

Third Quarter Budget Monitoring 2019/20

Policy & Resources Committee
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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 31st December 2019 (i.e. the Quarter 3 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 3 are as follows:

Part A: Third Quarter Revenue Budget 2019/20

- Overall net expenditure for the Council is £12.10 million, compared to the profiled budget of £12.211 million, representing an under spend of £0.111 million. The Council is also expected to remain within its overall net revenue expenditure budget of £20.561 million for the year.
- Overall net expenditure for the services reporting to PRC is £6.462 million, compared to the profiled budget of £6.377 million; this represents a small overspend of £84,000. However, based on forward projections, PRC is expected to underspend on its overall net revenue expenditure budget for the year, recording a surplus of £152,000 against its budget of £12.041 million.

Part B: Third Quarter Capital Budget 2019/20

- Capital expenditure for the Council overall of £28.754 million has been incurred against an annual *revised* budget of £42.647 million. It is anticipated that there will be slippage of £11.364 million at year end; and
- Capital expenditure for the services reporting directly to PRE of £21.041 has been incurred against the *revised* annual budget of £28.720 million. At this stage, it is anticipated that there will be slippage of £7.10 million.

Part C: Local Tax Collection 2019/20

- Collection rates for Council Tax and Business Rates for Quarter 3 were both marginally off target; and
- Latest available projections for the Kent Business Rates Pool (@ 31st December 2019) are forecasting that income retained from the growth in Business Rates is ahead of original expectations.

Part D: Reserves & Balances 2019/20

- At the Quarter 3 stage, the balance on the General Fund reserve is expected to decrease to £8.858 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 of £12.060 million and had £7.0 million in outstanding Borrowing, as at 31st December 2019.

Part F: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income from April 2019 to December 2019 was £127,891, which compares to £59,847 over the same period in 2018/19, representing a year-on-year increase of 114%.

Part A

Third Quarter Revenue Budget 2019/20



A1) Revenue Budget: Council

A1.1 At the Quarter 3 stage, overall net expenditure for the Council is £12.10 million, compared to the profiled budget of £12.211 million, representing an under spend of £0.111 million. Based on forward projections, the Council is expected to remain within its overall net revenue expenditure budget of £20.561 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

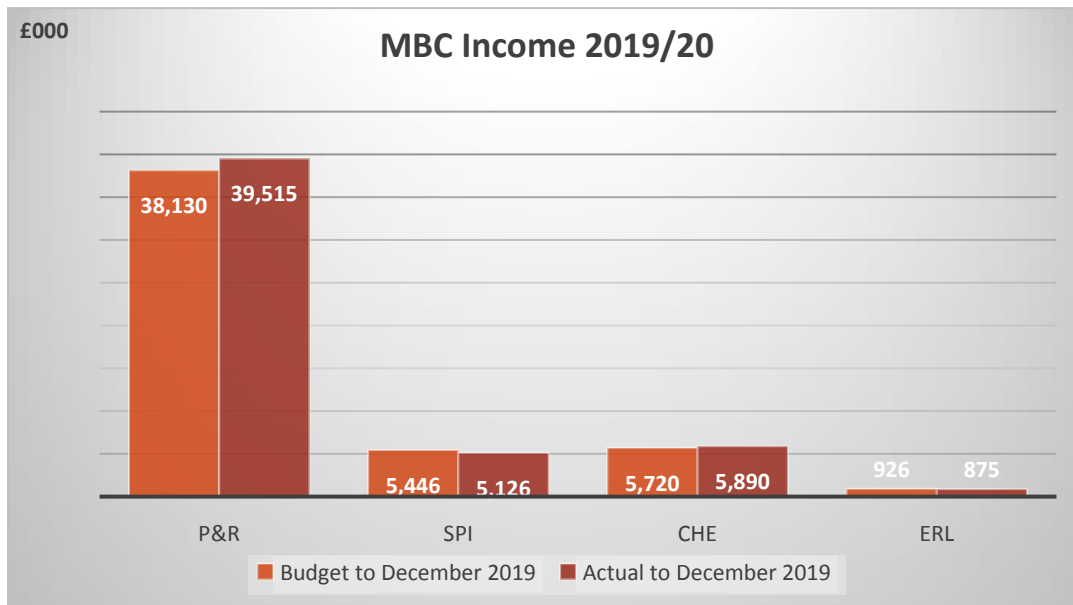
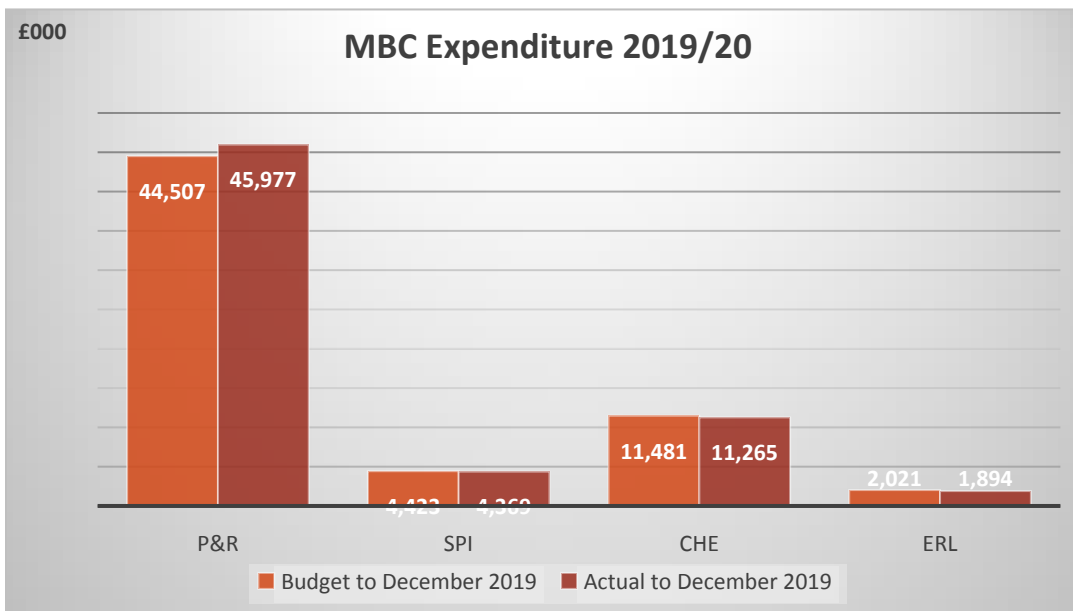


Chart 2: Revenue Budget Performance: EXPENDITURE BY SERVICE COMMITTEE



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

Table 1: Net Expenditure 2019/20 (@ 3rd Quarter): Analysis by COMMITTEE

Committee	Full Year Budget	To 31 December 2019	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Policy & Resources	12,041	6,377	6,462	-84	11,890	152
Strategic Planning and Infrastructure	-1,229	-1,023	-757	-266	-896	-333
Communities, Housing & Environment	8,437	5,762	5,375	386	8,221	216
Economic Regeneration & Leisure	1,312	1,094	1,019	75	1,307	5
Net Revenue Expenditure	20,561	12,211	12,100	111	20,523	39

Table 2: Net Expenditure 2019/20 (@ 3rd Quarter): Analysis by PRIORITY

Priority	Full Year Budget	To 31 December 2019	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	6,257	4,810	4,595	215	6,144	113
Homes and Communities	2,002	977	737	240	1,934	68
Thriving Place	1,505	1,234	1,110	125	1,469	36
Embracing Growth and Enabling Infrastructure	-1,158	-969	-756	-213	-825	-333
Central & Democratic	11,954	6,159	6,415	-256	11,800	154
Net Revenue Expenditure	20,561	12,211	12,100	111	20,523	39

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

Subjective	Full Year Budget	To 31 December 2019	Actual	Variance	Year End Forecast	Year End Variance ¹
	£000	£000	£000	£000	£000	£000
Employees	22,091	16,379	16,131	248	22,070	21
Premises	5,002	4,254	4,275	-21	5,047	-45
Transport	866	657	604	52	866	0
Supplies & Services	10,457	5,935	5,810	125	10,155	301
Agency	6,397	4,806	4,713	93	6,397	0
Transfer Payments	43,600	29,864	31,437	-1,573	43,600	0
Asset Rents	1,275	538	535	3	1,275	0
Income	-69,126	-50,222	-51,406	1,184	-68,888	-238
Net Revenue Expenditure	20,561	12,211	12,100	111	20,523	39

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 3. 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 (@ 3rd Quarter 2019/20)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Revised Budget for Year £000	Budget to 31 December 2019 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000
Civic Occasions	41	39	45	-6	41	0
Members Allowances	380	285	276	9	380	0
Members Facilities	29	21	-3	25	29	0
Contingency	64	48	-89	137	64	0
Performance & Development	7	6	2	5	7	0
Corporate Projects	89	30	1	29	49	40
Press & Public Relations	31	24	17	7	31	0
Corporate Management	92	73	78	-5	92	0
Mid Kent Improvement Partnership	0	0	0	-0	0	0
Unapportionable Central Overheads	1,783	1,312	1,298	15	1,783	0
Council Tax Collection	53	40	28	11	53	0
Council Tax Collection - Non Pooled	-366	38	44	-6	-366	0
Council Tax Benefits Administration	-152	-152	-149	-3	-152	0
NNDR Collection	-1	-1	2	-2	-1	0
NNDR Collection - Non Pooled	-150	71	83	-13	-150	0
MBC- BID	0	14	0	14	0	0
Registration Of Electors	48	17	30	-14	48	0
Elections	163	126	152	-26	163	0
General Elections	0	-211	-213	2	0	0
European Election	0	0	43	-43	0	0
Emergency Centre	25	24	19	5	25	0
Brexit	0	0	9	-9	0	0
Medway Conservancy	115	115	118	-2	115	0
External Interest Payable	310	55	64	-9	30	280
Interest & Investment Income	-100	-75	-161	86	-190	90
Palace Gatehouse	-8	-6	-6	0	-8	0
Archbishops Palace	-98	-69	-71	1	-98	0
Parkwood Industrial Estate	-311	-225	-222	-3	-311	0
Industrial Starter Units	-30	-21	-20	-1	-30	0
Parkwood Equilibrium Units	-77	-56	-47	-9	-77	0
Sundry Corporate Properties	-362	-272	-74	-198	-92	-270
Parks Dwellings	22	17	-1	18	22	0
Phoenix Park Units	-217	-162	-160	-2	-217	0
Granada House - Commercial	-110	-82	-76	-6	-110	0
MPH Residential Properties	-162	3	10	-7	-162	0
Heronden Road Units	-152	-114	-136	22	-177	25

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Revised Budget for Year £000	Budget to 31 December 2019 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000
Boxmend Industrial Estate	-101	-76	-88	12	-101	0
Lockmeadow	-76	-57	5	-62	-1	-75
Lockmeadow Complex	0	0	15	-15	-250	250
Pensions Fund Management	1,674	0	0	0	1,674	0
Non Service Related Government Grants	-3,730	-2,911	-2,921	11	-3,730	0
Rent Allowances	-147	-94	-76	-17	-147	0
Non HRA Rent Rebates	-8	-6	0	-6	-8	0
Discretionary Housing Payments	1	226	205	21	1	0
Housing Benefits Administration	-358	-278	-274	-4	-358	0
Democratic Services Section	180	136	131	6	174	6
Mayoral & Civic Services Section	110	82	80	2	108	2
Chief Executive	177	132	134	-1	178	-1
Communications Section	204	153	136	17	187	17
Policy & Information Section	249	186	167	19	230	19
Head of Policy and Communications	111	83	89	-5	116	-5
Revenues Section	472	349	350	-1	473	-1
Registration Services Section	135	101	92	9	125	9
Benefits Section	457	311	314	-3	461	-3
Fraud Section	46	24	7	17	29	17
Mid Kent Audit Partnership	212	163	135	28	184	28
Director of Finance & Business Improvement	139	104	102	2	137	2
Accountancy Section	704	545	551	-7	711	-7
Legal Services Section	503	384	385	-1	504	-1
Director of Regeneration & Place	138	104	105	-0	139	-0
Procurement Section	130	97	116	-19	149	-19
Property & Projects Section	400	300	286	14	386	14
Facilities & Corporate Support Section	232	174	177	-3	235	-3
Improvement Section	335	250	262	-12	348	-12
Executive Support Section	145	109	105	4	141	4
Head of Commissioning and Business Improvement	99	74	69	5	93	5
Mid Kent ICT Services	536	401	412	-11	546	-11
GIS Section	109	82	83	-1	110	-1
Customer Services Section	643	473	464	9	634	9
Director of Mid Kent Services	43	10	6	4	39	4
Mid Kent HR Services Section	380	285	263	23	358	23
MBC HR Services Section	94	72	44	27	67	27
Head of Revenues & Benefits	68	55	52	2	65	2
Revenues & Benefits Business Support	109	78	82	-3	112	-3
Dartford HR Services Section	-19	-14	-15	1	-20	1
IT Support for Revenues and Benefits	31	16	19	-3	34	-3
Salary Slippage 1PR	-201	-151	0	-151	0	-201
Town Hall	98	76	63	13	98	0
South Maidstone Depot	165	139	139	0	165	0
The Link	91	117	102	15	91	0
Maidstone House	1,140	1,080	1,108	-27	1,155	-15
Museum Buildings	267	222	246	-23	297	-30
I.T. Operational Services	532	404	434	-30	581	-49
Central Telephones	15	11	11	-0	15	0
Youth Development Programme	49	36	17	19	49	0
Internal Printing	-6	-5	-15	11	-6	0
Debt Recovery Service	-13	23	-10	33	-13	0
Debt Recovery MBC Profit Share	-143	-107	-91	-17	-131	-12
General Balances	-847	-847	-840	-7	-847	0
Earmarked Balances	5,895	1,805	1,805	-0	5,895	0
Invest To Save	10	0	0	0	10	0
Appropriation Account	1,275	538	537	1	1,275	0
Pensions Fund Appropriation	-1,674	0	0	0	-1,674	0
	12,041	6,377	6,462	-84	11,890	152

A2.2 The table shows that, at the Quarter 3 stage, overall net expenditure for the services reporting to PRC is £6.462 million, compared to the profiled budget of £6.377 million; this represents a small overspend of £84,000. However, based on forward projections, PRC is expected to underspend on its overall net revenue expenditure budget for the year, recording a surplus of £152,000 against its budget of £12.041 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 3, or expected to do so by year-end) for those services reporting directly into PRC.

Table 5: PRC Variances >£30,000 (@ 3rd Quarter 2019/20)

	Positive Variance Q3	Adverse Variance Q3	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 (any remaining balance would be transferred to reserves).	+137		0
Corporate Projects – A year-end budget surplus of £40,000 is anticipated on this cost centre as the budget contribution to Mid-Kent Services is not required for 2019/20. The surplus budget will deliver an agreed savings target in 2020/21.	+29		+40
European Elections – This is a cost neutral budget (with expenditure incurred, externally funded). The negative variance at the Quarter 3 stage is therefore temporary and is eliminated from year end projections.		-43	0
External Interest Payable – This budget is related to the need to borrow to finance the Capital Programme. However, there had been no need to borrow until the recent purchase of Lockmeadow. Therefore an under spend on this budget is anticipated by year-end.		-9	+280

Table 5 cont.	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Policy & Resources Committee	£000s		
Interest & Investment Income – due to the reduced borrowing forecast for the year and slippage in the Capital Programme, combined with slightly higher interest rates than originally assumed, additional income is being generated so far this year.	+86		+90
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 (Note – Lockmeadow is being accounted for separately – see below).		-198	-270
Lockmeadow – 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.		-62	-75
Lockmeadow Complex (NEW) – A large surplus is anticipated in this newly created cost centre following the recent acquisition of the Lockmeadow complex due to the addition of a number of tenant rental streams.		-15	+250
MBC HR Services Section – variance primarily due to salary savings due to vacancies	+23		+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.		-151	-201
Museum Buildings – Following a revaluation of the site, the Business Rates liability for the Museum has increased significantly beyond the current budget provision.		-23	-30
IT Operational Services – An over spend of £49,000 is anticipated on this cost centre due to delays in the delivery of a savings target, originally assumed at £100,000 (£48,000 remaining to be delivered).		-30	-49

Table 5 cont.	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Policy & Resources Committee	£000s		
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, which is expected to eliminate the variance by the year end.	+33		0

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 3, or expected to do so by year-end) for other Council services.

Table 6: SPI Variances >£30,000 (3rd Quarter 2019/20)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000's		
Development Control Advice – stronger than expected income streams from Pre-Application Discussions is the most significant factor driving the surplus in this cost centre.	+6		+32
Development Control Majors – This year has seen a significant drop in income from Planning Applications compared to original budget expectations. A recently completed review of the position has identified the need to reverse earlier virements to the value of £216,040, which has reduced the income expectation on Major Applications, with a corresponding increase in the income expectation for Other (minor) Applications. Against the updated income budget, a shortfall of £124,000 is being experienced on Major Applications at the Q3 stage. The variance is forecast to rise to £134,000 by year end.		-124	-134
Development Control Other – Against the updated income budget, a shortfall of £102,000 is being experienced on Other (minor) Applications at the Q3 stage. The variance is forecast to rise to £145,000 by year end.		-102	-145

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000's		
On-Street Parking – Higher than budgeted income is being driven by higher than expected (On-Street) parking space turnover.	+66		+80
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.		-46	-65
Pay & Display Car Parks – Income levels from Pay & Display car parks are not meeting expectations.		-111	-174
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).	+104		+126
Development Management Section – Budget pressures are being experienced on Salaries and Wages (£28,000) and Professional Services (£14,000) due to the use of additional consultancy resources required to address shortfalls in capacity.		-49	-49
Mid-Kent Planning Support – The current variance has arisen due to a number of posts that are being held vacant.	+72		+72
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.		-53	-71

Table 7: CHE Variances >£30,000 (@ 3rd Quarter 2019/20)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Communities, Housing & Environment Committee	£000s		
Crematorium – Higher than budgeted maintenance costs (e.g. additional landscaping costs of £31,000), partly driven by un-accrued (maintenance) expenditure from 2018/19 (of £18,000) is the reason for the budget pressure at the Quarter 3 stage, although the position is expected to improve by year end.		-69	-16
CCTV – The most significant factor in the budget overspend is the delay experienced in achieving a savings target of £73,300, anticipated as part of the new CCTV arrangements.		-50	-63
Recycling Collection – Savings from the purchase of wheeled bins (£32k April to September 2019) has been the biggest factor in lower than budgeted expenditure at the Quarter 3 stage. Current expenditure patterns are assumed to continue for the remainder of the financial year.	+67		+84
Members Community Grant – only 24 out of 55 members have used any of their 2019/20 allocation at the Q3 stage, with only 2 members utilising their full allocation.	+34		+45
Homelessness Prevention – Significant underspends on the service include the Guaranteed Rent scheme budget (£20,000), Marketing (£16,000) and General Expenses (£39,000). The Guaranteed Rent scheme is currently on hold.	+29		+69
Community Partnerships & Resilience Section – a budget surplus is being experienced in this cost centre following a recent re-structure (£10,000), which is being added to by a “Standby” budget surplus (£13,500). The re-structure forms part of the delivery of a £50,000 agreed savings target for 2020/21.	+27		+39
Depot Services Section – Lower employee costs are being experienced following the recent implementation of a staff re-structure.	+37		+37

Table 7 cont.	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Communities, Housing & Environment Committee	£000s		
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.		-91	-121
Fleet Workshop & Management – A reduced need for vehicle hire (saving £38,000, following the recent purchase 3 new sweepers) is the single largest item in reduced expenditure at the Quarter 3 stage.	+58		+70
Grounds Maintenance Commercial – Additional income has been generated in this area from Section 106 funded works, although this surplus is expected to be offset by a shortfall of £27,000 on miscellaneous other external income by the year end.	+38		+2

Table 8: ERL Variances >£30,000 (@ 3rd Quarter 2019/20)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000s		
Community Halls – a range of small underspends have been recorded on controlled running costs, including utilities, and repairs and maintenance.	+25		+30
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 which was not reflected in the budget, and the final contract value was less than forecast.		-56	-53
Market - the variance represents the combined impact of the Tuesday and Saturday markets not achieving the income target (£24K), and an overspend on refuse collection (£14k)		-36	-43
Economic Development Section - the variance predominantly relates to salary savings due to two vacant posts.	+37		+34

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 3 are presented in Table 9 below.

Table 9: Virements (@ 3rd Quarter 2019/20)

Description	Cost Centre (From)	Cost Centre (To)	Value (£s)	Perm/Temp
Transfer of two posts	SN44 (Revenues & Benefits Business Support)	SN46 (IT Support for Revenues & Benefits)	60,790	Permanent
Income from Mote Park Pay & Display to fund expenditure in Mote Park	RC23 (Mote Park Pay & Display)	AE14 (Mote Park)	15,000	Permanent
Fund KCC invoice as part of the JR settlement	GC10 (Contingency)	SE10 (Development Management Section)	26,470	Temporary
Additional funding for construction expo from BRP	YA11 (Business Rates Growth Earmarked Balances)	EL20 (Business Support & Enterprise)	1,200	Temporary
Fund Management Destination Plan	YA11 (Business Rates Growth Earmarked Balances)	AG10 (Tourism)	2,460	Temporary
Fund various costs - Quantum PR, Geomedia, Elmer Project, Business Forum Event, MIPIM, Avviso & Financial Cont. to TGKP.	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development - Promoting & Marketing)	78,210	Temporary
BRP funding for "Let's Do Business"	YA11 (Business Rates Growth Earmarked Balances)	EL20 (Business Support & Enterprise)	14,000	Temporary
Establish budget for BRR pilot - Archbishops Palace	YD11 (Business Rates)	NE12 (Archbishops Palace)	80,000	Temporary
Fund Local Nature Reserves feasibility study	YA10 (In-Year Contribution to Balances)	SE22 (Heritage Landscape & Design Section)	6,940	Temporary

Part B

Third 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. Some 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).
- B1.2 The *revised* 2019/20 element of the Capital Programme has a total budget of £42.647 million. At the Quarter 3 stage, capital expenditure of £28.754 million has been incurred. It is anticipated that there will be slippage of £11.364 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 3 stage is presented in Table 10 below. The budget for 2019/20 includes resources brought forward from 2018/19.
- B2.2 At the Quarter 3 stage, expenditure of £21.041 million has been incurred against a revised budget of £28.720 million for PRC. It is anticipated that there will be slippage of £7.10 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 (@ 3rd Quarter 2019/20)

Capital Programme Heading	Adjusted Estimate 2019/20 £000	Actual to December 2019 £000	Budget Remaining £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2020/21 £000
Communities, Housing & Environment						
Brunswick Street - Net Cost of Scheme	2,514	1,750	765	765	2,515	-0
Union Street - Net Cost of Scheme	975	618	358	358	976	-0
Indicative Schemes	3,475	1,070	2,405		1,070	2,405
Housing - Disabled Facilities Grants Funding	1,570	407	1,163	250	657	913
Temporary Accommodation	3,236	2,816	421	80	2,896	341
Gypsy Site Improvement Works	42	33	9	9	42	-0
CCTV Upgrade and Relocation	150	120	30	30	150	0
Commercial Waste	180	196	-16		196	-16
Street Scene Investment	147		147	50	50	97
Flood Action Plan	100		100	100	100	
Continued Improvements to Play Areas	422	60	362	25	85	337
Commercial Projects - Crematorium Projects	55	52	3	3	55	-0
Commercial Projects - Cemetery Chapel Repairs	100		100	100	100	
Other Parks Improvements	100	1	99	10	11	89
Total	13,069	7,123	5,945	1,780	8,903	4,165
Economic Regeneration & Leisure						
Commercial Projects - Mote Park Adventure Zone		380	-380		380	
Mote Park Centre & Estate Services Building	156	50	106	106	156	-0
Mote Park Lake - Dam Works	267	63	204	204	267	-0
Museum Development Plan	36	38	-1		38	-1
Total	460	532	-72	310	842	-2
Policy & Resources						
High Street Regeneration	547	547	0		547	0
Asset Management / Corporate Property	1,017	423	594	300	723	294
Feasibility Studies	113	127	-14		127	-14
Infrastructure Delivery	1,200		1,200			1,200
Software / PC Replacement	124	65	59	59	124	0
Digital Projects	20		20	20	20	
Acquisition of Commercial Assets	24,850	19,713	5,137		19,713	5,137
Kent Medical Campus - Innovation Scheme	649	167	483		167	483
Garden Community	200		200	200	200	
Total	28,720	21,041	7,679	579	21,620	7,100
Strategic Planning & Infrastructure						
Mall Bus Station Redevelopment	250	48	202	202	250	-0
Bridges Gyratory Scheme	121	10	111	10	20	101
Total	371	58	313	212	270	101
Section 106 Contributions	28					
TOTAL	42,647	28,754	13,865	2,881	31,635	11,364

B3) Capital Budget Variances (@ 3rd Quarter 2019/20)

Policy and Resources Committee

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

- Infrastructure Delivery – No new projects have been identified to date this year. The budget will therefore be carried forward to 2020/21; and
- Acquisition of Commercial Assets – Following the acquisition of Lockmeadow for £19.7 million in Quarter 3, the remainder of the budget (£5.137 million) will be rolled forward to 2020/21.

Communities, Housing and Environment Committee

B3.2 The most (financially) notable 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, with the funds now earmarked for another scheme. In addition, updated cash flow projections for the Springfield Mill project anticipate slippage of £1.077 million into 2020/21 (from a budget provision of £2.924 million); and
- 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 includes allocations for a wider range of initiatives, including the "Helping You Home" scheme, operated in conjunction with Maidstone and Pembury hospitals.

Strategic Planning and Infrastructure Committee

B3.3 The most (financially) notable SPI item in the table above is as follows:

- 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 now expected to take place in early 2020/21.

Part C

Third 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 3 stage.

Table 11: Local Tax Collection Rates (3rd Quarter 2019/20)

Description	Target	Actual
	%	%
Council Tax	84.50	83.62
Business Rates	84.20	82.43

- C2.2 Collection rates for Council Tax and Business Rates for Quarter 3 were close to target with both just marginally below original expectations.
- C2.3 With regard to Council Tax, local benchmarking with other Kent authorities has identified that the majority of billing authorities are experiencing similar reductions in collection rates. Further intelligence also suggest that the picture in Kent mirrors the national position.
- C2.4 Business Rates is always subject to volatility, often as a result of Valuation Office Agency (VOA) instructions.
- C2.5 Billing and recovery timetables have progressed as planned so far in 2019/20.

Write-offs: Business Rates

- C2.6 The Committee is asked to approve the write-off of £292,430.84 in uncollectable Business Rates (detailed in **Appendix 3**). It should be noted that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.
- C2.7 The Council takes a systematic approach to the collection and recovery of Business Rates, including a number of progressive steps ranging from a 'first reminder' for non-payment through to seeking a committal to prison in the most aggravated cases.
- C2.8 However, throughout the process, the Council actively encourages contact from any business experiencing difficulty with a view to negotiating a payment arrangement.

C2.9 The Council could continue to hold these debts as outstanding, although this is not recommended as there is no realistic prospect of achieving economic recovery and this would distort the Council's true financial position.

C2.10 For the businesses in **Appendix 3**, the Council has exhausted the recovery process in trying to collect the outstanding sums. It is therefore recommended that these debts are written off to the Impairment Allowance for Bad Debts (IABD), which has sufficient funds to meet the cost in full.

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 As at 31st December 2019 (Quarter 3), the overall growth in Business Rates measured against the Council's baseline was £2.487 million (original forecast £2.284 million), with a projected overall Pooling benefit of £1.144 million achieved. This included an allocation of £0.343 million to Kent County Council, with the balance – of £0.801 million – accruing to Maidstone (original forecast £0.735 million), as summarised in the table below.

Table 12: Business Rates Pooling (@ 31st December 2019)

MBC Business Rates Pooling Benefit 2019/20 (@ 31st December 2019)		
Description	Amounts	Allocation of Pooling Benefit
	£'s	
Billing Authority Basic Share	343,095	Economic Development
Billing Authority Pool Growth Fund	343,095	Maidstone East (joint project with KCC)
Pool Safety Net Redistribution	114,365	Carry Forward to 2020/21
Total Benefit	800,555*	

*Excludes Kent County Council allocation of £343,095

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 3 are presented in Table 13 below. The year-end forecast assumes an overall reduction of £2.0 million (reducing from £15.1 million to £13.1 million).

D1.2 The projected closing balance assumes – after an in-year net reduction of £0.370 million – 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 (3rd Quarter 2019/20)

	1 April 2019	31st December 2019	31 March 2020 (forecast)
	£000		
General Fund			
Unallocated balance	9,228	8,819	8,858
Sub-total	9,228	8,819	8,858
Earmarked Reserves			
New Homes Bonus funding for capital projects	0	1,940	0
Local Plan	200	200	145
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	3,546	2,674
Other	462	462	462
Sub-total	5,827	7,632	4,236
Total General Fund balances	15,055	16,451	13,094

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 3 (ending 31st December 2019), the Council’s advisors (Link Asset Services) reported:
- UK growth – risen by 0.4% compared to Quarter 2
 - CPI Inflation – fell to 1.5% in October and November 2019 and is forecast to remain between 1.5% and 2% over the next two years
 - Wage Inflation – fallen back slightly from the highs of June 2019 from 3.9% down to 3.5%
 - Employment – Growth in employment picked up again to 24,000. However, this is still well below the 2018 average, although the unemployment rate remained at 3.8 percent, 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 appears unlikely there will be any further movements until the uncertainties over Brexit are fully resolved.

E3) Council Investments

- E3.1 The Council held total investments of £12.060 million as at 31st December 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 (3rd 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
Svenska Handelbanken	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
HSBC Bank Plc	Notice Account Deposit	3,000,000			0.90%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	0			0.73%	2 Years	£8,000,000
Federated Investors LLP	Money Market Fund	770,000			0.74%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	0			0.67%	2 Years	£8,000,000
		12,060,000					

E3.2 Investment income for Quarter 3 was £161,000, comfortably exceeding the budget of £75,000, with an average interest rate of 0.81% achieved. It is expected that investment income will reduce towards the end of the financial year as funds are depleted spent and balances fall.

E4) Council Borrowing

E4.1 The Council entered into a planned borrowing position in Quarter 3, triggered by the acquisition on the Lockmeadow commercial investment. Total borrowing at 31st December 2019 was £7.0 million as summarised in Table 15 below.

Table 15: Council Borrowing (3rd Quarter 2019/20)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
North Somerset District Council	Local Authority	3,000,000	22/11/2019	30/04/2020	0.80%
North Yorkshire County Council	Local Authority	4,000,000	22/11/2019	20/11/2020	0.97%
		7,000,000			

Part F

Third 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.
- F1.4 Since the Quarter 2 update, two new Directors have been appointed to the company (Georgia Hawkes and Claudette Valmond) and the audited Annual Accounts and Confirmation Statement were submitted to Companies House in September 2019.
- F1.5 On 18th December 2019, full Council accepted the Policy and Resources Committee recommendations and formally adopted the new Articles of Association, Operational Agreement, Services Agreement and Business Plan. The Services Agreement and Operational Agreement have subsequently been signed and sealed, and the amended Articles of Association submitted to Companies House.

F2) MPH Headlines (@ 3rd Quarter 2019/20)

- F2.1 Net rental income from April 2019 to December 2019 (i.e. 2019/20 Quarter 3 cumulative) totaled £127,891, which compares to £59,847 over the same period in 2018/19 (i.e. an increase of 114%). Net rental income represents rent charged to tenants, less costs recharged by the managing agent. As at 31st December 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.