

Second Quarter Budget Monitoring 2019/20

Policy & Resources Committee

20 November 2019

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Executive Summary

This report provides members of the Policy & Resources Committee (PRC) with an overview of progress against the 2019/20 revenue and capital budgets as at 30th September 2019 (i.e. the Quarter 2 cumulative position) for the Council overall, including those services reporting directly into the PRC.

The analysis also includes both revenue and capital year-end projections (to 31st March 2020), and updates the Committee on a range of other inter-related financial matters including Local Tax Collection, Reserves and Balances, Treasury Management and Maidstone Property Holdings.

The headlines for Quarter 2 are as follows:

Part A: Second Quarter Revenue Budget 2019/20

- Overall net expenditure for the Council is £6.813 million, compared to the profiled budget of £7.553 million, representing an under spend of £0.74 million. The Council is also forecast to remain within its overall net revenue expenditure budget of £21.138 million for the year, with an additional income stream anticipated in Quarter 3 expected to offset current spending pressures; and
- Overall net expenditure for the services reporting directly to PRE is £3.002 million, compared to the profiled budget of £3.197 million, representing an under spend of £195,000. However, at this stage, PRC is expected to overspend its overall net revenue expenditure budget for the year, recording a small overspend of £352,000 against its annual budget of £12.100 million.

Part B: Second Quarter Capital Budget 2019/20

- Capital expenditure for the Council overall of £5.443 million has been incurred against the annual budget of £51.754 million. At this stage, it is anticipated that there will be slippage of £15.650 million at year end; and
- Capital expenditure for the services reporting directly to PRE of £689,000 has been incurred against the annual budget of £29.440 million. At this stage, it is anticipated that there will be slippage of £6.655 million.

Part C: Local Tax Collection 2019/20

- Collection rates for Council Tax and Business Rates for Quarter 2 were both just marginally off target; and
- Latest available projections for the Kent Business Rates Pool (@ Quarter 1, as reported to PRC 18th September 2019) are forecasting that forecast income retained from the growth in Business Rates is ahead of original expectations.



Part D: Reserves & Balances 2019/20

- At the Quarter 2 stage, the balance on the General Fund reserve is expected to decrease to £8.819 million by 31st March 2020, which is above the minimum contingency balance of £2.0 million adopted by the Council.

Part E: Treasury Management 2019/20

- The Council held short-term investments totaling £27.98 million at 30th September 2019.

Part F: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income from April 2019 to September 2019 was £74,569, which compares to £39,447 over the same period in 2018/19, representing a year-on-year increase of 89%.

Part A

Second Quarter Revenue Budget 2019/20



A1) Revenue Budget: Council

A1.1 At the Quarter 2 stage, overall net expenditure for the Council is £6.813 million, compared to the profiled budget of £7.553 million, representing an under spend of £0.74 million. Based on forward projections, the Council is expected to remain within its overall net revenue expenditure budget of £21.138 million for the year.

A1.2 Charts 1 and 2 below show the income and expenditure position for each service committee.

Chart 1: Revenue Budget Performance: INCOME BY SERVICE COMMITTEE

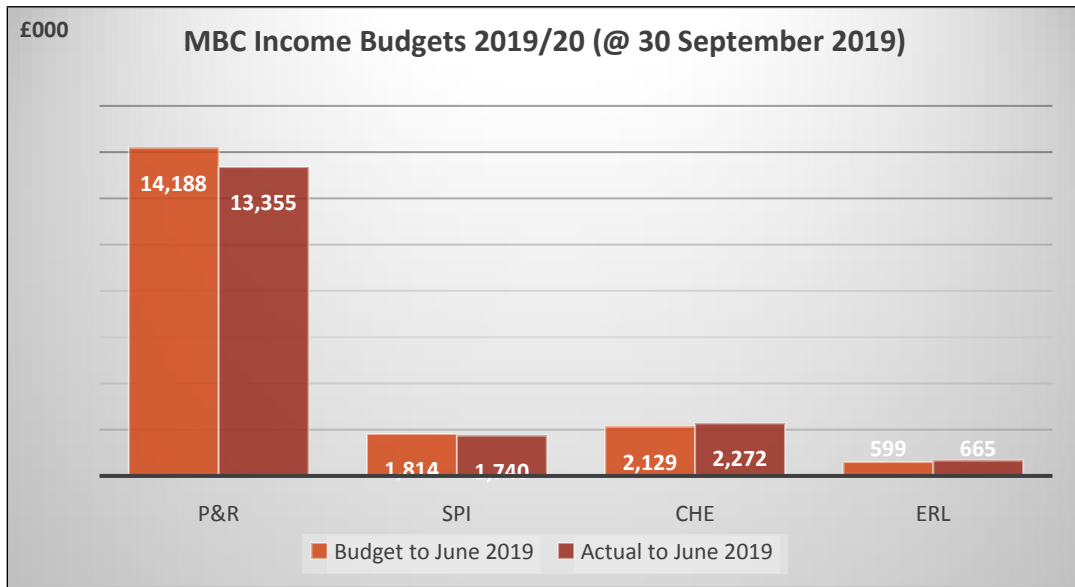
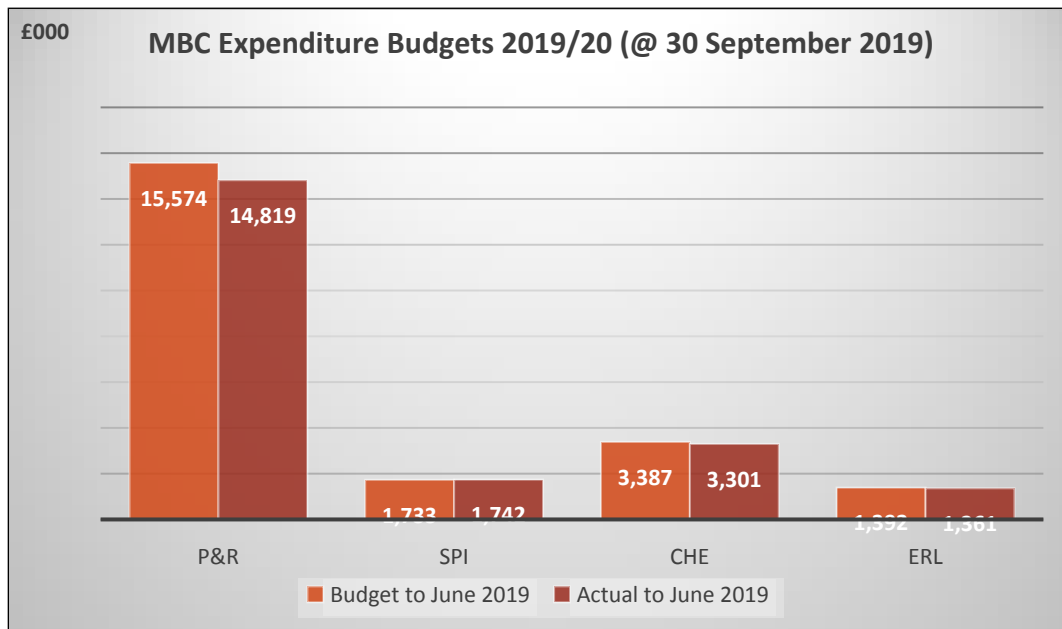


Chart 2: Revenue Budget Performance: EXPENDITURE BY SERVICE COMMITTEE



A1.3 Tables 1, 2 and 3 below provides further insight into the Council's income and expenditure position for Quarter 2 2019/20 by providing alternative analyses; by Committee, Priority and Subjective Heading.

Table 1: Net Expenditure 2019/20 (@ 2nd Quarter): Analysis by COMMITTEE

Committee	Full Year Budget	To 30 September 2019	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Policy & Resources	12,100	3,197	3,002	195	12,452	-352
Strategic Planning and Infrastructure	-1,158	-509	-327	-181	-748	-410
Communities, Housing & Environment	8,972	4,157	3,556	601	8,846	126
Economic Regeneration & Leisure	1,224	708	583	125	1,242	-18
Sub-Total	21,138	7,553	6,813	739	21,792	-654
Commercial Investment Income/ Discretionary Spending Reduction	0	0	0	0	-654	654
Net Revenue Expenditure	21,138	7,553	6,813	739	21,138	0

A1.4 It should be noted from Table 1 above the expectation that – in Quarter 3 – the currently projected year-end overspend of £654,000 should be eliminated by an additional income stream following the anticipated purchase of a significant commercial asset. In the event that the acquisition does not proceed as expected, a moratorium on discretionary spending would be introduced to ensure that revenue spending comes in on budget at the year end.

Table 2: Net Expenditure 2019/20 (@ 2nd Quarter): Analysis by PRIORITY

Priority	Full Year Budget	To 30 September 2019	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	6,348	3,535	3,318	217	6,199	149
Homes and Communities	2,232	518	102	416	2,212	20
Thriving Place	1,489	804	670	134	1,398	91
Embracing Growth and Enabling Infrastructure	-975	-417	-308	-109	-647	-328
Central & Democratic	12,044	3,114	3,032	82	12,630	-586
Net Revenue Expenditure	21,138	7,553	6,813	739	21,792	-654

Table 3: Net Expenditure 2019/20 (@ 2nd Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget	To 30 September 2019	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Employees	21,894	10,990	10,803	187	22,048	-154
Premises	4,776	3,146	3,316	-170	4,829	-53
Transport	872	479	428	50	872	0
Supplies & Services	18,414	4,518	3,982	536	18,234	180
Agency	6,431	3,237	3,194	44	6,431	0
Transfer Payments	49,191	21,175	20,842	333	49,191	0
Asset Rents	1,237	0	0	0	1,237	0
Income	-81,676	-35,992	-35,752	-240	-81,049	-627
Net Revenue Expenditure	21,138	7,553	6,813	739	21,792	-654

A2) Revenue Budget: Policy & Resources (PRC)

A2.1 Table 4 below provides a detailed summary on the budgeted net expenditure position for the services reporting directly into PRC at the end of Quarter 2. The financial figures are presented on an 'accruals' basis (e.g. expenditure for goods and services received, but not yet paid for, is included).

Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 2nd Quarter 2019/20)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Budget for Year £000	Budget to 30 September 2019 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000
Civic Occasions	42	31	25	6	42	0
Members Allowances	380	190	184	6	380	0
Members Facilities	29	14	4	10	29	0
Contingency	90	45	0	45	90	0
Performance & Development	7	5	1	4	7	0
Corporate Projects	94	20	0	20	94	0
Press & Public Relations	35	20	6	14	35	0
Corporate Management	92	53	61	-8	92	0
Mid Kent Improvement Partnership	1	1	1	-0	1	0
Unapportionable Central Overheads	1,783	875	864	11	1,783	0
Council Tax Collection	53	26	21	5	53	0
Council Tax Collection - Non Pooled	-366	25	26	-1	-366	0
Council Tax Benefits Administration	-152	-152	-148	-4	-152	0
NNDR Collection	-1	-0	1	-1	-1	0
NNDR Collection - Non Pooled	-150	47	36	11	-150	0
MBC- BID	0	7	0	7	0	0
Registration Of Electors	48	-23	-17	-6	48	0
Elections	164	127	149	-22	164	0
European Election	0	0	43	-43	0	0
Emergency Centre	25	22	17	5	25	0
Brexit	0	0	-122	122	0	0
Medway Conservancy	115	58	59	-1	115	0
External Interest Payable	310	29	0	29	110	200
Interest & Investment Income	-100	-50	-106	56	-150	50
Palace Gatehouse	-5	-3	-5	2	-5	0
Archbishops Palace	-101	-42	-47	4	-101	0
Parkwood Industrial Estate	-310	-155	-137	-18	-310	0
Industrial Starter Units	-29	-11	-6	-5	-29	0
Parkwood Equilibrium Units	-70	-33	-27	-6	-70	0
Sundry Corporate Properties	-342	-172	-44	-128	-70	-272
Parks Dwellings	26	13	4	9	26	0
Chillington House	0	0	0	0	0	0
Phoenix Park Units	-234	-118	-119	1	-234	0
Granada House - Commercial	-108	-54	-57	3	-108	0
Granada House - Residential	-108	1	2	-2	-108	0
Heronden Road Units	-153	-77	-96	19	-153	0
Boxmend Industrial Estate	-103	-51	-55	3	-103	0
Lockmeadow Complex	-76	-38	15	-52	19	-95
Lenworth House	-76	2	1	1	-76	0
General Fund Residential Properties	-104	-52	-42	-10	-104	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Budget for Year £000	Budget to 30 September 2019 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000

Pensions Fund Management	1,333	0	0	0	1,333	0
Non Service Related Government Grants	-3,730	-1,940	-1,949	8	-3,730	0
Rent Allowances	-161	-66	-244	178	-161	0
Non HRA Rent Rebates	-7	332	449	-117	-7	0
Discretionary Housing Payments	2	175	142	32	2	0
Housing Benefits Administration	-395	-204	-183	-21	-395	0
Democratic Services Section	181	91	91	-0	181	0
Mayoral & Civic Services Section	110	55	53	2	110	0
Chief Executive	177	88	90	-2	177	0
Communications Section	201	101	93	8	201	0
Policy & Information Section	316	138	129	9	316	0
Head of Policy and Communications	111	56	57	-1	111	0
Revenues Section	480	230	239	-9	480	0
Registration Services Section	135	68	63	5	135	0
Benefits Section	458	183	183	0	458	0
Fraud Section	46	116	99	17	26	20
Mid Kent Audit Partnership	211	111	50	61	172	39
Director of Finance & Business Improvement	139	70	68	1	139	0
Accountancy Section	720	372	374	-2	720	0
Legal Services Section	511	257	302	-45	589	-78
Director of Regeneration & Place	138	69	70	-1	138	0
Procurement Section	111	56	79	-23	111	0
Property & Projects Section	410	202	198	4	410	0
Facilities & Corporate Support Section	239	116	120	-4	239	0
Improvement Section	331	163	175	-12	331	0
Executive Support Section	145	73	70	2	145	0
Head of Commissioning and Business Improvement	97	49	45	4	97	0
Mid Kent ICT Services	536	265	267	-1	516	20
GIS Section	109	54	54	1	109	0
Customer Services Section	643	319	312	7	643	0
Director of Mid Kent Services	43	-22	-24	2	43	0
Mid Kent HR Services Section	390	195	161	34	390	0
MBC HR Services Section	96	48	25	23	49	46
Head of Revenues & Benefits	68	42	39	3	68	0
Revenues & Benefits Business Support	141	64	58	5	141	0
Dartford HR Services Section	-18	-9	-8	-1	-18	0
Salary Slippage 1PR	-247	-124	0	-124	-0	-247
Town Hall	101	58	46	12	101	0
South Maidstone Depot	158	119	111	7	158	0
The Link	97	114	99	15	97	0
Maidstone House	1,149	880	867	13	1,149	0
Museum Buildings	298	192	253	-61	351	-53
I.T. Operational Services	532	276	300	-24	532	0
Central Telephones	15	7	4	3	15	0
Mid Kent ICT Software	0	0	0	0	0	0
Youth Development Programme	48	24	14	11	48	0
Internal Printing	-6	-3	-11	8	-6	0
Debt Recovery Service	18	76	-5	81	0	18
Debt Recovery MBC Profit Share	-155	-78	-60	-18	-155	0
General Balances	-840	-840	-840	0	-840	0
Earmarked Balances	5,990	0	-16	16	5,990	0
Invest To Save	10	0	0	0	10	0
Appropriation Account	1,237	0	1	-1	1,237	0
Pensions Fund Appropriation	-1,333	0	0	0	-1,333	0
Total	12,100	3,197	3,002	195	12,452	-352

A2.2 The table shows that, at the Quarter 2 stage, overall net expenditure for the services reporting to PRC is £3.002 million, compared to the profiled budget of £3.197 million, representing an under spend of £195,000. However, based on forward projections, PRC is

expected to overspend on its overall net revenue expenditure budget for the year, recording a deficit of £352,000 against its budget of £12.100 million.

A3) PRC Revenue Budget: Significant Variances (>£30,000)

A3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning.

A3.2 Table 5 below highlights and provides further detail on the most significant variances (i.e. those meeting or exceeding £30,000, either at the end of Quarter 2, or expected to do so by year-end) for those services reporting directly into PRC.

Table 5: PRC Variances >£30,000 (@ 2nd Quarter 2019/20)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Policy & Resources Committee	£000s		
Contingency – This budget is held to deal with unexpected spending pressures. It is assumed that it will be fully utilised by year end.	+45		0
European Elections – This is a cost neutral budget (with expenditure incurred, externally funded). The negative variance at the Quarter 2 stage is therefore temporary and is eliminated from year end projections.		-43	0
Brexit – The positive variance represents the grant income received to fund the cost of Brexit preparations. It is assumed that this funding will be spent in full by the year end.	+122		0
External Interest Payable – This budget is related to the need to borrow to finance the Capital Programme. However, to date there has been no borrowing therefore there will be an under spend on this budget by year-end.	+29		+200
Interest & Investment Income – due to the reduced borrowing forecast for the year and slippage in the Capital Programme, additional income is being generated so far this year.	+56		+50

Table 5 cont.	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Policy & Resources Committee	£000s		
Sundry Corporate Properties – the original budget assumed that income would be generated from the purchase of further commercial properties, but there have been none to date this year, so the income target is unlikely to be realised.		-128	-272
Lockmeadow Complex – The service charges budget for this site has been under pressure for some time. Following a review by the Corporate Property Manager, including discussions/negotiations with the managing agent, it has been identified that the Council is/will be (in future) liable for higher service charges under the terms of the lease than assumed in the current budget.		-52	-95
Rent Allowances – Expenditure on Rent Allowances has reduced significantly due to the rollout of Universal Credit. However, there will be a corresponding reduction in Housing Benefit entitlement, which is expected to eliminate the variance by year end.	+178		0
Non-HRA Rent Rebates – Expenditure on Rent Rebates has increased significantly due to rising demand (and hence cost) for/of temporary accommodation. However, there will be a corresponding increase in Housing Benefit entitlement, which is expected to eliminate the variance by year end.		-117	0
Discretionary Housing Payments – Spending on Discretionary Housing Payments is slightly ahead of original expectations at the Quarter 2 stage. However, such expenditure forms part of the Housing Benefits system with Council expenditure fully funded by Central Government (hence 'on budget' assumption for year-end).	+32		0
Mid-Kent Audit Partnership – The positive variance reflects a number of vacancies in the team earlier in the financial year; these vacancies have now been filled.	+61		+39
Legal Services Section – Activity levels on Legal Services supplied to MBC are running at a higher level than that assumed within the budget for the shared service contract.		-45	-78

Table 5 cont.	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Policy & Resources Committee	£000s		
MBC HR Services Section – variance primarily due to salary savings due to vacancies (£30,000)	+34		+44
Salary Slippage – This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. There is currently an adverse variance, which is expected to be offset by service underspends by the year end.		-124	-247
Museum Buildings – Following a revaluation of the site, the Business Rates liability for the Museum has increased significantly beyond the current budget provision.		-61	-53
Debt Recovery Service – Net expenditure in the first half of the financial year has been lower than budgeted mainly due to the combined impact of higher than expected income and reduced employee costs due to staff vacancies, both in Quarter 1. Two additional staff have now been appointed, and increased income cannot be assumed for the year at this stage, so a reduced (although still positive) variance is assumed for the year end.	+81		+18

A4) Other Revenue Budgets: Significant Variances (>£30,000)

A4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances (i.e. those meeting or exceeding £30,000, either at the end of Quarter 2, or expected to do so by year-end) for other Council services.

Table 6: SPI Variances >£30,000 (2nd Quarter 2019/20)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000's		
<p>Development Control Majors & Other – This year has seen a significant drop in income from Planning Applications compared to original budget expectations. This is particularly the case for Major Applications (10 residential units and above).</p> <p>As reported in Quarter 1, planning officers are working in partnership with the Finance team both in an attempt to identify mitigating budget savings elsewhere within the service and also undertaking analyses on Planning Applications patterns, including future expectations in particular, for both the remainder of 2019/20 and beyond (2020/21 to 2024/25).</p> <p>However, whilst positive progress is being made with this task, it has been identified that there is a significant piece of enabling work to be completed first in reconciling the Planning system (“Uniform”) to the Financial Ledger (“Agresso”).</p> <p>Once the reconciliation work is completed, it will help enable the production of more accurate revised estimates for this financial year and a robust updated Medium-Term Financial Plan for the purposes of future financial planning and budget setting.</p>		-225	-338
Mid-Kent Planning Support – The current variance has arisen due to a number of posts that are being held vacant.	+60		+30
Salary Slippage – This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. There is currently an adverse variance, which is expected to be offset by service underspends by the year end.		-41	-82
On-Street Parking – Higher than budgeted income is being driven by higher than expected (On-Street) parking space turnover.	+31		+50

Table 6 cont.	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000's		
<p>Residents Parking – A number of Tribunal cases have been lost where the adjudicator has ruled that the wrong contravention code has been used within resident parking bays. Consequently processes have been adapted, entailing a lower contravention code (leading to a lower penalty charge), which is depressing income from this source. PCN volumes for Residents Parking infringements are also down slightly compared to last year.</p>		-40	-70
<p>Pay & Display Car Parks – Income levels from Pay & Display car parks are not meeting expectations. A contributory factor is that the budget was set on the basis that 30 car parking spaces would be retained at Brunswick Street, which has not been the case. This accounts for £20,000 of the variance for the year to date.</p>		-65	-139
<p>Off-Street Parking Enforcement – although overall PCN volumes are comparable to last year, a slightly greater proportion have been issued for Off-Street infringements than the budget assumes, which is offset by a slightly lower proportion issued for Residents Parking infringements (as noted above).</p>	+71		+90
<p>Mote Park Pay & Display – Increased demand for parking is being experienced on the site following the recent opening of the Adventure Zone. The increased volumes are expected to be maintained (subject to seasonal demand fluctuations).</p>	+37		+50

Table 7: CHE Variances >£30,000 (@ 2nd Quarter 2019/20)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Communities, Housing & Environment Committee	£000s		
Parks and Open Spaces – Residual undelivered savings of £63,000 in respect of a previous re-structure is the most significant factor in the over spend.		-35	-61
Crematorium – Higher than budgeted maintenance costs partly driven by un-accrued (maintenance) expenditure from 2018/19 (of £18,000) is the reason for the budget pressure at the Quarter 2 stage, although the budget is expected to be met by year end.		-60	+21
Recycling Collection – Savings from the purchase of wheeled bins (£31k April to September 2019) has been the biggest factor in lower than budgeted expenditure at the Quarter 2 stage. Current expenditure patterns are assumed to continue for the remainder of the financial year.	+40		+80
Community Environmental Engagement – The variance relates to the “Go Green, Go Wild” project, funded by the Business Rates Pilot initiative. The updated spending profile for the project, envisages £31,000 being rolled forward into 2020/21 to fund a Community Engagement Officer post.	+31		0
Homeless Temporary Accommodation – A positive variance has arisen at the Quarter 2 stage as savings are being realised due to the use of MBC properties for temporary accommodation (compared to the former use of third party providers). The savings realised will offset overspending elsewhere on MBC temporary accommodation properties.	+39		0
Homelessness Prevention – The variance at this stage is largely due to unspent Government Housing Grant. It is currently assumed that this will be spent by the year end, although any balance would be carried forward into 2020/21.	+216		0

Table 7 cont.	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Communities, Housing & Environment Committee	£000s		
Housing First Project – The variance relates to the “Housing First and Rough Sleepers” project, funded by the Business Rates Pilot initiative, which has been successful in housing 6 homeless people. The residual budget is now available to meet potential landlord liabilities upon the expiry of the tenancies and is being re-profiled to reflect this pattern.	+39		0
Depot Services Section – Lower employee costs are being experienced following the recent implementation of a staff re-structure.	+36		+30
Salary Slippage – This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. There is currently an adverse variance, which is expected to be offset by service underspends by the year end.		-49	-99
Fleet Workshop & Management – A reduced need for vehicle hire (saving £22,000, following the recent purchase 3 new sweepers) is the single largest item in reduced expenditure at the Quarter 2 stage, although the cost centre is expected to come in on budget, with no significant surplus, at year end.	+40		0
Grounds Maintenance Commercial – Additional income has been generated in this area from Section 106 funded works, and other external works.	+56		+86

Table 8: ERL Variances >£30,000 (@ 2nd Quarter 2019/20)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000s		
Mote Park Adventure Zone - the facility is now open. However, the contract awarded allows for an initial rent free period for the first three months and the final contract value was less than forecast.		-28	-55
Community Environmental Engagement – the variance is caused by a timing difference; the appointment of a temporary Community Engagement Officer (as part of a Business Rates Retention funded initiative) was later than assumed within the budget provision.	+31		+31
Economic Development Section - the variance predominantly relates to salary savings due to two vacant posts.	+40		+54
Salary Slippage – There is a credit budget to allow for the fact that services usually underspend on salaries, owing to temporary vacancies arising from staff turnover. This is currently an adverse variance from the salary slippage budget, but the actual service underspends (such as that for Economic Development above) will be offset against the salary slippage budget at year end and are expected to eliminate the adverse variance.		-27	-54

A5) Virements

- A5.1 In accordance with the Council's commitment to transparency and recognized good practice, "virements" (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the Policy & Resources Committee on a quarterly basis.
- A5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.
- A5.3 The virements made in Quarter 2 are presented in Table 9 below.

Table 9: Virements (@ 2nd Quarter 2019/20)

Reason	From	To	Value £	Perm/Temp*
Transfer Vehicle Maintenance Budgets	TD10 (Fleet Workshop & Management)	AE10 & AE14 (Mote Park and Parks & Open Spaces)	15,000	Permanent
Reverse funding from Business Rates Retention pilot underspend and fund from Contingency	AA45, CL80, LJ14 (Festivals & Events, Public Conveniences, Member's Community Grant)	YD11 (Business Rates)	80,000	Permanent
Move Contrancts & Compliance post	SN24 (Procurement Section)	SA13 (Leisure Services Section)	40,010	Permanent
Fund additional public conveniences provision	GC10 (Contingency)	CL80 (Public Conveniences)	14,580	Permanent
BRP Funding	YA11 (Business Rates Growth Earmarked Balances)	EN40, EL21, AG10 (Economic Dev., Town Centre Management Sponsorship, Tourism)	19,090	Temporary
Fund BRR Pilot Projects	YD11 (Business Rates)	EN40 (Economic Dev - Promotion & Marketing) EE20 (Conservation) SG22 (Policy & Information Section) CC10 (Community Safety) PN20 (Homelessness Prevention) EC10 (Development Control Advice) EG10 (Community Environmental Engagement) CR10 (Household Waste Collection) AE10 (Parks & Open Spaces)	298,700	Temporary
Fund Various from Contingency	GC10 (Contingency)	AA45, CL80, LJ14 (Festivals & Events, Public Conveniences, Member's Community Grant)	80,000	Temporary
Fund BRR Pilot Project	YD11 (Business Rates)	CC10 (Community Safety)	6,200	Temporary
Fund BRR Pilot Project	YD11 (Business Rates)	AE20 (Cobtree Manor Park)	74,000	Temporary
Fund Co Star membership, Kent Construction expo & printing	YA11 (Business Rates Growth Earmarked Balances)	SE16, EL20 (Economic Dev., Business Support & Enterprise)	4,620	Temporary
Funding for post in Policy & Information	SN29 (Executive Support Section)	SG22 (Policy & Information)	19,050	Temporary

Part B

Second Quarter Capital Budget 2019/20



B1) Capital Budget: Council

- B1.1 The overall five-year Capital Programme for 2019/20 to 2023/24 was approved by the Council on 27th February 2019. Most capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the Programme, although funding does continue to be available from the New Homes Bonus (NHB). At the time of preparing this report there has been no need to borrow, but it is anticipated that borrowing will be needed during the latter half of 2019/20.
- B1.2 The 2019/20 element of the Capital Programme has a total budget of £51.754 million. At the Quarter 2 stage, capital expenditure of £5.443 million has been incurred. It is anticipated that there will be slippage of £15.650 million at year end.

B2) Capital Budget: Policy & Resources Committee (PRC)

- B2.1 Progress towards the delivery of the 2019/20 PRC element of the Capital Programme at the Quarter 2 stage is presented in Table 10 below. The budget for 2019/20 includes resources brought forward from 2018/19.
- B2.2 At the Quarter 2 stage, expenditure of £689,000 million has been incurred against a budget of £29.440 million for PRC. It is anticipated that there will be slippage of £6.655 million at year end (the Committee will be asked to approve/note the carry forward of resources into the next financial year).

Table 10: Capital Expenditure (@ 2nd Quarter 2019/20)

Capital Programme Heading	Estimate 2019/20 £000	Actual to September 2019 £000	Budget Remaining £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2020/21 £000
Communities, Housing & Environment							
Brunswick Street - Net Cost of Scheme	3,441	1,700	1,740	870	870	3,440	0
Union Street - Net Cost of Scheme	2,085	337	1,748	874	874	2,085	-0
Indicative Schemes	4,124	100	4,024	1,408	808	2,316	1,808
Housing - Disabled Facilities Grants Funding	1,570	226	1,343	175	250	651	918
Temporary Accommodation	3,236	1,831	1,405	1,000	64	2,895	341
Housing Incentives	1,040	6	1,034	50	50	0	1,040
Gypsy Site Improvement Works	42	25	17	17		42	-0
CCTV Upgrade and Relocation	150	13	137	37	100	150	-0
Commercial Waste	180		180	180		180	
Street Scene Investment	147		147	25	25	50	97
Flood Action Plan	1,000		1,000	100	100	200	800
Continued Improvements to Play Areas	422	49	373	20	20	89	333
Commercial Projects - Crematorium Projects	40	12	28	28		40	-0
Commercial Projects - Cemetery Chapel Repairs	100		100	25	75	100	
Other Parks Improvements	100	1	99	49	50	100	-0
Total	17,677	4,301	13,376	4,858	3,286	12,340	5,337
Economic Regeneration & Leisure							
Commercial Projects - Mote Park Adventure Zone		378	-378			378	
Mote Park Centre & Estate Services Building	2,496	17	2,479	75	100	192	2,304
Mote Park Lake - Dam Works	267	1	267	167	100	268	-0
Museum Development Plan	11	25	-13			25	-13
Total	2,775	420	2,354	242	200	862	2,290
Policy & Resources							
High Street Regeneration	547	235	312	312		547	0
Asset Management / Corporate Property	1,417	212	1,206	300	300	812	606
Feasibility Studies	113	91	22	11	11	113	0
Infrastructure Delivery	1,200		1,200				1,200
Software / PC Replacement	124	50	74	50	24	124	0
Digital Projects	20		20	10	10	20	
Acquisition of Commercial Assets	24,850		24,850	20,000		20,000	4,850
Kent Medical Campus - Innovation Scheme	649	75	575	150	425	650	-0
Maidstone East/Sessions Square	520	27	493		493	520	-0
Total	29,440	689	28,751	20,833	1,263	22,785	6,655
Strategic Planning & Infrastructure							
Mall Bus Station Redevelopment	1,540	22	1,518	75	75	172	1,368
Bridges Gyrotory Scheme	121	10	111	50	61	121	-0
Total	1,661	32	1,629	125	136	293	1,368
Section 106 Contributions	201						
TOTAL	51,754	5,443	46,110	26,058	4,885	36,280	15,650

B3) Capital Budget Variances (@ 2nd Quarter 2019/20)

Policy and Resources Committee

B3.1 The most (financially) significant PRC items in the table above are as follows:

- Asset Management/ Corporate Property – There is at present a forecast under spend of £0.606 million, which will be carried forward to 2020/21, although this total may change during the year if any unexpected urgent works are required to be undertaken
- Infrastructure Delivery – No projects have been identified to date this year. The budget will therefore be carried forward to 2020/21; and
- Acquisition of Commercial Assets – One significant acquisition is scheduled for Quarter 3, and at this stage there are no further acquisitions planned, so the remainder of the budget will be rolled forward to 2020/21.

Communities, Housing and Environment Committee

B3.2 The most (financially) significant CHE items in the table above are as follows:

- Indicative Schemes – The budget included provision for the purchase of a property initially valued at £1.2 million. However that purchase is no longer proceeding. In addition, updated cash flow projections for the Springfield Mill project anticipate slippage of £708,000 into 2020/21 (from a budget provision of £2.924 million). £100,000 is assumed to be spent in 2019/20 on feasibility works for replacement schemes
- Housing – Disabled Facilities Grants – Expenditure on housing adaptations often does not match the Council's financial year. The 2019/20 budget of £1.57 million is fully and includes allocations for a wider range of initiatives, including the "Helping You Home" scheme, operated in conjunction with Maidstone and Pembury hospitals
- Housing Incentives – Historically this budget has been under-utilised. The proposal with regard to the current surplus is to utilize it for major refurbishment works at the Council-owned gypsy sites in order to modernize facilities and bring them up to a good standard; initial survey works have started. The future use of the Housing Incentives budget is to be considered within the updated Housing Strategy (scheduled for 2020); and
- Flood Action Plan - The project specifications are currently being developed with the Environment Agency and the timing of the works has yet to be confirmed. At this stage it has been assumed that the majority (80%) of the budget will be carried forward into 2020/21.

Economic Regeneration and Leisure Committee

B3.3 The most (financially) significant ERL items in the table above are as follows:

- Mote Park Adventure Zone – the over spend relates to the additional costs incurred as a result of the sewage leak in the Park that significantly delayed project completion. The costs are the subject of an ongoing legal claim, so the overspend is being temporarily funded until the outcome of the claim is known; and
- Mote Park & Estates Services Building – The budgets have now been combined as the construction of this facility will be let as a single contract. At this stage, the timing of the building works has not been determined; the forecast assumes they will not begin until April 2020.

Strategic Planning and Infrastructure Committee

B3.4 The most (financially) significant SPI items in the table above are as follows:

- Mall Bus Station Redevelopment – the project is progressing, although the construction phase is not now expected to commence until Spring 2020. Therefore £1.336 million of the current budget will need to be carried forward into next year; and
- Bridges Gyratory Scheme – the residual budget is being used to fund flood prevention works by the Medway Street subway. Designs have been drawn up and the work is expected to take place in early 2020.

Part C

Second Quarter Local Tax Collection 2019/20



C1) Collection Fund

- C1.1 The Council is increasingly reliant on income generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- C1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.

C2) Collection Rates

- C2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target for the year, and the actual amount collected at the Quarter 2 stage.

Table 11: Local Tax Collection Rates (2nd Quarter 2019/20)

Description	Target	Actual
	%	%
Council Tax	56.80	55.96
Business Rates	57.80	56.87

- C2.2 Collection rates for Council Tax and Business Rates for Quarter 2 were close to target with both just marginally off target. Business Rates is always subject to volatility, often as a result of Valuation Office Agency (VOA) instructions.
- C2.3 Billing and recovery timetables have progressed as planned so far in 2019/20.

C3) Business Rates Retention (BRR)

- C3.1 Following the Council's successful participation in the 2018/19 (100%) BRR Pilot, along with all other authorities in Kent and Medway, the Council has reverted to participating in the original (50%) Kent BRR Pool for 2019/20.
- C3.2 The Kent BRR Pool produced its first progress update for 2019/20 as at the end of June 2019, which was reported to the Policy and Resources Committee on 18th September 2019 (within the Quarter 1 report). The next Pool update is scheduled for 31st October 2019 (to inform forecasting and planning for 2020/21) and is being prepared at the time of reporting). At this stage, there is no intelligence to suggest that there will be any significant deviation to the Pooling position reported at the Quarter 1 stage, which showed that forecast income retained from the growth in Business Rates was ahead of original expectations.
- C3.3 Specifically (as at 30th June 2019) the overall growth in Business Rates measured against the Council's baseline was £2.517 million (original forecast £2.284 million), with a projected overall Pooling benefit of £1.157 million achieved. This included an allocation of £0.347 million to Kent County Council, with the balance – of £0.810 million – accruing to Maidstone (original forecast £0.735 million), as summarised in the table below.

Table 12: Business Rates Pooling (@ 30th June 2019)

MBC Business Rates Pooling Benefit 2019/20 (@ 30 June 2019) <i>(Reported to Policy & Resources Committee 18th September 2019)</i>		
Description	Amounts	Allocation of Pooling Benefit
	£'s	
Billing Authority Basic Share	347,125	Economic Development
Billing Authority Pool Growth Fund	347,125	Maidstone East (joint project with KCC)
Pool Safety Net Redistribution	115,708	Carry Forward to 2020/21
Total Benefit	809,958*	

**Excludes Kent County Council allocation of £347,125*

Part D

Reserves & Balances 2019/20



D1) Reserves & Balances

D1.1 The combined total of the General Fund balance and Earmarked Reserves as at 31st March 2019 was £15.1 million. The makeup of the balance, and the movements in 2019/20 up until the end of Quarter 2 are presented in the table below.

D1.2 The projected closing balance assumes a minimum balance of £2.0 million will be maintained in the General Fund balance (as agreed by full Council in February 2019).

Table 13: Reserves & Balances (2nd Quarter 2019/20)

	1 April 2019	30 September 2019	31 March 2020 (forecast)
	£000		
General Fund			
Unallocated balance	9,228	8,819	8,819
Sub-total	9,228	8,819	8,819
Earmarked Reserves			
New Homes Bonus funding for capital projects	0	1,940	0
Local Plan	200	200	200
Neighbourhood Plans	64	64	64
Planning Appeals	300	300	220
Civil Parking Enforcement	419	419	159
Housing Prevention & Temporary Accommodation	700	700	512
Business Rates Growth Fund	3,682	3,682	2,674
Other	462	462	462
Sub-total	5,827	7,767	4,291
Total General Fund balances	15,055	16,587	13,110

Part E

Treasury Management 2019/20



E1) Introduction

- E1.1 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)”.
- E1.2 The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. In February 2019 the Council approved a Treasury Management Strategy for 2019/20 that was based on the CIPFA Code. That Strategy requires that the Policy and Resources Committee should formally be informed of Treasury Management activities quarterly as part of the budget monitoring process.

E2) Economic Headlines

- E2.1 During Quarter 2 (ending 30th September 2019), the Council’s advisors (Link Asset Services) reported:
- UK growth – ‘slightly negative’ (-0.2% quarter on quarter, +1.3% year on year) as expected, due to a stronger Quarter 1 growth, which was boosted by stock building ahead of the original (March) Brexit deadline
 - CPI Inflation – fell to 1.7% in August 2019 and is forecast to remain close to 2% over the next 2 years. However, if there was a ‘no deal Brexit’, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound
 - Wage Inflation – the Monetary Policy Committee (MPC) does have concerns over the trend in wage inflation which peaked at a new post-financial crisis high of 3.9% in June 2019, before edging back to 3.8% in July 2019 (excluding bonuses)
 - Employment – growth fell to 31,000 in the three months to July 2019, which is well below the 2018 average. The unemployment rate remained at 3.8%; its lowest rate since 1975; and
 - Bank Rate – there have been no rises since the increase from 0.5% to 0.75% in August 2018 and it is unlikely there will be any further movements until the uncertainties over Brexit are removed. If there was a no deal Brexit, it is expected that the Bank Rate would be cut in order to stimulate growth.

E3) Council Investments

- E3.1 The Council held total investments of £27.98 million as at 30th September 2019. Most investments are held in short-term cash in notice accounts and Money Market Funds to enable access to funds when required to support the Capital Programme.

Table 14: Short-Term Investments (2nd Quarter 2019/20)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Suggested Term	Maximum Deposit
London Borough of Croydon	Fixed Term Deposit	2,000,000	01/05/2018	01/05/2020	1.05%	5 Years	£5,000,000
Nationwide Building Society	Fixed Term Deposit	3,000,000	15/08/2019	22/11/2019	0.69%	6 months	£3,000,000
Svenska Handelsbanken	Call Account	1,290,000			0.60%	12 Months	£3,000,000
Goldman Sachs International Bank	Notice Account Deposit	2,000,000			0.90%	6 months	£3,000,000
Lloyds Bank Plc	Notice Account Deposit	3,000,000			0.95%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	8,000,000			0.73%	2 Years	£8,000,000
Federated Investors LLP	Money Market Fund	6,000,000			0.74%	2 Years	£8,000,000
Federated Investors LLP	Cash Enhanced Fund	2,000,000			1.09%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	690,000			0.67%	2 Years	£8,000,000
		27,980,000					

E3.2 Investment income for Quarter 2 was £106,000, comfortably exceeding the budget of £50,000, with an average interest rate of 0.82% achieved. It is expected that investment income will reduce towards the end of the financial year as funds are spent and balances fall.

E4) Council Borrowing

E4.1 There has been no borrowing requirement in Quarter 2.

Part F

Second Quarter Maidstone Property Holdings 2019/20



F1) Maidstone Property Holdings Ltd. (MPH)

- F1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a 'vehicle' for letting residential properties on assured short-hold tenancies. The company currently holds two properties, one of which consists of 20 flats on a 22-year lease from the Council, with the other consisting of 14 apartments on assured short-hold tenancies.
- F1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (to the Policy and Resources Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.
- F1.3 The MPH financial year-end was changed to 31st March, in order to align with the Council's financial reporting period. The 2018/19 Accounts have now been 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 31st December 2019.

F2) MPH Headlines (@ 2nd Quarter 2019/20)

- F2.1 Net rental income from April 2019 to September 2019 (i.e. 2019/20 Quarter 2 cumulative) totaled £74,569, which compares to £39,447 over the same period in 2018/19 (i.e. an increase of 89%). Net rental income represents rent charged to tenants, less costs recharged by the managing agent. As at 30th September 2019, there were no rent arrears or vacancies in either building.
- F2.2 The Council receives income from the company through charges made for services provided, and the property lease. For the 2018/19 financial year these charges totaled £76,107. After the corresponding charges have been taken into account this year, it is anticipated that the company will end 2019/20 in a break-even position.
- F2.3 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.