

# Revenue and Capital Outturn 2018/19



Policy & Resources Committee  
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## Executive Summary

This report is intended to provide Members with an overview of performance against revenue and capital budgets and outturn at the end of the 2018/19 financial year. It also includes an update on other matters which may have a material impact on the Council's Medium-Term Financial Strategy and Balance Sheet.

Robust budget monitoring is a key part of effective internal financial control, and therefore is one of the elements underpinning good corporate governance.

The aim of reporting financial information to service committees at quarterly intervals throughout the year is to ensure that underlying trends can be identified at an early stage, and that action is taken to combat adverse developments or seize opportunities.

It is advisable for these reports to be considered in conjunction with quarterly performance monitoring reports, as this may provide the context for variances identified with the budget and general progress towards delivery of the Council's strategic priorities.

Headline messages for the year are as follows:

- There has been an underspend of £0.154m against the revenue budget.
- Capital expenditure totalling £15.943m was incurred for the year.
- The balance on the general fund has increased to £14.437m.
- Collection Rates were narrowly missed for both Council Tax and Business Rates.
- The overall growth in Business Rates compared measured against the Council's baseline was £3.041 million, with an overall Pooling/Pilot benefit for Maidstone of £3.086 million achieved.
- The Council held investments totaling £15.014m at 31 March 2019.

# Revenue Budget 2018/19

## Revenue Spending

At the end of 2018/19, there is an overall positive variance of £0.154m against the Council’s revenue budget.

The three tables on page 6 set out the summary position, analysed in three ways:

Table 1: by Committee

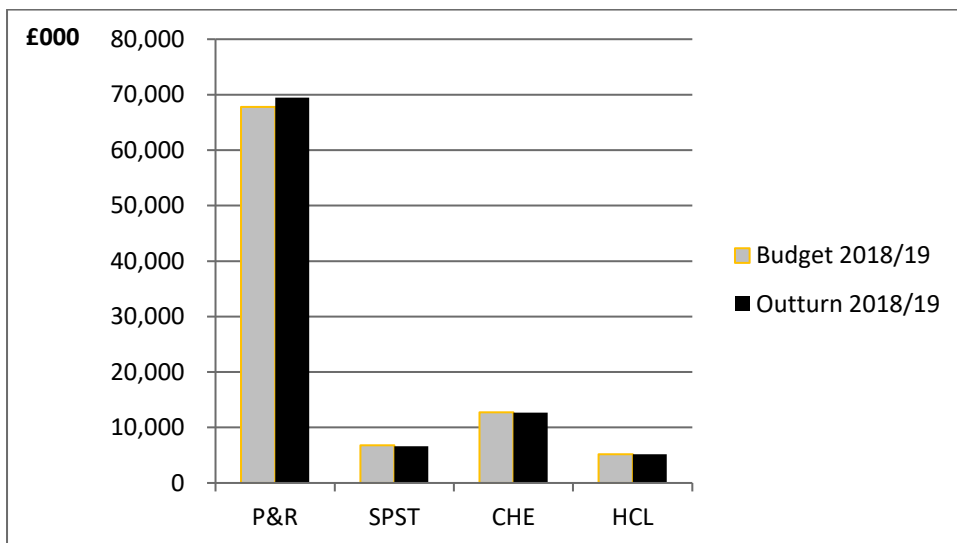
Table 2: by Priority

Table 3: by Expenditure Type

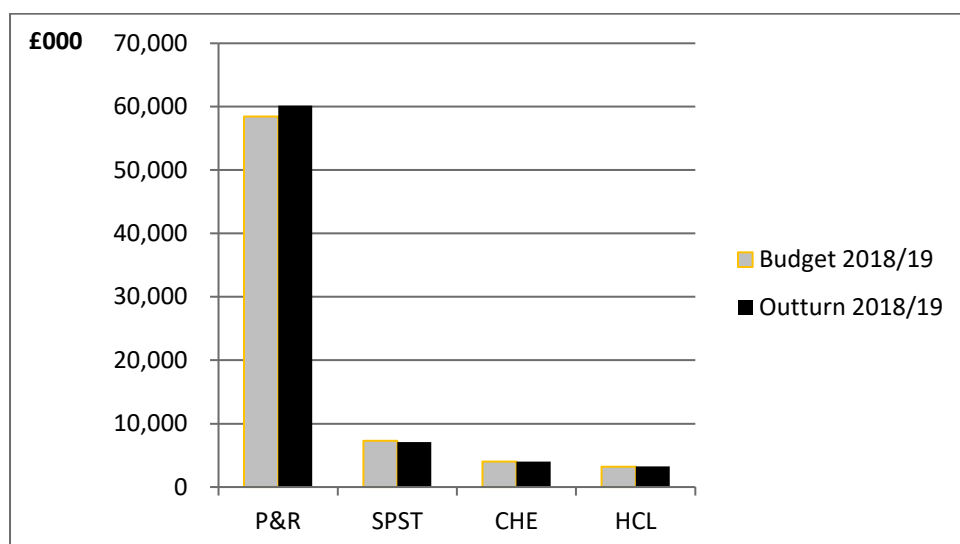
The figures are presented on an accruals basis i.e. they include expenditure for goods and services which we have received but not yet paid for.

The budgets for each service committee now include a figure for assumed salary slippage to reflect the forecast level of vacant posts across the year. This was previously shown as a figure for the whole Council as part of the budget monitoring report for this Committee.

As illustrated by the chart below all committees stayed within their expenditure budgets with the exception of this Committee although this is offset by income in excess of the budget figure. With the exception of Heritage Culture & Leisure Committee the remaining committees have all underachieved on their income budgets.



**Chart 1 Performance against budget analysed by service committee (Expenditure)**



**Chart 2 Performance against budget analysed by service committee (Income)**

Within these headline figures, there are a number of adverse and favourable variances for individual service areas. This report draws attention to the most significant variances, i.e. those exceeding £30,000 or expected to do so by the end of the year. Pages 7-11 provide further detail regarding these variances, and the actions being taken to address them.

The variances are grouped by service committee, and each committee has been given an opportunity to consider and respond to the matters arising within their respective areas. Where applicable, the response of the committee has been provided. The individual figures for each Committee are shown net of amounts due to be carried forward, such as grants not utilised, so will differ from the gross figures reported to the Committees concerned.

It is important that the potential implications of variances are considered at this stage, so that contingency plans can be put in place and if necessary, this can be used to inform future financial planning.

## Revenue Budget Summary 2018/19

### ANALYSIS BY COMMITTEE

Committee	Full Year Budget £000	Actual £000	Variance £000
Policy & Resources	9,557	9,188	369
Strategic Planning, Sustainability & Transportation	-648	-471	-177
Communities, Housing & Environment	8,688	8,627	61
Heritage, Culture & Leisure	1,852	1,951	-99
<b>Net Revenue Expenditure</b>	<b>19,449</b>	<b>19,294</b>	<b>154</b>

Table 1 - Analysis by Committee

### ANALYSIS BY PRIORITY

Priority	Full Year Budget £000	Actual £000	Variance £000
Character	742	735	8
Health & Wellbeing	2,540	2,244	296
Clean & Safe	4,880	5,167	-287
Leisure & Culture	2,866	2,822	44
Town Centre	86	64	22
Employment & Skills	605	595	10
Homes	1,705	1,762	-57
Infrastructure	452	590	-138
Trading	-5,068	-5,132	64
Central & Democratic	10,640	10,449	192
<b>Net Revenue Expenditure</b>	<b>19,449</b>	<b>19,294</b>	<b>154</b>

Table 2 - Analysis by Priority

### ANALYSIS BY SUBJECTIVE SPEND

Subjective	Full Year Budget £000	Actual £000	Variance £000
Employees	20,615	20,696	-81
Premises	4,784	4,636	148
Transport	1,283	1,217	66
Supplies & Services	11,228	10,879	349
Agency	6,035	6,163	-128
Transfer Payments	47,655	48,884	-1,229
Asset Rents	1,050	1,051	-1
Income	-73,201	-74,232	1,031
<b>Net Revenue Expenditure</b>	<b>19,449</b>	<b>19,294</b>	<b>154</b>

Table 3 - Analysis by Subjective Spend

<sup>1</sup>A positive figure represents a favourable variance. A negative figure (ie -£X,XXX) represents an adverse variance.

## Significant Variances

	Positive Variance Q3	Adverse Variance Q3
Heritage, Culture & Leisure Committee	£000	£000
<b>Museum</b> – This variance has arisen from an underspend on running costs, with the most significant element being repair and maintenance costs. These costs fluctuate between years and it is expected that they will even out over time.	41	
<b>Mote Park Adventure Zone</b> – The facility did not open during 2018/19 as planned, however it has now opened.		-57
<b>Parks &amp; Open Spaces</b> – A budget saving was planned in this area which is being achieved through increased income from the Grounds Maintenance service. This income is accounted for within the remit of the Communities, Housing & Environment Committee but the saving is accounted for here and therefore appears as an overspend.		-57
<b>Playground Maintenance &amp; Improvements</b> – Funding had been set aside for spare/replacement equipment. However resources were available in the capital budget for this expenditure.	43	
<b>Mote Park</b> – This variance covers several areas, the most significant of which were insurance claim excesses, additional sewage costs following the leak in the park and a shortfall in income from fairs and circuses.		-51
<b>Crematorium</b> – There was significant additional income achieved, particularly from memorial subscriptions and renewals and cremation fees.	101	
<b>Market</b> – This variance is a combination of additional running costs from increased trade refuse collection charges and additional service charge costs, and a shortfall in income from the markets.		-39
<b>Cultural Services Section</b> - This variance is mainly due to staff vacancies. Underspends of this nature were anticipated when setting the budget and are reflected in the line 'salary slippage' (see below)	43	
<b>Salary Slippage</b> - Assumed saving from normal level of turnover in staff. The actual savings are reflected in individual cost centres.		-50

**Table 4 Significant Variances – Heritage, Culture & Leisure Committee**



	Positive Variance Q4	Adverse Variance Q4
<b>Strategic Planning, Sustainability and Transportation Committee</b>	<b>£000</b>	<b>£000</b>
<b>Building Regulations Chargeable</b> - Income has performed ahead of budget for the whole year, and the year-end surplus will be transferred to earmarked reserves.	38	
<b>Street Naming and Numbering</b> - Income has exceeded the budgeted figure as a result of the number of new developments in the borough.	82	
<b>Development Control Advice</b> - There has been significant additional income from both pre-application advice and the new Planning Performance Agreements.	145	
<b>Development Control Majors</b> - As has been forecast in previous reports this area has shown a significant fall in income due to the reduced number of planning applications received.		-294
<b>Development Management Section</b> - This variance is due to high agency staff costs. Unfortunately the costs have not declined as planned due to agency cover for the Major Projects Manager who left in September and also another staff member on maternity leave.		-137
<b>Development Management Enforcement Section</b> - This variance represents unused budgets for appeals costs.	77	
<b>Salary Slippage</b> - Assumed saving from normal level of turnover in staff. The actual savings are reflected in individual cost centres.		-74
<b>Residents Parking</b> - The overspend in this area is entirely due to under-achieved Penalty Charge Notice (PCN) income in residents areas. This is partly due to lower contraventions having to be issued due to an adjudicator ruling. This however is offset by the over-achieved PCN income in Off Street Parking.		-48
<b>Pay &amp; Display Car Parks</b> - Income was £0.146m below budget at year end. However this has been offset by a favourable £43,000 from Season tickets and the parking reserve budget which is £0.165m, thus leaving a favourable variance overall.	110	
<b>Off Street Parking – Enforcement</b> - PCN income in car parks is above expectation, this is however offset by a reduction of income for PCN's in resident areas.	72	
<b>Park &amp; Ride</b> - The introduction of pay to park has not generated the income that was expected from the reports that were carried out. Income was £0.104m below expectation at year end. The Park and Ride model will change again for 19/20.		-118

**Table 5 Significant Variances – Strategic Planning, Sustainability and Transportation Committee**

	Positive Variance Q4	Adverse Variance Q4
<b>Communities, Housing &amp; Environment Committee</b>	<b>£000</b>	<b>£000</b>
<b>CCTV</b> – This variance is a combination of a budget strategy savings target that has not been realised along with a shortfall in income.		-72
<b>Waste Crime</b> – This variance was mainly caused by unspent running costs budgets.	42	
<b>Occupational Health &amp; Safety</b> – This was due to an unspent professional services budget. Costs in this area fluctuate depending on whether there are Health & Safety cases requiring investigation.	57	
<b>Household Waste Collection</b> – Additional wheeled bins were purchased during the year and this has led to the overspend in this area.		-42
<b>Recycling Collection</b> – The overspend in this area was caused by a one-off adjustment of £0.341m to move from a cash basis of accounting, where all income is taken when money is received, to an accruals basis, where it is attributed to the period when it is earned. This was necessary to comply with the requirements of a new accounting standard.		-239
<b>Strategic Housing Role</b> - There is an unused grant of £36,000 that will be carried forward to 2019/20.	42	
<b>HMO Licensing</b> – This variance is a result of licences paid in advance which has led to excess income being received.	32	
<b>Homelessness Prevention</b> – There has been an underspend in the homefinder scheme and the deposit bond scheme budgets. There are also unused grants of £260,000 that will be carried forward to 2019/20.	187	
<b>Community Partnerships &amp; Resilience Section</b> – This variance was mainly down to vacant staff posts, along with an underspend in the standby payment budget.	70	
<b>Fleet Workshop &amp; Management</b> – The workshop service has now been outsourced but delays in the start date meant work had to be undertaken by local garages at a greater expense. There is also an unrealised budget strategy saving of £50,000.		-72
<b>Grounds Maintenance – Commercial</b> – Additional income has been generated in this area from section 106 funded works, capital projects and other external works.	102	
<b>Salary Slippage</b> - Assumed saving from normal level of turnover in staff. The actual savings are reflected in individual cost centres.		-93

Table 6 Significant Variances – Communities, Housing &amp; Environment Committee

	Positive Variance Q4	Adverse Variance Q4
Policy & Resources Committee	£000	£000
<b>Unapportionable Central Overheads</b> - Pension payments to Kent County Council are lower than was anticipated when the budget was set.	72	
<b>Elections</b> – The overspend relates to the 2018 Borough Elections. It was mainly caused by postage costs of £33,000 for sending out polling cards and one-off equipment purchase costs of £12,000. An ongoing higher level of costs on this cost centre is considered to be unavoidable and is now reflected in the budget for 2019/20.		-58
<b>Interest &amp; Investment Income</b> - Interest rates are higher than what was assumed in the budget, and additionally the slippage in the capital programme has meant more surplus funds are available for investment.	120	
<b>Sundry Corporate Properties</b> - The budget assumed income from the purchase of further commercial properties, but to date the only one has been the Boxmend Industrial Estate, so the income target has not been realised this year.		-73
<b>Granada House – Commercial</b> - This area has benefited from the receipt of £48,000 additional income relating to 2017/18. This was not accrued for as there was uncertainty around whether or not we would receive it.	38	
<b>Granada House – Residential</b> – This variance is mainly a result of a £23,000 income budget that will not be realised and will be removed from the budgets in 2019/20. Residential units at Granada House nevertheless achieve a high level of occupancy and generate a return in line with the market.		-33
<b>Fraud Section</b> - This variance is caused by staff vacancies.	41	
<b>Accountancy Section</b> - This variance is caused by staff vacancies.	67	
<b>Legal Services Section</b> – This variance is a combination of an increase in the forecast cost of the shared service contract and a shortfall in income generated by the service.		-35
<b>Mid Kent ICT Services</b> - This variance is caused by staff vacancies.	30	
<b>Mid Kent HR Services Section</b> - This variance is caused by staff vacancies.	49	
<b>The Link</b> - This is due to a combination of reduced utility recharges from the Mall and a reduction in building maintenance costs.	71	
<b>Maidstone House</b> – This variance is a combination of reduced utility costs and additional rental income received.	64	
<b>IT Operational Services</b> - A saving of £100,000 was due to be made in this service, but delays in implementing a restructure and the associated one-off costs meant that it was not realised in 2018/19. This has been partially offset by an underspend on the equipment purchase budget.		-69
<b>Central Telephones</b> - This variance has arisen following the introduction of the Skype service.	45	

<b>Youth Development Programme</b> - The budget is for two apprentices posts, but these are both currently vacant.	32	
<b>Salary Slippage</b> - Assumed saving from normal level of turnover in staff. The actual savings are reflected in individual cost centres.		-221

**Table 7 Significant Variances – Policy & Resources Committee**

### Reportable Virements

In accordance with best practice, and in order to be transparent about alterations made to the agreed budget during the course of the year, virements are reported to Policy and Resources committee as part of the budget monitoring process. A virement represents the transfer of a budget between objectives that occurs after the budget for the year has been formally approved by Council. Generally this will be linked to decisions with a financial impact which have been taken outside of the budget setting process, or for projects where funding spans more than one financial year.

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

The table below details the reportable virements which were made during the fourth quarter of 2018/19:

Reason	Value £	Temp/Perm*
Remove depreciation budget for Park & Ride buses	182,000	Permanent
Fund invoice payments for business rates list reviews	86,500	Permanent
Budget transferred to fund public conveniences spend	10,300	Permanent
Fund Maidstone East project from business rates growth monies	316,070	Temporary
Set up budgets for Cobtree Estate Trust recharges	64,860	Temporary
Internal printing income target offset from pre-delivered savings	52,460	Temporary
Fund Judicial Review from Balances	45,000	Temporary
Funding for various schemes from Business Rates Pilot as agreed by Policy & Resources Committee 28 March 2018	114,170	Temporary

**Table 8 Reportable Virements, Q4 2018/19**

# Capital Budget 2018/19

## Capital Spending

The five-year capital programme for 2018/19 onwards was approved by Council on 7 March 2018. Funding for the programme remains consistent with previous decisions of Council in that the majority of capital resources come from New Homes Bonus along with a small grants budget.

The outturn position for 2018/19 is set out in the table on the following page. Expenditure totaling £15.943m has been incurred against a budget of £23.986m. This means there is slippage of £8.042m which will be carried forward to 2019/20. Further detail relating to the areas for which slippage has been identified has been provided below.

### Capital Budget Summary Q4 2018/19

Capital Programme Heading	Revised Estimate 2018/19 £000	Outturn 2018/19 £000	Budget Remaining £000	Budget Not Required £000
<b>Communities, Housing &amp; Environment</b>				
Housing Incentives	1,041	26	1,015	
Housing - Disabled Facilities Grants Funding	1,348	578	770	
Housing Investments	4,683	4,446	236	
Purchase of Lenworth House	2,228	2,415	-187	
Brunswick Street - Costs of Scheme	1,642	980	661	
Union Street - Costs of Scheme	917	720	197	
Commercial Waste	180		180	
Street Scene Investment	151	29	122	
<b>Total</b>	<b>12,189</b>	<b>9,196</b>	<b>2,994</b>	
<b>Heritage, Culture &amp; Leisure</b>				
Continued Improvements to Play Areas	574	152	422	
Commercial Projects - Crematorium Projects	416	536	-120	
Commercial Projects - Mote Park Adventure Zone	1,957	2,233	-276	
Mote Park Improvements	391	17	374	
Mote Park Visitor Centre	150	118	32	
Mote Park Lake - Dam Works	200	133	67	
Other Parks Improvements	100		100	
Museum Development Plan	25	14	11	
<b>Total</b>	<b>3,814</b>	<b>3,203</b>	<b>611</b>	

(Table continued below)

Capital Programme Heading	Revised Estimate 2018/19 £000	Outturn 2018/19 £000	Budget Remaining £000	Budget Not Required £000
<b>Policy &amp; Resources</b>				
High Street Regeneration	2,830	2,283	547	
Asset Management / Corporate Property	844	542	302	
Feasibility Studies	74	11	63	
Infrastructure Delivery	600		600	
Software / PC Replacement	159	163	-4	
Acquisition of Commercial Assets	2,354	5	2,350	
Kent Medical Campus - Innovation Scheme	150	251	-101	
Maidstone East/Sessions Square	552	32	520	
<b>Total</b>	<b>7,564</b>	<b>3,287</b>	<b>4,277</b>	
<b>Strategic Planning, Sustainability &amp; Transportation</b>				
Riverside Towpath	40		40	
Bridges Gyrotory Scheme	188	67	121	260
<b>Total</b>	<b>228</b>	<b>67</b>	<b>161</b>	<b>260</b>
<b>Sub-Total</b>	<b>23,795</b>	<b>15,752</b>	<b>8,042</b>	<b>260</b>
Section 106 Contributions	191	191		
<b>TOTAL</b>	<b>23,986</b>	<b>15,943</b>	<b>8,042</b>	<b>260</b>

Table 9 Capital Expenditure, Q4 2018/19

## Capital Budget Variances 2018/19

### Communities, Housing & Environment Committee

- The Housing Incentives budget has historically been under-utilised and is being reviewed to reset it to a more realistic level.
- The unused Disabled Facilities Grant budget will be rolled forward for use in 2019/20.
- The second phase of the Housing Investments for temporary accommodation project is complete and the unused budget will be carried forward to be included within the budget for phase 3.
- The purchase of Lenworth House was completed in the fourth quarter, however additional works were required to complete the project as well as professional fees that were not allowed for in the initial project budget.
- The construction phase of the Brunswick Street and Union Street developments is now under way.
- The Commercial Waste budget is for the purchase of a new vehicle. The purchase date has slipped to 2019/20.

### **Heritage, Culture & Leisure Committee**

- The overspend at the Crematorium has arisen due to greater than forecast costs for the new car park element of the project. The background to this and the future funding of the project was the subject of a report to the HCL Committee on 2 April 2019.
- Members will be aware from previous reports to the HCL Committee that substantial additional costs were incurred as a result of the sewage leak that occurred in the park. These costs are included above but it is hoped that some or all of them may be recovered via a claim that the Council has made against Southern Water.

### **Policy & Resources Committee**

- The Town Centre Regeneration scheme is scheduled for completion in early 2019 so final contract payments will fall into the early part of 2019/20.
- The unused balance for Asset Management/Corporate Property will be carried forward to 2019/20 where it has been included in a plan of works going forward.
- No projects have been identified this year for the Infrastructure Delivery or Acquisition of Commercial Assets budgets and so these will be carried forward into 2019/20.
- The Maidstone East/Sessions Square budget line represents funding available for the partnership with Kent County Council to facilitate the ongoing development of this site. Income generated on the car park at this site is being used as the primary source of funding for this work. At this stage there is sufficient funding available to proceed with the development work so it is anticipated that there will be budget carried forward at the year end.

### **Strategic Planning, Sustainability and Transportation Committee**

- The remaining budget for the Bridges Gyrotory Scheme is for residual costs around the landscaping elements of the scheme and flood defence works that will be undertaken.



# **Reserves & Balances**

## **2018/19**

## Reserves & Balances

The total of earmarked reserves and general fund balances as at 31st March 2019 was £14.4 million. The makeup of this balance is set out in the table below.

It is proposed that, within the overall reserves, the following new earmarked reserves are established.

### 1. Planning Appeals

It was agreed by Council when setting the budget for 2018/19 that £400,000 would be set aside for potential costs arising from planning appeals. A review of outstanding appeals as at 31 March 2019 has concluded that a specific provision of £100,000 is required in relation to a number of cases. The balance of £300,000 has been retained as an earmarked reserve.

### 2. Future Capital Expenditure

The Medium Term Financial Strategy incorporates a capital programme worth £80 million over five years. It was assumed in the budget for 2018/19 that the Council would have to start borrowing during the year, and budgetary provision was made for the necessary financing costs. In the event, borrowing has not been required, owing partly to slippage in the capital programme. Accordingly, the budgetary provision is being carried forward to fund borrowing costs when they arise, which will be the case later in 2019/20.

### 3. Housing Prevention and Temporary Accommodation

The Housing Service has benefited from government grants for Flexible Homelessness Support, Homelessness Prevention and New Burdens. There is therefore capacity to establish an earmarked reserve for Homelessness Prevention and Temporary Accommodation which will be used to fund homelessness prevention initiatives and a sinking fund for temporary accommodation repairs and maintenance.

After establishing these earmarked reserves, the projected closing balance continues to allow for the minimum level of unallocated general balances of £2m, as agreed by Council in March 2018, to be maintained.

	<b>1st April 2018</b>	<b>Contributions to/from Balances</b>	<b>31st March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
New Homes Bonus funding for Capital	1,404	-1,404	0
Local Plan Review *	200		200
Neighbourhood Planning	70	-6	64
Planning Appeals	0	300	300
Trading Accounts	51	-20	31
Civil Parking Enforcement	481	-63	418
Future Capital Expenditure	0	431	431
Housing Prevention & Temporary Accommodation	0	700	700
Business Rates Growth	692	3,005	3,697
<b>Total Earmarked Reserves</b>	<b>2,898</b>	<b>2,943</b>	<b>5,841</b>
Unallocated Balances	9,022	-426	8,596
<b>Total General Fund Balance</b>	<b>11,920</b>	<b>2,517</b>	<b>14,437</b>

Table 10 Reserves &amp; Balances 2018/19

\* In the Q1 monitoring report, this table indicated that £31,000 would be spent from the Local Plan reserve during 2018/19. It has since been identified that funding for this spend had been allocated from the business rates pilot financial sustainability fund, and the above figures therefore reflect this adjustment.

The movement on unallocated balances reflects utilisation of amounts brought forward from 2017/18 such as grants, less the outturn surplus of £154,000.

# **Council Tax & Business Rates 2018/19**

## Collection Fund

The Council is increasingly reliant on income generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.

Due to the risk in this area, including the risk of non-collection and the pooling/pilot arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.

### Collection Rates

The collection rates achieved for local taxation are reported in the table below, alongside the target for the year, and the actual amount collected.

<b>2018/19 Local Taxation Collection Rates</b>			
<b>Description</b>	<b>Target</b>	<b>Actual</b>	<b>Amount Collected</b>
	<b>%</b>	<b>%</b>	<b>£</b>
Council Tax	98.20	97.78	106,785,973
Business Rates	98.70	97.36	59,418,154

Although collection targets were narrowly missed, collection rates for both Council Tax and Business Rates were just 0.1% down compared to 2017/18.

All billing and recovery timetables were followed throughout 2018/19 and a review of the appropriateness of 2019/20 targets will therefore be undertaken.

The recovery timetable and action will continue to be taken after the year end, with officers continuing to pursue payment of any developing arrears, along with any arrears from prior years.

### Business Rates Retention (BRR)

Income retained from the growth in Business Rates has exceeded previous expectations with substantial benefits emerging from the Council's participation in the 2018/19 (100%) BRR Pilot in partnership with the other Kent authorities.

The overall growth in Business Rates compared measured against the Council's baseline was £3.041 million, with an overall Pooling/Pilot benefit for Maidstone of £3.086 million achieved as summarised in the table below. The first three lines replicate the benefits that were gained under the former Business Rates Pool arrangements; the Financial Sustainability Fund and the Housing and Commercial Growth Fund have been established using the additional proceeds from membership of the 100% BRR Pilot.

<b>MBC Business Rates Pooling/Pilot Benefit 2018/19</b>		
<b>Description</b>	<b>Amount</b>	<b>Allocation of Pooling / Pilot Benefit</b>
	<b>£</b>	
Billing Authority Basic Share of Pool benefits	420,024	Allocated to Economic Development
Billing Authority Pool Growth Fund	420,024	Allocated to joint Maidstone East project with Kent County Council
Pool Safety Net Redistribution	25,373	Carried forward to 19/20
Financial Sustainability Fund	1,130,000	See separate report on this agenda
Housing & Commercial Growth Fund	1,090,252	Allocated by North Kent Leaders
<b>Total Benefit</b>	<b>3,085,673</b>	

### Write-Offs

The Committee is asked to approve the write off of £358,042.44 in unpaid Business Rates debt identified in **Appendix 2**. Please note that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.

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

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

However, throughout the process the Council actively encourages contact from any business experiencing difficulty in order to negotiate arrangement for payment.

The Council could continue to hold these debts as outstanding, but this option is not recommended as there is no prospect of recovery and this would distort the financial position of the Council.

For the businesses listed in **Appendix 2**, the Council has exhausted all of the recovery processes in trying to collect the unpaid amounts. It is therefore suggested that these amounts are written off and the Council's accounts are amended to reflect the fact that the payments identified are not expected to be recovered.

The Council maintains a provision for bad debts, and there is sufficient resource available within this balance to cover the value of the proposed write offs.

# **Treasury Management 2018/19**



## Treasury Management

The Council has adopted and incorporated into its Financial Regulations, the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code). This CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. In March 2018, the Council approved a Treasury Management Strategy for 2018/19 that was based on this code. The strategy requires that Policy & Resources Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

During the Quarter ended 31st March 2019:

- The annual growth in Q4 came in at 1.4% year on year confirming that the UK was the third fastest growing individual country in the G7 in quarter 4.
- CPI inflation has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.
- Bank of England Bank Rate is currently at 0.75%. The Council's advisors, Link Asset Services, have revised the forecast on the UK Bank Rate believing there will not be another rise until 2020 due to their belief that it will be unlikely the MPC would take any further actions until the uncertainties of Brexit are clear. If there were a disorderly exit from the EU, it is likely that Bank Rate would be cut to support growth.

The council held investments totalling £15.014m. A full list of investments held at this time is shown in the table below. All investments at year end are fixed term deposits with other Local Authorities which are deemed to be secure investments with the exception of some short-term cash in notices accounts.

Investment income for this period is £0.220m against a budget of £0.100m with an average rate of 0.78%. This is due to higher than anticipated investment rates due to a bank rate rise in August 2018 and larger sums to invest.

## Investments

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	Arlingclose Credit Limits	
						Suggested Term	Maximum Deposit
Thurrock Borough Council	Fixed Term Deposit	2,000,000	15/11/2018	15/04/2019	0.87%	5 Years	£5,000,000
Lancashire County Council	Fixed Term Deposit	1,000,000	17/04/2018	16/04/2019	1.00%	5 Years	£5,000,000
Thurrock Borough Council	Fixed Term Deposit	2,000,000	27/09/2018	26/04/2019	0.92%	5 Years	£5,000,000
Suffolk County Council	Fixed Term Deposit	2,000,000	22/03/2019	28/05/2019	0.85%	5 Years	£5,000,000
Wirral MBC	Fixed Term Deposit	4,000,000	29/03/2019	29/05/2019	0.80%	5 Years	£5,000,000
Cherwell District Council	Fixed Term Deposit	2,000,000	15/10/2018	15/07/2019	1.05%	5 Years	£5,000,000
London Borough of Croydon	Fixed Term Deposit	2,000,000	01/05/2018	01/05/2020	1.05%	5 Years	£5,000,000
Lloyds Bank Plc	Notice Account Deposit	13,997			0.95%	6 months	£3,000,000
Svenska Handelsbanken	Notice Account Deposit	377			0.85%	13 months	£3,000,000

15,014,374
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**Table 13 Short Term Investments, 4th Quarter 2018/19**

## Borrowing

There have been no borrowing requirements in the last quarter.

# **Maidstone Property Holdings Ltd 2018/19**



## **Maidstone Property Holdings**

Maidstone Property Holdings Ltd. was incorporated on 30<sup>th</sup> September 2016 and is used by the Council as a vehicle for letting residential properties on assured short hold tenancies. The company, which is a wholly owned subsidiary of the Council, currently holds two properties, one of which consists of 20 flats on a 22 year lease from the Council, the other consists of 14 flats on a 25 year lease from the Council.

An internal audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given that the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process. This section of the report intends to provide the committee with an overview of the activity and performance of the company for the year to date.

The company's financial year end has been changed to 31<sup>st</sup> March, in order to align with the Council's financial reporting period. The 2018/19 accounts are being audited by the company's external auditors, UHY Hacker Young. A board meeting will be convened shortly in order to formally approve the accounts, and the Company Secretary will ensure that these are filed with Companies House by the deadline of 31<sup>st</sup> December 2019.

At the end of 2018/19, the net rental income totalled £80,377. This compares with £76,105 for 2017/18 and represents rent charged to tenants, less costs recharged by the managing agent. As at 31<sup>st</sup> March 2019 there were no rent arrears. At this point in time both properties are fully let.

The Council generates income from the company through charges made for the services provided, and the property lease. For the 2018/19 financial year these charges totaled £74,664, compared to £71,675 for 2017/18. After these charges have been taken into account, it is anticipated that the company will end 2018/19 in a break-even position.

As the activity of the company increases over time, we will keep the governance and reporting arrangements under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.