public finances, successive governments have reduced the public sector deficit through an explicit policy of austerity. This has brought public expenditure down to a similar level as a proportion of national income to that in 2007/08, immediately before the financial crisis.

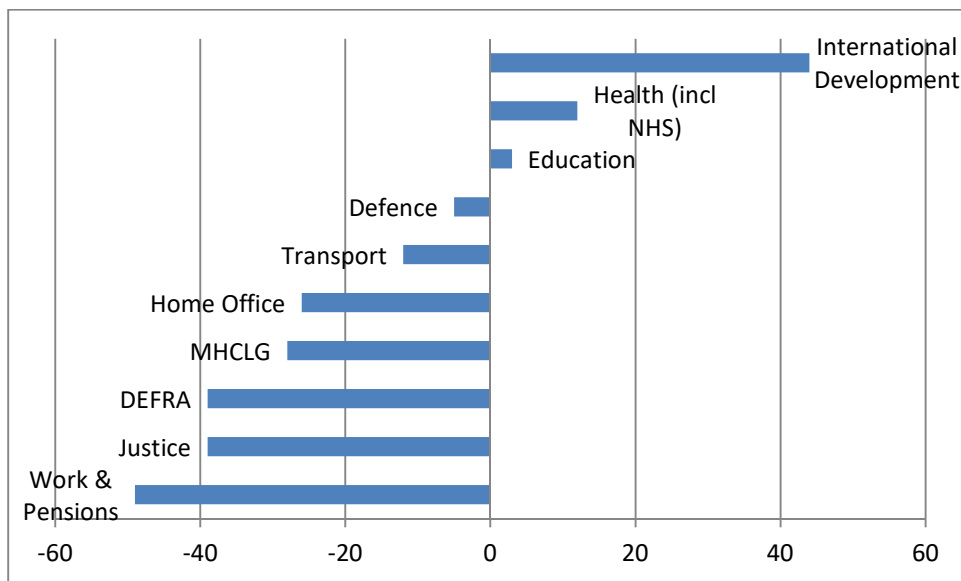
**Figure 2: Tax and Spend as a percentage share of national income**



The pressure to increase spending, particularly on the NHS and social care, has grown over the past few years. This has led to an overwhelming demand for an end to austerity. It is hard to see how central government can address this pressure without either increasing taxes or borrowing to fund a renewed growth in the deficit.

- 3.5 Within the overall reduction in public expenditure, there has been a widely disparate pattern between different government departments.

**Figure 3: Planned real change to Departmental Expenditure Limits 2010-11 – 2019-20 (per cent)**



- 3.6 MHCLG, which provides central government funding for local authorities, has seen some of the biggest cuts. Even if the policy of austerity is reversed, it is unlikely that local government will see significant benefits

given the pressures elsewhere on the public purse, in particular from the NHS.

- 3.7 The effects of austerity in local government have not been spread evenly between authorities. The LGA, in its Autumn Budget 2018 submission to the government, stated that the increasing costs of adult social care and children's social care – services delivered by the upper tier of local government - contribute by far the majority of the funding gap faced by the sector. It is likely that any rebalancing of public spending priorities by central government to reflect an 'end to austerity' will focus on these services, and benefit the upper tier authorities that deliver them, rather than lower tier authorities like Maidstone.

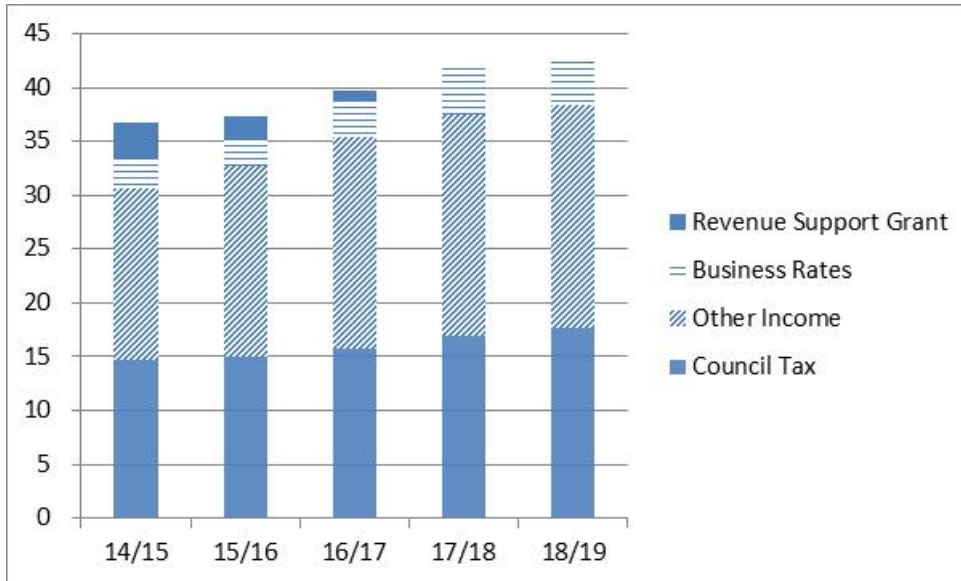
### **Conclusion**

- 3.8 The combination of relatively slow economic growth and pressure on government expenditure from other areas of the public sector means that the Council cannot rely on government support to increase spending, and in the worst case may have to cut back. To the extent that it wishes to grow, it will depend on self-generated resources.

## 4. FINANCIAL RESOURCES

- 4.1 The Council's main sources of income are Council Tax and self-generated income from a range of other sources, including parking, planning fees and property investments. It no longer receives direct government support in the form of Revenue Support Grant; although it collects around £60 million of business rates annually, it retains only a small proportion of this.

**Figure 4: Sources of Income**



### Council Tax

- 4.2 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.
- 4.3 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below.

**Table 2: Number of Dwellings in Maidstone**

	2014	2015	2016	2017	2018
Number of dwellings	67,178	67,721	68,519	69,633	70,843
% increase compared with previous year		0.38%	0.81%	1.18%	1.63%

Note: Number of dwellings is reported each year based on the position shown on the valuation list in September.

- 4.4 The level of council tax increase for 2019/20 is a decision that will be made by Council based on a recommendation made by Policy and Resources Committee. The Council's ability to increase the level of council tax is limited by the requirement to hold a referendum for increases over a government set limit. The referendum limit for 2018/19 was the greater of

3% or £5.00 for Band D tax payers. Council Tax was increased by the maximum possible, ie £7.29 (3%).

- 4.5 In the Medium Term Financial Strategy 2018/19 – 2022/23, it was assumed that the Council Tax base would increase by 1.5% per annum for the MTFS period, and Band D Council Tax increases would revert to 2% per annum after 2018/19. In fact, the Government announced in August 2018 that it was minded to set a referendum limit for Council Tax increases in 2019/20 of 3%. This gives the Council the opportunity to generate a higher level of income than projected if it chooses to increase Council Tax by the maximum permissible amount.

### **Other income**

- 4.6 Other income is an increasingly important source of funding for the Council. It includes the following sources of income:
- Parking
  - Shared services
  - Commercial property
  - Planning fees
  - Cremations
  - Garden waste collection
  - Income generating activity in parks

Where fees and charges are not set by statute, we apply a policy that guides officers and councillors in setting the appropriate level based on demand, affordability and external factors. Charges should be maximised within the limits of the policy, but customer price sensitivity must be taken into account, given that in those areas where we have discretion to set fees and charges, customers are not necessarily obliged to use our services.

- 4.7 In developing the strategic revenue projection for 2018/19 a broad assumption of a 1% increase in future fees and charges was used for the development of the MTFS, in line with overall inflation assumptions.

### **Business Rates**

- 4.8 Under current funding arrangements, local government retains 50% of the business rates it collects. The aggregate amount collected by local government is redistributed between individual authorities on the basis of perceived need, so that in practice Maidstone Borough Council receives only around 7% of the business rates that it collects.
- 4.9 Prior to the 2017 General Election, the Government was preparing to move to 100% business rates retention with effect from 2020. The additional income would have been accompanied by devolution of further responsibilities to local government. However, the need to accommodate Brexit legislation means that there has been no time to legislate for this. Government therefore intends to increase the level of business rates retention to the extent that it is able to do within existing legislation, and plans to introduce 75% business rates retention with effect from 2020/21.

- 4.10 As with 50% business rates retention, the new 75% business rates retention regime will be linked to a mechanism for rates equalisation to reflect local authorities' needs. These will be assessed based on a 'Fair Funding Review' which is currently under way. The overall amounts to be allocated as part of the Fair Funding Review are also subject to a planned Spending Review covering all government departments in 2019. It is therefore difficult to predict with any degree of accuracy whether the proportion of business rates retained by Maidstone will remain the same, increase or decrease.
- 4.11 The current local government funding regime gives authorities the opportunity to pool their business rates income and retain a higher share of growth as compared with a notional baseline set in 2013/14. Maidstone has been a member of the Kent Business Rates pool since 2014/15. Its 30% share of the growth arising from membership of the pool is allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has been used to support the Maidstone East development.
- 4.12 It should be noted that in 2020, the baseline will be reset, so all growth accumulated to that point will be reallocated between local authorities as described in paragraph 4.10 above.
- 4.13 A further element of growth has been retained locally for one year only in 2018/19 as a result of Maidstone's participation in the Kent & Medway 100% Business Rates Retention pilot. Kent & Medway local authorities were successful in bidding for pilot status, which means that 100% of business rates growth, rather than 50%, is retained locally. The additional growth is split between a Financial Sustainability Fund (70%) and a Housing and Commercial Growth Fund (30%).
- 4.14 The Financial Sustainability Fund (FSF) is designed to support local authorities in managing the pressures associated with growth and is distributed according to a formula which provides each authority with a guaranteed minimum amount and then links growth in funding with population increase and business rates increase (as a proxy for commercial growth) over the past five years. Our share of the FSF was estimated to amount to £640,000.
- 4.15 The Housing and Commercial Growth Fund (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. The HCGF funds have been 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. Allocation of the funds is determined by the relevant Council Leaders in each Cluster.
- 4.16 Kent & Medway was unsuccessful with its bid to form a pilot again in 2019/20.



- 4.17 Total projected business rates income for 2018/19 and the uses to which it will be put are summarised in the table below.

**Table 3: Projected Business Rates Income 2018/19**

	£000	
Business Rates baseline income	3,136	Included in base budget
Growth in excess of the baseline	1,237	Included in base budget
Pooling gain (MBC share)	297	Funds Economic Development projects
Pooling gain (Growth Fund)	297	Spent in consultation with KCC, eg on Maidstone East
Financial Sustainability Fund (initial estimate)	640	Allocated to 13 projects as agreed by Policy & Resources Committee
Housing & Commercial Growth Fund	-	Pooled and allocated by North Kent Leaders
<b>Total</b>	<b>5,310</b>	

- 4.18 Whilst the proportion of total business rates income retained by the Council is relatively small, the amounts retained have grown significantly since the introduction of 50% business rates retention. Pressure on the government to reduce the burden of business rates and the unpredictability of future arrangements for equalising business rates income between Councils place future income growth from this source at risk.

### **Revenue Support Grant**

- 4.19 Maidstone no longer benefits directly from central government support in the form of Revenue Support Grant. Indeed, the existing four year funding settlement contains a mechanism for government to levy a 'tariff / top-up adjustment' – effectively negative Revenue Support Grant – on local councils that are considered to have a high level of resources and low needs. Maidstone was due to pay a tariff / top-up adjustment of £1.589 million in 2019/20. However, the government faced considerable pressure to waive negative RSG and has now removed it in the 2019/20 Local Government Finance Settlement.
- 4.20 The negative RSG of £1.589 million was built into the former MTFS and savings plans developed to offset its impact. Rather than reverse these savings, in the current MTFS the £1.589 million is held as a contingency for future funding pressures, which will be applied to cushion the impact of likely reductions in resources in 2020/21.

### **Balances and Earmarked Reserves**

- 4.21 The Council maintains reserves as a safety net to allow for unforeseen circumstances. There is no statutory definition of the minimum level of reserves: the amount required is a matter of judgement. However, the Council has agreed to set £2 million as the minimum General Fund balance.

- 4.22 Within the General Fund balance, amounts have been allocated for specific purposes. These amounts do not represent formal commitments. Instead, they represent the level of reserves considered to be required for specific purposes, including asset replacement, commercialisation and Invest to Save projects.
- 4.23 In addition to uncommitted General Fund balances, the Council holds reserves that are earmarked for specific purposes. Full details of reserves held are set out below.

**Table 4: General Fund balances**

	31.3.17	31.3.18
	£000	£000
<b>General Fund</b>		
Commercialisation – contingency	500	500
Invest to Save projects	547	500
Amounts carried forward from 2016/17	456	416
Amounts carried forward from 2017/18	-	1,044
Unallocated balance	5,855	7,041
General	9,329	9,502
<b>Earmarked Reserves</b>		
New Homes Bonus funding for capital projects	7,214	1,404
Local Plan Review	336	200
Neighbourhood Plans	64	70
Accumulated Surplus on Trading Accounts	243	51
Business Rates Growth Fund	158	692
Sub-total	8,014	2,418
<b>Total General Fund balances</b>	<b>17,343</b>	<b>11,920</b>

- 4.24 General Fund balances have fallen from £17.3 million at 31 March 2017 to £11.9 million at 31 March 2018. This arises from deployment of the New Homes Bonus for capital expenditure, including the acquisition of temporary accommodation for homeless people and investment property. This is in line with the Council’s explicit strategy of using New Homes Bonus for capital investment.
- 4.25 The unallocated balance comfortably exceeds the £2 million minimum. It represents 37% of the net revenue budget, which is well in excess of the 10% benchmark that is sometimes cited as a reasonable level. It can therefore be seen that the level of reserves is adequate without being excessive.

### **Capital Funding**

- 4.26 Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, which offers rates that are usually more competitive than those available in the commercial sector. Maidstone Borough Council has so far not borrowed to fund its capital programme,

instead relying primarily on New Homes Bonus to fund the capital programme. Borrowing has not been required so far in 2018/19, but is likely to be in subsequent years. The cost of any borrowing is factored into the MTFS financial projections.

- 4.27 There has been 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 is also now made in calculating New Homes Bonus for the natural growth in housing from 'normal' levels of development. Given other pressures on local government funding, and given the progressive reduction in the level of New Homes Bonus, it is not clear whether New Homes Bonus will continue to exist, at least in its current form. under the new Local Government funding regime to be implemented from 2020.
- 4.28 Many of the external grants that were available to the council for funding capital projects in the past no longer exist. However, external funding is sought wherever possible and the Council has been successful in obtaining Government Land Release Funding for its housing developments and is seeking ERDF funding for the Kent Medical Campus Innovation Centre.
- 4.29 Funding is also available through developer contributions (S 106) and the Community Infrastructure Levy (CIL). The Community Infrastructure Levy was introduced in Maidstone in October 2018.
- 4.30 The current funding assumptions used in the programme are set out in the table below.

**Table 5: Capital Programme Funding**

<b>Funding Source</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>TOTAL £000</b>
New Homes Bonus	3,200	3,400	0	0	0	6,600
Disabled Facilities Grants	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
<b>Total Resources</b>	<b>26,533</b>	<b>22,183</b>	<b>8,886</b>	<b>8,025</b>	<b>8,025</b>	<b>73,652</b>

A review of the schemes in the capital programme took place during the course of Autumn 2018. Proposals were also considered for new schemes to be added to the capital programme. The affordability of the capital programme was considered as part of this review, as it is essential that any borrowing to fund the capital programme is sustainable and affordable in terms of its revenue costs.

- 4.31 Under CIPFA's updated Prudential Code, the Council is now required to produce a Capital Strategy, which is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

4.32 The outcome of the capital programme review and a proposed Capital Strategy were considered by Policy and Resources Committee in January 2019 and an updated capital programme is to be recommended to Council for approval.

## **5. FUTURE SCENARIOS**

- 5.1 Owing to uncertainty arising from the economic environment, and from the lack of clarity about the government's plans for local government funding, financial projections have been prepared for three different scenarios, as follows.

### **1. Favourable**

The UK achieves an orderly exit from the EU on terms that are widely perceived as favourable. The economy continues to grow, allowing the government to increase public expenditure. Local authorities achieve a positive outcome from the Spending Review and Maidstone shares in the benefits through the Fair Funding Review. Government gives local authorities greater flexibility in setting local taxes.

### **2. Neutral**

The UK negotiates an agreed exit from the EU, but continued slow growth in the national economy compels the government to prioritise public spending in areas of high demand such as the NHS. As a result, local government sees no growth in real terms. Business rates income is distributed to areas of the country and of the local government sector that are perceived as having the greatest need, to Maidstone's detriment. Council Tax increases continue to be capped in line with price inflation.

### **3. Adverse**

Failure to achieve an agreed Brexit deal damages international trade and consumer confidence, leading to a sharp slowdown in the economy. Options for the government to meet spending pressures are severely limited, compelling it to divert business rates income away from local government, leading to a significant budget gap for Maidstone. The amount that local authorities can raise by way of Council Tax is limited in order to limit overall public spending.

Details of key assumptions underlying each of these scenarios are set out below.

### **Council Tax**

- 5.2 It is assumed in the adverse and neutral scenarios that the Council will take advantage of the flexibility offered by Government and will increase Council Tax by 3% in 2019/20, reverting to 2% in 2020/21. In the 'favourable' scenario outlined above the Council would increase Council Tax by 3% per annum for the whole five year period.
- 5.3 The other key assumption regarding Council Tax is the number of new properties. The number of new properties has been increasing in recent years, from a low of 0.38% in 2014 to 1.74% in 2018. The rate of increase nevertheless remains lower than that implied by Local Plan new homes targets. Assumptions are as follows:

Favourable – 3%  
Neutral – 2%  
Adverse – 1%

### **Business Rates**

- 5.4 As described above, the Council receives only a small proportion of the business rates that it actually collects. After 2020, this proportion will be adjusted to reflect the findings of the Fair Funding Review and the Spending Review. It is very difficult to predict what this will mean in practice. However, for the purposes of revenue projections, a number of assumptions have been made.
- 5.5 Assuming that the starting point in the government's calculations will be Maidstone's perceived level of need, it should be noted that the current four year funding settlement, which is likewise based on perceived local authority needs, incorporated a negative revenue support grant payment of £1.6 million in 2019/20. The starting point for future business rates income is therefore assumed to be the current baseline share of business rates income, £3.2 million, less £1.6 million. It is not accepted that this would be a fair allocation of business rates income but it is prudent to make this assumption for forecasting purposes.
- 5.6 A further factor to be considered is the resetting of the government's business rates baseline in 2020/21. This represents the level above which the Council benefits from a share in business rates growth. It is likely that the government will reset the baseline in order to redistribute resources from those areas that have benefitted most from business rates growth in the years since the current system was introduced in 2013, to those areas that have had lower business rates growth. Accordingly, cumulative business rates growth has been removed from the projections for 2020/21, then is gradually reinstated from 2021/22.
- 5.7 In addition, as provided for in the current MTFs, it is appropriate to include a provision, currently £1.3 million, to allow for additional burdens placed on the Council following the end of the current four year settlement. Originally it was expected that the Council might face additional responsibilities under 100% business rates retention from 2020/21 and a provision of £1.3 million was made in the MTFs to allow for this. Even if 100% business rates retention is not now introduced as originally intended, the pressures on UK-wide public finances mean that the Council risks corresponding burdens, whether in the form of additional responsibilities or an increased tariff / top-up adjustment. This provision is included in 2021/22, rather than in 2020/21, as it is likely that the government will dampen the impact of any adverse changes arising from the new post-2020 financial settlement, and spread them over at least two years.
- 5.8 Given these assumptions, the specific assumptions for business rates growth in each scenario are as follows:

Favourable –3% increase in multiplier plus 2% growth in base  
Neutral – 2% increase in multiplier plus 1% growth in base

Adverse – 1% increase in multiplier plus 0% growth in base

### **Fees and Charges**

5.9 The projections imply that fees and charges will increase in line with overall inflation assumptions. For the Council, the main component of inflation is pay inflation. In practice, it is not possible to increase all fees and charges by this amount as they are set by statute. Accordingly, the actual increase in income shown in the projections is somewhat lower than the inflations assumptions.

5.10 Details of inflation assumptions are as follows:

Favourable – 3%

Neutral – 2%

Adverse – 1%

### **Inflation**

5.11 The annual rate of increase in Consumer Price Index inflation (CPI) for the year to September 2018 was 2.4%. Although wage inflation in the public sector has been below this level, there is increasing political pressure to relax the limits on public sector pay increases.

5.12 The following table sets out the assumptions made for the purposes of preparing the initial set of Strategic Revenue Projections.

**Table 6: Inflation Assumptions**

	Favourable	Neutral	Adverse	Comments
Employee Costs	1.00%	2.00%	3.00%	Neutral assumption is in line with the most recent pay settlement and government inflation targets
	0.50%	0.50%	0.50%	The annual cost of performance related incremental increases for staff
Electricity	8.00%	11.00%	14.00%	Based on guidance from supplier
Gas	8.00%	10.00%	12.00%	Based on guidance from supplier
Water	-2.00%	0.00%	0.00%	Decrease in prices expected from deregulation of the water supply market
Fuel	1.00%	2.00%	3.00%	A predicted average increase based on previous trends as no forward looking information is available.
Insurance	2.00%	3.00%	4.00%	A predicted average increase based on previous trends as no forward looking information is available.
General	1.00%	2.00%	3.00%	2% is the government's target inflation rate but the current level of CPI inflation is 2.4%

## Service Spend

- 5.13 Strategic Revenue Projections assume that service spend will remain as set out in the previous MTFS, so savings previously agreed by Council will be delivered and no further growth arising from the new Strategic Plan is incorporated.
- 5.14 The projections include provision for the revenue cost of the capital programme, comprising interest costs (3%) and provision for repayment of borrowing (2%).

## Summary of Projections

- 5.15 A summary of the projected budget gaps under each of the scenarios is set out below.

**Table 7: Projected Budget Gap 2019/20 – 2023/24**

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m

<b>Scenario 1 – Favourable</b>					
Budget Gap <sup>1</sup>	0.2	0.9	0.2	-1.1	-1.5
Required Savings – Cumulative	0.2	1.1	1.3	0.2	-1.3
Savings identified to date <sup>2</sup>	-1.0	-2.0	-2.9	-3.5	-3.5
<b>Budget surplus</b>	<b>-0.8</b>	<b>-0.9</b>	<b>-1.6</b>	<b>-3.3</b>	<b>-4.8</b>

<b>Scenario 2 – Neutral</b>					
Budget Gap <sup>1</sup>	1.1	2.0	1.5	0.4	0.2
Required Savings – Cumulative	1.1	3.1	4.6	5.0	5.2
Savings identified to date <sup>2</sup>	-1.0	-2.0	-2.9	-3.5	-3.5
<b>Savings to be identified</b>	<b>0.1</b>	<b>1.1</b>	<b>1.7</b>	<b>1.5</b>	<b>1.7</b>

<b>Scenario 3 – Adverse</b>					
Budget Gap <sup>1</sup>	1.7	2.7	2.4	1.4	1.4
Required Savings – Cumulative	1.7	4.4	6.8	8.2	9.6
Savings identified to date <sup>2</sup>	-1.0	-2.0	-2.9	-3.5	-3.5
<b>Savings to be identified</b>	<b>0.7</b>	<b>2.4</b>	<b>3.9</b>	<b>4.7</b>	<b>6.1</b>

<sup>1</sup> A positive figure here indicates a budget gap; a negative figure (-) indicates a surplus

<sup>2</sup> Savings included in previous 2018/19 – 2022/23 MTFS / Efficiency Plan



For illustrative purposes, the following table shows the equivalent neutral scenario if Council Tax were frozen at 2018/19 levels (£252.90 for Band D):

**Table 8: Projected Budget Gap – Council Tax freeze**

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m
<b>Scenario 2 – Neutral but freeze Council Tax</b>					
Budget Gap	1.6	2.3	1.9	0.8	0.6
Required Savings – Cumulative	1.6	3.9	5.8	6.6	7.2
Savings identified to date <sup>2</sup>	-1.0	-2.0	-2.9	-3.5	-3.5
<b>Savings to be identified</b>	<b>0.6</b>	<b>1.9</b>	<b>2.9</b>	<b>3.1</b>	<b>3.7</b>

The effect of freezing Council Tax is cumulative, and would lead by the end of the five year MTFS period to a budget gap £2 million greater than in the base case projections.

### **Conclusion**

- 5.16 Under the neutral and adverse scenarios, there is a significant budget gap from 2020/21 onwards. This reflects the assumptions made about the likely outcome for the Council from the new local government funding arrangements that are due to come into effect in that year. Whilst this does not affect the budget position for next year, 2019/20, the Council needs to have credible plans to address projected future budget deficits.

## 6. CURRENT SPENDING PLANS

- 6.1 This section sets out current budgeted expenditure by strategic objective, and describes planned savings and known budget pressures. The purpose is to allow an assessment of whether current spending plans reflect strategic objectives.
- 6.2 Total spend by strategic objective is summarised below. Corporate expenditure that supports all strategic objectives has been omitted from this analysis, rather than allocated to services using the CIPFA 'full costing' approach set out in its Service Reporting Code of Practice, as this practice tends to obscure the direct cost of service delivery.

**Table 9: 2018/19 Revenue and Capital Budgets**

Objective	2018/19 Revenue Budget		
	Expenditure	Income	Net
	£000	£000	£000
Safe, Clean and Green	10,594	-4,586	6,007
Homes and Communities	3,316	-1,108	2,208
A Thriving Place	2,557	-1,113	1,445
Embracing Growth and Enabling Infrastructure	5,850	-7,126	-1,275

Objective	2018/19 Capital Programme		
	Expenditure	External Cont'n	Net
	£000	£000	£000
Safe, Clean and Green	1,183	0	1,183
Homes and Communities	14,758	-1,192	13,566
A Thriving Place	8,772	0	8,772
Embracing Growth and Enabling Infrastructure	910	-160	750

**Table 10: Safe, Clean and Green**

	2018/19 Revenue Budget			Future
	Expenditure	Income	Net	Savings
	£000	£000	£000	£000
Household Waste Collection	3,343	-1,377	1,967	-44
Street Cleansing & Depot	2,423	-208	2,214	0
Parks & Open Spaces	1,867	-966	900	-97
Community Partnerships & Resilience	523	-32	491	0
Regulatory Services	796	-333	463	0
CCTV	214	-21	193	-100
Environmental Enforcement	241	0	241	-125
Floods, Drainage and Medway Levy	141	0	141	0
Grounds Maintenance - Commercial Income	127	-100	27	-50
Commercial Waste Collection	117	-188	-71	0
Bereavement Services	802	-1,361	-559	0
<b>Total Revenue Budget</b>	10,594	-4,586	6,007	-416

	2018/19 Capital Programme			Future
	Expenditure	External contribution	Net	years
	£000	£000	£000	£000
Flood Action Plan	500	0	500	563
Public Realm Capital Improvements	150	0	150	50
Crematorium Development Plan	353	0	353	0
Commercial Waste	180	0	180	0
<b>Total Capital Programme</b>	1,183	0	1,183	613

- 6.3 The core services that deliver this objective are street cleansing and waste collection. Not only are these key statutory services, but they have also been successful in developing income streams to offset costs, including commercial waste collection, household green waste collections and grounds maintenance for third parties. Savings are projected for 2019/20 from growing grounds maintenance and garden waste income. A saving of £125,000 proposed in the existing MFS from consolidating enforcement across the Council (environment, planning and parking) is not now expected to be delivered and alternative savings will have to be sought.
- 6.4 Future expenditure pressures can be expected to arise from the impact of inflation indexation on the waste collection contract. In the longer term,

commissioning a new contract when the current one expires in 2022 will involve one-off costs. The current contract offers very good value and it may not be possible to replicate this with a new contract.

- 6.5 The Council has a number of regulatory duties in this area which are met through shared licensing and environmental health services. Other expenditure that delivers the 'safe' agenda is mainly discretionary in nature; currently a significant portion of the budget is devoted to delivering the CCTV service. Savings are projected in this service, predicated on the recommissioning project which is currently under way.
- 6.6 Projected capital expenditure includes £1.1 million for flood alleviation measures, £180,000 in 2018/19 for a new Commercial Waste vehicle and £200,000 in total for a range of public realm capital schemes. Although no external contributions are shown for the Flood Action Plan in 2018/19, it is likely that in practice schemes will be delivered in partnership with the Environment Agency and/or Kent County Council, thus achieving greater impact from the investment.

**Table 11: Homes and Communities**

	2018/19 Revenue Budget			Future
	Expenditure	Income	Net	savings
	£000	£000	£000	£000
Homelessness	2,146	-606	1,540	-100
Other Housing Services	321	-133	188	0
Housing Development & Regeneration	35	-217	-182	-1,540
Public Health	441	-152	289	0
Voluntary Sector Grants	246	0	246	-80
Parish Services Scheme	127	0	127	0
<b>Total Revenue Budget</b>	<b>3,316</b>	<b>-1,108</b>	<b>2,208</b>	<b>-1,720</b>

	2018/19 Capital Programme			Future
	Expenditure	External contribution	Net	years
	£000	£000	£000	£000
Housing Development & Regeneration	9,066	0	9,066	25,117
Temporary Accommodation	4,500	0	4,500	2,400
Disabled Facilities Grants	1,192	-1,192	0	3,200
<b>Total Capital Programme</b>	<b>14,758</b>	<b>-1,192</b>	<b>13,566</b>	<b>30,717</b>

- 6.7 The Council's statutory responsibilities under homelessness legislation have led to significant growth in this budget over the past few years. Numbers in temporary accommodation have grown still further with

implementation of the Homelessness Reduction Act. The costs of providing temporary accommodation are offset by housing benefit but this cannot always be recovered. One-off grant funding has been provided by central government to help the Council fulfil its obligations. However, this funding is only temporary.

- 6.8 The capital programme includes £4.5 million for the purchase of units for temporary accommodation in the current financial year. £600,000 per annum is currently included in the capital programme for future years at this stage.
- 6.9 £34 million is included in the capital programme for housing and regeneration schemes. Three schemes – Union Street, Brunswick Street and Lenworth House - are currently under way. Future schemes remain to be identified. Although no external contribution is shown in 2018/19, the overall scheme costs for Union Street and Brunswick Street will be offset by sales of units on the open market and transfer of the social housing component to MHS Homes, and by a Government Land Release Funding grant of £658,000.
- 6.10 The Council’s responsibilities in the area of Public Health and Disabled Facilities Grants are generally exercised on behalf of other authorities, although there is an element of residual discretionary spend within Public Health.

**Table 12: A Thriving Place**

	2018/19 Revenue Budget			Future
	Expenditure	Income	Net	savings
	£000	£000	£000	£000
Museums & Culture	1,257	-182	1,075	-169
Economic Development	382	-4	378	-7
Market	253	-312	-59	0
Business Terrace	240	-166	74	0
Tourism, Festivals & Events	196	-68	128	-50
Sport & Leisure	229	-381	-151	0
<b>Total Revenue Budget</b>	2,557	-1,113	1,445	-226

	2018/19 Capital Programme			Future
	Expenditure	External contribution	Net	years
	£000	£000	£000	£000
Town Centre Regeneration	2,540	0	2,540	0
Property Investment	2,403	0	2,403	10,000
Mote Park Dam Works	1,300	0	1,300	600
Continued improvements to Play Areas	881	0	881	0
Mote Park Visitor	562	0	562	1,073

Centre				
Mote Park Adventure Zone and Other Improvements	515	0	515	375
Maidstone East	296	0	296	0
Museum Development Plan	175	0	175	260
Other Parks Improvements	100	0	100	0
KMC Innovation Centre	TBA	TBA	TBA	TBA
<b>Total Capital Programme</b>	<b>8,772</b>	<b>0</b>	<b>8,772</b>	<b>12,308</b>

- 6.11 Services in this area are principally discretionary and include the museum, leisure services and economic development.
- 6.12 The area is planning £50,000 of operating savings at the Museum and projects £119,000 from a potential saving on business rates. Further income generation is projected from Mote Park, including £57,000 (£114,000 in a full year) from the Adventure Zone and £50,000 from the new Visitor Centre café. Festivals and Events are projected to reduce expenditure, on the basis that events should be self-funding.
- 6.13 In addition to the revenue budgets shown above, the Business Rates Pool is used to support Economic Development. The Business Rates Pool has been subsumed into the Business Rates Retention Pilot in 2018/19 but a contribution continues to be payable to Economic Development. It remains to be seen whether a similar funding structure will be available under the new local government funding arrangements due to be implemented in 2020/21.
- 6.14 Significant capital investment continues to be planned in Mote Park, including the Visitor Centre and works required to ensure flood safety. Capital investment at the Museum is relatively modest and it is hoped that these will unlock matched funding from other sources.
- 6.15 The capital programme promotes a thriving local economy, both through providing infrastructure and through the council's commercial property investment, which is focused entirely on Maidstone borough, such that it achieves the two-fold purpose both of generating investment returns and supporting the local economy.

**Table 13: Embracing Growth and Enabling Infrastructure**

	2018/19 Revenue Budget			Future
	Expenditure	Income	Net	savings
	£000	£000	£000	£000
Development Management	1,464	-1,674	-210	0
Planning Policy	606	-21	585	-50
Planning Support (Shared Service)	843	-675	168	0
Planning Enforcement	335	0	335	-40

Building Control	376	-379	-2	0
Parking Services	1,612	-3,985	-2,373	-300
Park & Ride	580	-392	188	-75
Network & Traffic Management	34	0	34	0
<b>Total Revenue Budget</b>	5,850	-7,126	-1,275	-465

	2018/19 Capital Programme			Future
	Expenditure	External contribution	Net	years
	£000	£000	£000	£000
Infrastructure Delivery	600	0	600	2,400
Section 106 Contributions	160	-160	0	1,332
Bridges Gyratory Scheme (residual budget)	150	0	150	0
<b>Total Capital Programme</b>	910	-160	750	3,732

- 6.16 Planning outcomes are delivered primarily through the planning service, which is a statutory service generating fees which cover some, but not all of its costs. The Council's parking infrastructure delivers a strong positive contribution. £150,000 of further income in future years is built into the MTFS arising from expected future growth above and beyond inflation.
- 6.17 Some of Parking income is currently re-invested in the Park and Ride service. This contribution to Park and Ride is planned to reduce by £75,000 next year.
- 6.18 Additional expenditure of £200,000 per annum has been built into the MTFS for work on the Local Plan refresh up to 2021/22, when it is expected to drop out of the budget.

## 7. MATCHING RESOURCES TO STRATEGIC OBJECTIVES

- 7.1 It is inherent in the Medium Term Financial Strategy that the Council matches available resources to strategic objectives, such that income and expenditure are balanced and any budget gap is eliminated. In addition to the legal requirement to set a balanced budget for 2019/20, the Council needs to have credible plans in place to address any budget gap in subsequent years. In the interests of prudence, these plans need to address not only a neutral set of projections but also the potential adverse scenario outlined above.
- 7.2 Current spending plans, as set out in the previous section, have been reviewed both in the light of the overall budget gap and the proposed new strategic objectives. Current plans reflect service requirements and existing strategic priorities. In many cases, service requirements flow from the Council's statutory responsibilities, but there may be scope for saving where it is felt that the statutory outcomes can be delivered at lower cost, or demand can be managed such that expenditure is reduced.
- 7.3 The distinction between 'statutory' and 'discretionary' services is not always clear-cut. There is usually a discretionary element in the way in which a statutory service is delivered and many discretionary services have developed from a core statutory obligation.
- 7.4 Existing discretionary spending reflects previous strategic decisions, and in these areas, where the Council has no specific statutory responsibilities, there is a measure of flexibility which would allow the Council to re-prioritise spending based on its latest strategic objectives. Areas of spending that fall within this category include CCTV, Park and Ride and Voluntary Sector Grants.
- 7.5 Note that the focus of re-prioritisation here is on the revenue budgets. However, to be effective, it is likely that it would need to be accompanied by significant one-off spending, both in exiting service areas that are no longer supported, and in investing for the future in new priority areas.
- 7.6 There may also be the opportunity to generate additional income to offset expenditure, either by growing existing sources of income or by developing new sources of income. Particularly in the latter case, one-off investment in staff resources or cash is likely to be required, so a clear business case for the investment will be necessary.
- 7.7 Based on the above discussion about strategic priorities and the flexibility afforded offered by a review of discretionary areas of spend, it is proposed that budget proposals are developed according to the following principles.

**Revenue savings** will be sought in:

- Discretionary services which are not strategic priorities.
- Statutory services which are not strategic priorities, where there is scope for reconfiguring services to reduce costs.



- Improved efficiency in delivering strategic priorities.
- New income generation and identification of external funding.

These principles will be applied both to service expenditure as detailed in section 6 and to corporate overheads.

**Revenue growth** will be built into the budget where strategic priorities cannot be delivered within existing revenue budgets, provided this can be accommodated by making savings elsewhere.

**Capital schemes** will be reviewed and developed so that investment is focused on strategic priorities.

- 7.8 It was acknowledged in preparing the MTFs for the five years 2018/19 – 2022/23 that the size of the potential revenue budget shortfall meant that no single initiative could be expected to close the gap. Accordingly, a blend of different generic approaches were taken, each of which have contributed to the £3.5 million of savings in the current projections. It is likely that budget savings will continue to come from a range of different sources. If an individual saving is not delivered, the wide spread of approaches and savings ideas means that overall risk is minimised.
- 7.9 To the extent that additional resources are required to deliver strategic objectives, budget proposals will transfer funding from low priority objectives to higher priority objectives. Budget proposals will be developed during November 2018, prior to consideration by Service Committees and the wider stakeholder group in December 2018 – January 2019. Contingency plans will address the adverse scenario, in order that the Council is suitably prepared for this eventuality. It is currently planned to recommend budget proposals to Council based on the neutral scenario, but this may change depending on developments in the overall economy and local government funding environment.

## **8. RISK MANAGEMENT**

- 8.1 As indicated in the previous sections, the Council's MTFS is subject to a high degree of risk and certainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
- 8.2 The major risk areas that have been identified as potentially threatening the Medium Term Financial Strategy are as follows.
- Failure to contain expenditure within agreed budgets
  - Fees & Charges fail to deliver sufficient income
  - Commercialisation fails to deliver additional income
  - Planned savings are not delivered
  - Shared services fail to perform within budgeted levels.
  - Council holds insufficient balances
  - Inflation rate predications underlying MTFS are inaccurate
  - Adverse impact from changes in local government funding
  - Constraints on council tax increases
  - Capital programme cannot be funded
  - Increased complexity of government regulation
  - Collection targets for Business Rates & Council Tax collection missed
  - Business Rates pool / pilot fails to generate sufficient growth
  - Adverse financial consequences from a disorderly Brexit.
- 8.3 It is recognised that this is not an exhaustive list. By reviewing risks on a regular basis, it is expected that any major new risks will be identified and appropriate mitigations developed.
- 8.4 An assessment of the relative impact and likelihood of the risks identified is set out below.

**Table 14: Budget Risk Matrix**

<b>Likelihood</b>	<b>5</b>					
	<b>4</b>			<b>L</b>	<b>H,N</b>	
	<b>3</b>		<b>B</b>	<b>G, M</b>		
	<b>2</b>		<b>E</b>	<b>C,F</b>		<b>A,D</b>
	<b>1</b>		<b>I,K</b>			
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<b>Impact</b>				

Black – Top risk

Red – High risk

Amber – Medium risk

Green – Low risk

Blue – Minimal risk

Key

- A. Failure to contain expenditure within agreed budgets
- B. Fees and Charges fail to deliver sufficient income
- C. Commercialisation fails to deliver additional income
- D. Planned savings are not delivered
- E. Shared services fail to meet budget
- F. Council holds insufficient balances
- G. Inflation rate predictions underlying MTFS are inaccurate
- H. Adverse impact from changes in local government funding
- I. Constraints on council tax increases
- J. Capital programme cannot be funded
- K. Increased complexity of government regulation
- L. Collection targets for Council Tax and Business Rates missed
- M. Business Rates pool / pilot fails to generate sufficient growth
- N. Adverse financial impact from a disorderly Brexit

8.5 For all risks shown on the Budget Risk Register, appropriate controls have been identified and their effectiveness is monitored on a regular basis.

## **9. CONSULTATION**

- 9.1 Each year the Council carries out consultation as part of the development of the MTF5. This year the Council has combined the Residents' Survey on the proposed new Strategic Plan with questions about the Council's budget priorities. The results of this consultation have been used to inform the preparation of detailed budget proposals.
- 9.2 As a second step, consultation was carried out in December 2018 – January 2019 on the detailed budget proposals. Individual Service Committees have considered the budget proposals relating to the services within their areas of responsibility. Full details of the proposals have been published and residents' and businesses' views are welcomed.

## Document History

Date	Description	Details of changes
30.10.18	First draft to Service Committees	
28.11.18	Second draft to Policy & Resources Committee	Expenditure analysed over four Strategic Objectives rather than eight as in draft Strategic Plan
12.12.18	Approved by Council	
13.02.19	Approved version to Policy & Resources Committee	<ul style="list-style-type: none"><li>- Minor wording changes to reflect approval of Strategic Plan and MTFs by Council.</li><li>- Updates to contextual information (CPI, LG Finance Settlement)</li></ul>

# **Treasury Management Strategy**

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Maidstone Borough Council  
2019/20

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## 1 INTRODUCTION

### 1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management service is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The council has adopted the *Treasury Management in Public Services: Code of Practice 2017 Edition* ('the CIPFA Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA defines treasury management as:

*"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

### 1.2 Reporting requirements

The Council is required to receive and approve the Treasury Management Strategy, which incorporates a variety of policies, estimates and actuals.

**Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- the treasury management strategy (how investments and borrowings are organised) including treasury indicators; and

The following reports are not required to be approved by Council but are to be reported and scrutinised to the relevant Committee. The Council has delegated this function to the Audit, Governance and Standards Committee.

**A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and determining whether any policies require revision if the assumptions on which this strategy is based were to change significantly. In accordance with guidance issued by Ministry of Housing, Communities and Local Government (MHCLG), the circumstances which may require the council to revise its strategy would include, for example, a large



unexpected change in interest rates, or in the council's capital programme or in the level of its investment balance.

**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

A quarterly update on the Council's treasury management position is also provided through budget monitoring reports presented to Policy & Resources Committee.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

### **1.3 Treasury Management Strategy for 2019/20**

The strategy for 2019/20 covers two main areas:

#### **Capital issues**

- the capital plans and the prudential indicators;

#### **Treasury management issues**

- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- the Treasury Management investment strategy; and
- creditworthiness policy.

### **1.4 Treasury management consultants**

The Council had been using Arlingclose Limited as its external treasury management advisors. However, after a tendering exercise during 2018/19, the Director of Finance and Business Improvement has decided to appoint Link Asset Services (formally Capita Asset Services) from 1<sup>st</sup> January 2019.

Responsibility for treasury management decisions ultimately remains within the Council and officers will not place undue reliance on the advice of external service providers.

The terms of appointment and value gained through use of treasury management consultants will be subject to regular review by the Director of Finance and Business Improvement.

### **1.5 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Training is offered to members of the Audit, Governance and Standards Committee on a regular basis.

Staff regularly attend training courses, seminars and conferences provided by the Council's Treasury Consultants and CIPFA. Relevant staff are also encouraged to study professional qualifications delivered by CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Staff training needs are assessed regularly both as part of the appraisal process and when the responsibilities of individual members of staff change.

## **2 THE CAPITAL PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### **2.1 Capital expenditure**

This prudential indicator is a summary of the Council's capital expenditure plans; those agreed previously, as well as those forming part of this budget cycle. Capital expenditure forecasts are shown below:

<b>2018/19 £,000</b>	<b>2019/20 £,000</b>	<b>2020/21 £,000</b>	<b>2021/22 £,000</b>	<b>2022/23 £,000</b>
24,066	23,122	18,906	13,683	12,638

### **2.2 The Council's borrowing need (the Capital Financing Requirement)**

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes the liability for the arrangement with Serco Paisa for leisure centre improvements. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The Council will be using its own cash to fund the CFR (internal borrowing) until the time where funding will be required externally.

CFR projections are shown in the table below:

<b>2018/19 £,000</b>	<b>2019/20 £,000</b>	<b>2020/21 £,000</b>	<b>2021/22 £,000</b>	<b>2022/23 £,000</b>
22,302	39,293	57,119	69,939	81,023

### 2.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

#### Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

2018/19	2019/20	2020/21	2021/22	2022/23
%	%	%	%	%
-0.9	1.0	3.1	4.5	5.5

2018/19	2019/20	2020/21	2021/22	2022/23
£000	£000	£000	£000	£000
-180	208	564	821	1,042

The estimates of financing costs include current commitments and the proposals in this budget report.

### 2.4 Minimum Revenue Provision

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the DCLG Guidance) most recently issued in 2012.

The broad aim of the Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The Council expects that its Capital Financing Requirement will be positive on 31st March 2019 and in line with the MHCLG Guidance it will therefore charge MRP in 2019/20.

### 3 **BORROWING**

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

<b>Operational boundary</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Debt	17,884	35,710	48,530	59,614
Other long term liabilities	3,047	2,527	2,010	1,473
Total	20,931	38,237	50,540	61,087

**The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

<b>Authorised limit</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Debt	36,246	54,592	67,929	79,550
Other long term liabilities	3,047	2,527	2,010	1,473
Total	39,293	57,119	69,939	81,023

### 3.2 Prospects for interest rates

The Council's advisors have provided the following interest rate forecast:

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.17
Downside risk	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.65
<b>3-mth money market rate</b>														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.80	1.00	1.10	1.20	1.30	1.30	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.17
Downside risk	0.20	0.50	0.60	0.70	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.68
<b>1-yr money market rate</b>														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.05	1.25	1.35	1.40	1.50	1.45	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.37
Downside risk	0.35	0.50	0.60	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.69
<b>5-yr gilt yield</b>														
Upside risk	0.15	0.20	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.15	1.20	1.25	1.35	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	0.30	0.35	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.54
<b>10-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.60	1.65	1.65	1.70	1.75	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	0.30	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.55
<b>20-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.90	1.95	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.98
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43
<b>50-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.80	1.85	1.85	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.88
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

#### Underlying assumptions:

- The MPC left Bank Rate unchanged at the September meeting, after voting unanimously to increase Bank Rate to 0.75% in August.
- The projected outlook for the UK economy means we maintain the significant downside risks to our interest rate forecast. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures were projected to ease but have risen more recently and are forecast to remain above the Bank's 2% target through most of the forecast period. The rising price of oil and tight labour market means inflation may remain above target for longer than expected. This means that strong real income growth is unlikely in the near future.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider both that: 1) ultra-low interest rates result in

other economic problems, and 2) higher Bank Rate will offer a more effective policy device should downside Brexit risks crystallise and cuts are required.

- The global economy appears to be slowing, particularly the Eurozone and China, where the effects of the trade war has been keenly felt. Despite slower growth, the European Central Bank is adopting a more strident tone in conditioning markets for the end of quantitative easing, the timing of the first rate hike (2019) and their path thereafter. Meanwhile, European political issues, mostly lately with Italy, continue.
- The US economy is expanding more rapidly. The Federal Reserve has tightened monetary policy by raising interest rates to the current 2%-2.25% range; further rate hikes are likely, which will start to slow economic growth. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

#### **Forecast:**

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. The central case provided by Arlingclose is for the Bank Rate is to rise twice in 2019. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our interest rate projections, the strength of the US economy and the ECB's forward guidance on higher rates. However, volatility arising from both economic and political events will continue to offer borrowing opportunities.

### **3.3 Borrowing strategy**

Based on current assumptions regarding slippage in the capital programme, it is anticipated that the Council will maintain an under-borrowed position for the current financial year. This means that the capital borrowing need (the Capital Financing Requirement), has been funded using cash supporting the Council's reserves, balances and cash flow as a temporary measure, rather than through loan debt. This strategy is prudent as currently investment returns are low and counterparty risk is relatively high and will be retained for the forthcoming financial year on the assumption that this situation is unlikely to change in the short term. However, if short term cash requirements cannot be met from balances in hand for day to day purposes, the Council has access to a range of sources of short term borrowing options, which includes other local authorities.

The Authorised Limit to borrow up to £36.290m for the financing of capital expenditure and day to day cash flow liquidity within 2019/20 includes the current capital programme and the current prudential

indicators. The 2019/20 strategy includes the continuation of that authority within the calculation of the indicators. If the Council is to borrow then the affordability of the capital programme must include an assessment of the cost of borrowing along with the loss of investment income from the use of capital resources held in cash.

Should rates move more quickly than the forecast predicts, the current and proposed strategies do allow the section 151 officer to take advantage of external borrowing. The Council's policy on borrowing in advance of need is set out at section 3.4 of this strategy.

**Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

**Strategy:** The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregoing investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's Treasury Advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may make use of short-term loans to cover unplanned cash flow.

**Sources:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- capital market bond investors
- any other UK public sector body

- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK public and private sector pension funds (except the Kent County Council Pension Fund)

**Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

### **3.4 Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.



## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £17.4 and £40.18 million. These investment balances are likely to reduce in 2019/20 due to funding of the capital programme with its own cash balances (internal borrowing).

**Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

**Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the council aims to further diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for the proposed £5m that is estimated to be available for longer-term investment. The majority of council's surplus cash is currently invested in Local Authority borrowing, short-term unsecured bank/building society deposits, certificates of deposit, money market funds and cash enhanced funds. This diversification will represent a continuation of the new strategy.

**Negative interest rates:** If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Approved Counterparties:** The Authority may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown. Additional detail regarding the different types of counterparty is provided below the table.

#### Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3m 5 years	£5m 20 years	£5m 50 years	£3m 20 years	£3m 20 years
AA+	£3m 5 years	£5m 10 years	£5m 25 years	£3m 10 years	£3m 10 years
AA	£3m 4 years	£5m 5 years	£5m 15 years	£3m 5 years	£3m 10 years
AA-	£3m	£5m	£5m	£3m	£3m

	3 years	4 years	10 years	4 years	10 years
A+	£3m 2 years	£5m 3 years	£5m 5 years	£3m 3 years	£3m 5 years
A	£3m 13 months	£5m 2 years	£5m 5 years	£3m 2 years	£3m 5 years
A-	£3m 6 months	£5m 13 months	£5m 5 years	£3m 13 months	£3m 5 years
None	£1m 100 days	n/a	£5m 25 years	£50,000 5 years	£3m 5 years
Pooled funds	£8m per fund				

The time limits set out above are consistent with the recommended durations provided by the council's treasury management advisors. The cash limits have been set with reference to this guidance, although the upper limit in certain categories of investment exceeds the limit proposed by its advisors in order to meet the operational requirements of the council. The limits adopted within the strategy remain prudent and consistent with ensuring the security of capital and appropriate levels of liquidity.

**Credit Rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Banks Secured:** Covered bonds, Tri Party Repos, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of

the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

**Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing and registered social landlords, formerly known as Housing Associations. These bodies are tightly regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving government support if needed.

**Pooled Funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

**Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports

in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Investment Limits:** In order that available reserves will not be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£8m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country
Registered Providers and registered social landlords	£5m in total
Unsecured investments with Building Societies	£3m each
Loans to unrated corporates	£50,000 each
Money Market Funds	£8m each fund or fund group

**Liquidity Management:** The council uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the council being forced to borrow on

unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the council's medium term financial plan and cash flow forecast.

### **Accounting treatment of investments.**

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**In-house funds.** The majority of investments will be made with reference to the cash flow requirements so invested for short-term interest rates (i.e. rates for investments up to 12 months). However, there is a provision of funds that can be used for longer term investments (greater than 12 months) if it deemed to be prudent by the section 151 officer.

## **4.2 Treasury Investment strategy**

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit score	5.0

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£5m

**Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest rate risk indicator</b>	<b>Limit</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£50,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£50,000

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days				
	2019/20 £000	2020/21 £000	2021/22 £000	2021/22 £000
Principal sums invested > 364 days	5,000	5,000	5,000	5,000

#### 4.3 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report as previously stated within 1.2.

#### 4.4 Other Items

**Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not

be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

**Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the section 151 officer believes this to be the most appropriate status.

**Financial Implications:** The budget for investment income in 2019/20 is £150,000, based on an average investment portfolio of £20million at an interest rate of 0.75%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

## **Investment Strategy**

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Maidstone Borough Council  
2019/20



## **Introduction**

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is new for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

## **Treasury Management Investments**

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10.8m and £30m during the 2019/20 financial year.

**Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

**Further details:** Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the treasury management strategy.

## **Service Investments: Loans**

**Contribution:** The Council lends money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. The Council has made loans to Kent Savers for £25k in 2017/18 which is repayable in 2022/23 at an interest rate of 1% and an interest free loan to One Maidstone CIC Limited for £60,000. However, loans to Maidstone Property Holdings Limited and Cobtree Manor Estates Trust may also be made in the near future.

**Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2018 actual			2019/20
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries				1.000
Local businesses	0.085		0.085	0.085
Local charities				0.310
<b>TOTAL</b>	<b>0.085</b>	<b>0</b>	<b>0.085</b>	<b>1.395</b>

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

**Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by assessing the borrower's ability to repay the loan, based on past financial performance. This is monitored over the period of the loan in line with the agreed repayment terms.

### **Commercial Investments: Property**

**Contribution:** The Council does not currently have any investments in property that are considered to be purely commercial in nature. Acquisitions are limited to properties situated within the borough, with the intention of supporting the local community, housing and regeneration objectives rather than for the exclusive purpose of generating profits. All property investments are therefore classified as general fund capital projects.

### **Third Party Loan Commitments and Financial Guarantees**

The Authority has contractually committed to repay the loan on behalf of Serco Paisa for works to the leisure Centre which has a balance as at 31<sup>st</sup> March 2018 of £3.047m.

### **Capacity, Skills and Culture**

**Elected members and statutory officers:** The Section 151 Officer has ultimate decision making powers on investment decisions and has a number of key officers with the necessary skills to assess such projects, including the Corporate Property Manager, Head of Finance, as well as the use of external consultants.

Each project is evaluated on its affordability and prudence to bear additional future revenue cost associated with each investment. It is established if the use of new or existing revenue resources to finance capital investment over competing needs for revenue expenditure and the scope for capital investment to generate future revenue savings or income, taking into account the risks associated with each proposal.

**Commercial deals:** The Section 151 Officer is involved with all decision making for capital projects and is aware of the core principles of the prudential framework in regard to the following:

- „service objectives, eg strategic planning for the authority
- „stewardship of assets, eg asset management planning
- „value for money, eg option appraisal
- „prudence and sustainability, eg implications for external debt and whole life costing
- „affordability, eg implications for council tax
- „practicality, eg achievability of the forward plan.

**Corporate governance:** The investment strategy is reviewed by Audit, Governance and Standards Committee prior to approval by full Council. Investment opportunities will be considered on a case by case basis with reference to the strategy, and a mid-year report will be provided during the year to ensure that the strategy remains fit for purpose.

### **Investment Indicators**

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

**Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

*Table 5: Total investment exposure in £millions*

<b>Total investment exposure</b>	<b>31.03.2018 Actual</b>	<b>31.03.2019 Forecast</b>	<b>31.03.2020 Forecast</b>
Treasury management investments	10.4	11.6	2.0
Service investments: Loans	0.085	0.085	1.395
<b>TOTAL INVESTMENTS</b>	<b>10.485</b>	<b>11.685</b>	<b>3.395</b>
Commitments to lend (Serco Loan – Leisure Centre)	3.047	2.527	2.010
<b>TOTAL EXPOSURE</b>	<b>13.532</b>	<b>14.212</b>	<b>5.405</b>

**How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

<b>Investments funded by borrowing</b>	<b>31.03.2018 Actual</b>	<b>31.03.2019 Forecast</b>	<b>31.03.2020 Forecast</b>
Treasury management investments	0	0	0.000
Service investments: Loans	0	0	1.000
<b>TOTAL FUNDED BY BORROWING</b>	0	0	1.000

The above table does not include investments funded by borrowing which form part of the Council's capital programme. Details of this expenditure are included within the Capital Strategy.

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

<b>Investments net rate of return</b>	<b>2017/18 Actual</b>	<b>2018/19 Forecast</b>	<b>2019/20 Forecast</b>
Treasury management investments	0.44%	0.70%	0.70%
Service investments: Loans	1.00%	1.00%	3.00%
<b>ALL INVESTMENTS (Weighted Average)</b>	0.44%	0.70%	0.81%

## **Capital Strategy**

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Maidstone Borough Council  
2019/20

## **Introduction**

This capital strategy is new for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

The capital strategy is an overarching document linking the TM Strategy, Investment Strategy and also includes the Medium Term Financial Strategy (MTFS) which was agreed by Council on 12<sup>th</sup> December 2018.

## **Capital Expenditure and Financing**

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10k are not capitalised and are charged to revenue in year.

For details of the Council's policy on capitalisation, see: \_

[https://www.maidstone.gov.uk/\\_data/assets/pdf\\_file/0018/190710/Audited-Annual-Accounts-2017.pdf](https://www.maidstone.gov.uk/_data/assets/pdf_file/0018/190710/Audited-Annual-Accounts-2017.pdf)

In 2019/20, the Council is planning capital expenditure of £23.165m. Detailed below is a list of proposed capital expenditure to 2021/22:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions*

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
General Fund Services	12.623	24.066	23.122	18.906	13.683

The main General Fund capital projects include:

<b><u>Project</u></b>	<b><u>Total Project Cost (£m)</u></b>
Disabled Facilities Grant	5.348
Brunswick/Union Street Developments (contr.)	2.810(Net of
Housing Delivery Partnership	15.000
Indicative Schemes: A, B & C	17.000
Mote Park Visitor Centre and Dam Works	4.039
Town Centre Regeneration Works	2.830
Acquisition of Commercial Assets	12.500
Kent Medical Campus - Innovation Centre	10.500

For details of the Council's policy on capitalisation, see: \_

[https://www.maidstone.gov.uk/data/assets/pdf\\_file/0018/190710/Audited-Annual-Accounts-2017.pdf](https://www.maidstone.gov.uk/data/assets/pdf_file/0018/190710/Audited-Annual-Accounts-2017.pdf)

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*Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions*

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
General Fund Services	12.623	24.066	23.122	18.906	13.683

The main General Fund capital projects include:

<b><u>Project</u></b>	<b><u>Total Project Cost (£m)</u></b>
Disabled Facilities Grant	5.348
Brunswick/Union Street Developments (contr.)	2.810(Net of
Housing Delivery Partnership	15.000
Indicative Schemes: A, B & C	17.000
Mote Park Visitor Centre and Dam Works	4.039
Town Centre Regeneration Works	2.830
Acquisition of Commercial Assets	12.500
Kent Medical Campus - Innovation Centre	10.500

**Governance:** Service managers submit proposals in October to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculates the financing cost (which can be nil if the project is fully externally financed). Each Committee appraises the proposals based on a comparison of corporate priorities. Policy & Resources recommends the capital programme which is then presented to Council in March each year.

Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections would be considered by the relevant service committee.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

*Table 2: Capital financing in £ millions*

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
External sources	9.815	4.991	6.131	1.08	0.863
Own resources	2.808	19.075	8.099	0.000	0.000
Debt	0	0	8.892	18.798	12.820
<b>TOTAL</b>	12.623	24.066	23.122	18.906	13.683

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

*Table 3: Replacement of debt finance in £ millions*

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>	
Own resources	0	0	0.446	0.786	1.142	

- The Council's full minimum revenue provision statement is included within the TM strategy item no. 75 of the Agenda: <http://aluminum:9080/ieListDocuments.aspx?CId=585&MId=2870&Ver=4>

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £17.035m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

*Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions*

	<b>31.3.2018 actual</b>	<b>31.3.2019 forecast</b>	<b>31.3.2020 budget</b>	<b>31.3.2021 budget</b>	<b>31.3.2022 budget</b>
<b>TOTAL CFR</b>	3.227	22.302	39.293	57.119	69.939

**Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place.

**Asset disposals** The Council has no plans to sell any of its assets in the forthcoming future, however certain schemes within the capital programme are being partially funded through sale of some of the completed units to partner organisations. The capital expenditure figures have been shown net of these receipts.

### **Treasury Management**

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

**Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and



long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above).

*Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

	<b>31.3.2018 actual</b>	<b>31.3.2019 forecast</b>	<b>31.3.2020 budget</b>	<b>31.3.2021 budget</b>	<b>31.3.2022 budget</b>
Debt (incl. PFI & leases)	0	0	20.931	38.237	50.540
Capital Financing Requirement	3.227	22.302	39.293	57.119	69.939

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

**Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances will be fully utilised to fund the capital programme. This benchmark is currently £11m and is forecast to fall to £2m over the next three years.

*Table 7: Borrowing and the Liability Benchmark in £ millions*

	<b>31.3.2018 actual</b>	<b>31.3.2019 forecast</b>	<b>31.3.2020 budget</b>	<b>31.3.2021 budget</b>	<b>31.3.2022 budget</b>
Outstanding borrowing	0	0	17.884	35.710	48.530
Liability benchmark	0	3.986	17.884	35.710	48.530

**Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

*Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	<b>2018/19 limit</b>	<b>2019/20 limit</b>	<b>2020/21 limit</b>	<b>2021/22 limit</b>
Authorised limit – borrowing	10.418	36.246	54.592	67.929
Authorised limit – PFI and leases	3.568	3.047	2.527	2.010
Authorised limit – total external debt	13.986	39.293	57.119	69.939
Operational boundary – borrowing	3.986	17.884	35.710	48.530

Operational boundary – PFI and leases	3.568	3.047	2.527	2.010
Operational boundary – total external debt	7.554	20.931	38.237	50.540

- Further details on borrowing are in pages 8 to 11 of the treasury management strategy\_

<http://aluminum:9080/ieListDocuments.aspx?CId=585&MId=2870&Ver=4>

**Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

*Table 8: Treasury management investments in £millions*

	31.3.2018 actual (m)	31.3.2019 forecast (m)	31.3.2020 budget (m)	31.3.2021 budget (m)	31.3.2022 budget (m)
Short-term investments	17.4	9.6	0	0	0
Longer-term investments	0	2.0	2.0	2.0	2.0
<b>TOTAL</b>	<b>17.4</b>	<b>11.6</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>

- Further details on treasury investments are in pages 12 to 19 of the treasury management strategy\_

<http://aluminum:9080/ieListDocuments.aspx?CId=585&MId=2870&Ver=4>

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and Business Improvement and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are included within the budget monitoring reports which are presented to the council Policy & Resources Committee with the half yearly and annual reviews which are scrutinised by Audit, Governance and Standards Committee then recommending to Full council. The Audit, Governance and Standards Committee is responsible for scrutinising treasury management decisions.

### **Investments for Service Purposes**

The Council can make investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, Charities and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to provide value for money to the tax payer.

**Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and Business Improvement and relevant committee (where appropriate), must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in pages 2 to 3 of the investment strategy.

### **Commercial Activities**

The acquisition of commercial investment properties is intended to support the local economy and regeneration objectives so does not qualify as Commercial Investment.

### **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

*Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream*

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
Financing costs (£m)	(0.145)	(0.180)	0.208	0.564	0.821
Proportion of net revenue stream	(0.8)%	(0.9)%	1.0%	3.1%	4.5%

**Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend beyond 5 years into the future. The Director of Finance and Business Improvement is satisfied that the proposed capital programme is prudent, affordable and sustainable.

### **Knowledge and Skills**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance and Business improvement is a

qualified accountant with 12 years' experience in local government, the Corporate Property Manager and the team are experienced in Property Management and The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), and ACCA.

The Council currently employs Link Asset Services as treasury management advisers, a number of property consultants including Harrisons Property Surveyors Limited and Sibley Pares Limited. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.