MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

COUNCIL TAX 2015 16 COLLECTION FUND ADJUSTMENTS

Issue for Decision

The report detailed the anticipated balance on the collection fund as at 31 March 2015 from council tax and business rates collection. The distribution of balances to precepting authorities is an important part of their budget calculation and a decision at this time enables timely advice to those authorities. It also enables timely consideration in relation to the council's own budget strategy.

Decision Made

(a) That the council tax projection detailed in the report of the Director of Regeneration and Communities be agreed and as a result the distribution of the surplus set out in paragraph 1.4.5 of the report be agreed as follows:

Preceptor	**£**
Maidstone Borough Council	302,209
Kent County Council	1,270,007
Kent Police Authority	171,465
Kent and Medway Towns Fire Authority	82,354
Total	**1,826,034**

(b) That the business rates projection detailed in the report of the Director of Regeneration and Communities be agreed and as a result noted the distribution of the surplus set out in paragraph 1.5.4 of the report as follows:

Preceptor	**£**
Central Government (50%)	35,545
Maidstone Borough Council (40%)	28,436
Kent County Council (9%)	6,398
Kent and Medway Towns Fire Authority (1%)	711
Total	**71,089**

Reasons for Decision

The council is required to maintain a collection fund which accounts for all local tax payments for council tax and business rates. The income into the fund is used to pay the precepts to Kent County Council, Kent Fire Authority, Kent Police (council tax only), central government (business rates only) and the equivalent requirement of this council, which includes parish precepts.

For the proper maintenance of the collection fund it is necessary to assess, on an annual basis, the likely balance as at 31 March of each year. Any balance, either positive or negative, must be taken into account in the following financial year. However, under the statutory arrangements which govern the collection fund, the balance remaining does not become a credit or charge on this council solely but needs to be split proportionately across preceptors.

Council Tax

The current situation regarding council tax in 2014-15 is projected to 31 March 2015 as set out in Appendix A to the report of the Director of Regeneration and Communities. The appendix detailed the precepts and demands on the Fund totalling £85,544,191.

Appendix A also detailed the latest situation regarding council tax bills dispatched, incorporating exemptions and discounts. Total income is now anticipated to be £86,355,243; therefore a surplus of £811,052 is anticipated for 2014-15. The collection fund regularly produces a surplus due to the continuing increase in properties on the valuation list.

The actual council tax surplus as at 31 March 2014 was £1,444,278. The predicted outturn at this time last year was £429,296 and this value was taken into account in setting the Council Tax in 2014-15. In 2013-14 there was increased uncertainty around the predictions used in relation to the local council tax support scheme that replaced council tax benefit from 1 April 2013. The level of demand for support through the scheme was lower than predicted, which had a positive impact on the surplus at 31 March 2014. A further variance arose during the year due to the reversal of unutilised provision for bad debts, which also increased the surplus on the fund at 31 March 2014. There is therefore a balance of £1,014,982 resulting from an under distribution in this year.

In total, Appendix A estimated that there would be a net surplus on the collection fund for 2014-15 of £1,826,034.

In line with the Local Government Finance Act 1992 it is necessary to declare the distribution of any surplus or deficit on the collection fund and for this reason it was recommended that the surplus be distributed as set out in the table below. This apportioned the surplus in line with the preceptors' share of the council tax as set out in Appendix A.

Preceptor	**£**
Maidstone Borough Council	302,209
Kent County Council	1,270,007
Kent Police Authority	171,465
Kent and Medway Towns Fire Authority	82,354
Total	**1,826,034**

Business Rates

It was noted that a new system for business rates came into effect on 1 April 2013. This introduced the distribution of business rates via the collection fund in a similar way to council tax. Under the previous system, income was pooled and distributed nationally by the government. Precepts for business rates are determined prior to the start of a financial year based on fixed percentages applied to estimated income. Variations from the estimates realised within the collection fund are then distributed in the following two financial years (based on estimates in the following year and actuals in the subsequent year). 2014-15 will therefore be the first year that the balance arising on business rates impacts on the collection fund balance.

The current situation regarding business rates for 2014-15 is projected to 31 March 2015 in Appendix B to the report. As at 31 March 2015 the collection fund is estimated to have a surplus of £85,817 for business rates relating to the financial year 2014-15, to be distributed to preceptors in 2015-16.

The actual outturn, as at 31 March 2014, was a deficit of £1,804,789. The predicted outturn in January 2014 was a deficit of £1,790,061. Therefore, there is a balance of -£14,728 to be shared with preceptors. The deficit in 2013-14 arose principally from requirement for the council to create a provision for losses on appeals against rateable value. Under the previous system the impact of these losses was passed onto central government as part of the national pooling arrangements. This has already been reported to central government and preceptors, and sufficient resources were set aside in 2013-14 to cover this council’s share of the deficit.

The total balance on the collection fund for business rates of £71,089 would be distributed to preceptors as set out in the table below, by applying the central and local share percentages set by the government.

Preceptor	**£**
Central Government (50%)	35,545
Maidstone Borough Council (40%)	28,436
Kent County Council (9%)	6,398
Kent and Medway Towns Fire Authority (1%)	711
Total	**71,089**

Since the beginning of the new system the government has utilised a number of incentives to assist businesses such as small business rates exemptions and limiting business rates increases to 2%. These have a direct impact on the collection fund by reducing the value of business rates collected. The council is reimbursed through other government grants that do not affect the collection fund. For this reason the detailed distribution above does not reflect the details set out in the medium term financial strategy elsewhere on this agenda as that report takes into account the consequences of the business rates pool and the section 31 grant.

Alternatives considered and why rejected

It is a statutory requirement that any adjustment be calculated annually and Cabinet could have chose to ignore this decision.

Cabinet could have varied the figures used in the estimate provided within the appendices. However, these are based on data from the revenues system, projections developed from past experience and known factors. They are considered to represent a reasonable estimate of the situation.

If Cabinet chose to vary the data and distribute a different surplus or deficit this could affect the balance on the collection fund and the council's cash flows.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: **30 December 2014**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

BUDGET STRATEGY 2015 16 ONWARDS - FEES & CHARGES

Issue for Decision

To consider proposals for setting the level of fees and charges for 2015/16 for services where the Council raises income by charging the user of the service and where the setting of the fee or charge is discretionary. To also note the level of fees and charges that are set in accordance with statutory requirements.

To consider the impact of the proposed changes in the level of fees and charges on the Council's medium term financial strategy.

Decision Made

That:

(a) the proposed fees and charges for 2015/16 totalling an additional £76,300 as set out in Appendix A to the Report of the Head of Finance and Resources be approved;

(b) the proposed changes to income budgets that occur as a consequence of the proposed fees and charges as set out in paragraph 1.3.8 to the report be approved; and

(c) Officers be instructed to give further consideration to the charges and budgets for the parking and the development management services and report back to Cabinet in February on options that provide additional income from these services.

Reasons for Decision

The Council adopted a corporate fees and charges policy in May 2009. The Policy promotes consistency across the Council, is focused on the strategic aims of the Council and sets out the approach that the Council takes in setting fees and charges.

The Policy covers fees and charges that are set at the discretion of the Council. It does not apply to services where the Council is prohibited from charging, e.g. collection of household waste or services where the charge is currently determined by Central Government, e.g. planning application fees. Consideration of any known changes to such fees and charges and any consequence to the medium term financial strategy were detailed in the report of Corporate Leadership Team.

The headline objective of the Policy is that fees and charges are set at the maximum level after taking into account conscious decisions on the subsidy level for individual services, concessions, impact of changes on users and any impact on the delivery of the Strategic Plan. Therefore there is a presumption that a charge would be levied for a service unless justified by strategic consideration or legal constraints.

The Policy also proposed that a review of all fees and charges will occur annually in line with the development of the Medium Term Financial Strategy. The review of fees and charges should consider the following factors:

a) The Council's vision, objectives and values, and how they relate to the specific services involved;

b) The level of subsidy currently involved and the impact of eliminating that subsidy on the level of fees and charges, the effect on users and the social impact;

c) The actual or potential impact of any competition in terms of price or quality;

d) Trends in user demand including the forecasted effect of price changes on customers;

e) Customer survey results;

f) Impact on users of proposals both directly and in terms of delivery of the Council's objectives;

g) Financial constraints including inflationary pressure and service budget targets;

h) The implications arising from developments such as an investment made in a service;

i) The corporate impact on other service areas of Council wide pressures to increase fees and charges;

j) Alternative charging structures that could be more effective;

k) Proposals for targeting promotions during the year and the evaluation of any that took place in previous periods.

The results of the annual review of fees and charges as required by the policy are reported to the Cabinet in a single report each December. The work completed last December created an increase of £50,440 in the budgeted income from fees and charges for the current year.

It was noted that the second quarter's budget monitoring report that income levels achieved in the first half of 2014/15 are above the midyear target in total however most services have not reached their target. At September 2014 the development management and refuse and recycling services were significantly above target and supporting shortfalls in most other service.

The detailed results of the review carried out this year were set out in Appendix A to the report of Corporate Leadership Team and approval was sought to the amended fees and charges for 2015/16.

The table below summarises the 2014/15 estimate and predicted outturn for income from the different fees and charges. It showed the proposed budget increase that can be achieved from each service and the percentage increase in budget this creates resulting in a budget proposal for 2015/16 for each service. The table is sub-divided by the effect any increase can have on the medium term financial strategy and approval was sought to the proposed levels of budgeted income for 2015/16 as shown in the table.

Service Charge Type	2014-2015 Estimate	2014-2015 Outturn	Budget 2015/16 Proposed Increase - £	Proposed Increase - %	2015/16 Estimate
Cemetery	118,950	118,950		0.00%	118,950
Crematoriu,	1,104,780	1,084,780		0.00%	1,104,780
Licenses	123,240	123,240		0.00%	123,240
Hackney Carriage and private Hire Drivers Linenses	40,250	40,250		0.00%	40,250
Recycling & Refuse Collection	760,060	810,060	50,000	6.58%	810,060
Conservation	21,470	21,470		0.00%	21,470
HMO Licensing	2,380	2,380		0.00%	2,380
Parking Services	2,752,270	2,752,270	21,300	0.77%	2,773,570
Town Hall	2,150	2,150		0.00%	2,150
SUPPORT TO BUDGET STRATEGY	**4,925,550**	**4,955,550**	**71,300**	**1.45%**	**4,996,850**
Environmental Enforcement	193,920	193,920		0.00%	193,920
Licensing Statutory	131,320	131,320		0.00%	131,320
Development Management - Planning	1,068,940	1,103,920	5,000	0.47%	1,073,940
STATUTORY CHARGES	**1,394,180**	**1,429,160**	**5,000**	**0.38%**	**1,399,180**
Building Control	346,320	346,320		0.00%	346,320
Development Management - Land Charges	253,750	253,750		0.00%	253,750
OBLIGATION TO BREAK EVEN	**600,070**	**600,070**		**0.00%**	**600,070**
Parks & Open Spaces	70,040	70,040		0.00%	70,040
Street Naming & Numbering	29,000	29,000		0.00%	29,000
PRE-SET TARGETS	**99,040**	**99,040**		**0.00%**	**99,040**
Museum	80,040	80,040		0.00%	80,040
Environmental Health	12,480	12,480		0.00%	12,480
Market	179,840	179,840		0.00%	179,840
Park & Ride	401,350	401,350		0.00%	401,350
CURRENT BUDGET SHORTFALL	**673,710**	**673,710**		**0.00%**	**673,710**
Total	**7,692,550**	**7,757,530**	**76,300**	**0.99%**	**7,768,850**

As required by the Policy, the level of increase in fees and charges budgets for 2015/16 set out in the table at paragraph 1.3.8 of the report reflected consideration of the effect of increasing the charges, such as elasticity of demand and creating movement of users to competitors or ceasing to use a service. A number of services have either not proposed an increase or, where they have, the increase has not resulted in an increased budget. The reasoning behind these actions is all in line with the Policy's guidance.

Each service has been considered separately and in all cases the Policy has been followed. Brief explanations of the consideration officers have given to significant issues are set out in the following paragraphs:-

Fees & Charges Supporting Medium Term Financial Strategy

For comparison purposes, there was an average increase of 1.03% in these fees in 2014/15. An increase in income has the same effect as a saving on the corresponding budget.

The fees and charges policy identified current performance as a factor for consideration when setting future fees and charges. Officers considered this factor in setting the proposed fees and the result is an average increase of 1.45%.

Specific issues that were noted:

a) It is possible that there will be a shortfall in a number of services areas. At this time most services have developed plans to mitigate the shortfall or remove it and the success of these plans will be monitored throughout the remainder of the year;

b) There is currently a downturn in income from the crematorium that is unlikely to be mitigated;

c) There is additional income from recycling and from garden waste bins;

d) The increase in parking income is the result of increased usage.

Statutory Charges
(Set by others but may count as a saving)

These charges are set in accordance with regulation or specified by central government.

The environmental enforcement penalty charge is already set at the maximum. It is not expected at this time that statutory licensing income will increase in 2015/16.

Development Control charges were increased by an average of 15% in November 2012 by Central Government and have not been amended since that date. This income budget already reflects assumptions about increased income to fund additional staffing in 2014/15 and a further review of the level of staffing compared to the volume of applications is being completed. If a further increase in budget is possible without related increases in staffing costs this will be reported to Cabinet in February 2015, in time to be included in the final budget for 2015/16.

The fee for pre-application advice is set locally and the increase in income for Development Control reflects an increase in the hourly rate for this advice. As the increased salary cost has already been taken into account in the Medium Term Financial Strategy, this increase can be utilised to support the budget for 2015/16.

Review of Revenue Resources

Both Building Control and Land Charges have a statutory obligation to break even. Both services will consider any necessary increase following budget setting and, if necessary, report this to the relevant Cabinet Member.

Any increase set will not benefit the medium term financial strategy as it will be set to maintain a break even cost of service.

Pre-set Targets

These services have pre-set obligations such as the targets set through the Medium Term Financial Strategy in previous years. At this time no increases are proposed that will have an additional effect on income budgets.

Current Budget Shortfall

These services are currently reporting significant difficulty in generating income. Any increase in fees proposed is designed to support current targets.

Alternatives considered and why rejected

Cabinet Members could have considered their respective service proposals individually. This was not recommended as the consideration of the full range of fees and charges in this way enables the impact of all charges to be considered together. This gives Cabinet the ability to assess the impact of changes on individual customers. The consideration of fees and charges in this way removes the need to set a generic target for increases as part of the medium term financial strategy. This is in line with the approved policy on fees and charges.

The Cabinet could have agreed different increases to those proposed. Officers have considered all aspects of the policy in developing these proposals and they are in line with the factors set out earlier in this report.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: **30 December 2014**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

BUDGET STRATEGY 2015 16 ONWARDS - CAPITAL

Issue for Decision

To determine the strategy for developing the future Capital Programme, for 2015/16 onwards, as part of the consideration of the Medium Term Financial Strategy (MTFS).

To consider and approve the amount and allocation of capital resources for the delivery of the objectives of the strategic plan and other key strategies.

Decision Made

That approval for consultation is given to:

(a) the draft Medium Term Financial Strategy for capital, as set out in Appendix B to the report of Corporate Leadership Team;

(b) the capital funding projection set out in Appendix C to the report; and

(c) the proposed capital programme 2014/15 onwards set out in Appendix D to the report.

Reasons for Decision

Attached at Appendix A to the report of Corporate Leadership Team was a summary of the current capital programme. The programme, as given in Appendix A, was approved by Council in February 2014. Subsequently Cabinet had approved amendments at its meetings in May 2014 and August 2014 that are not reflected in Appendix A. However, the agreed amendments have been taken into account in the development of the recommendations in the report.

The Medium Term Financial Strategy (MTFS) is directly influenced by the country's economic situation and the government's strategy to remove the structural deficit. The impact covers both the revenue and capital elements of the strategy and must be considered in any review of the capital programme.

In regular spending reviews since 2010 the government has reduced the level of resources available for capital expenditure. The most direct effect for Maidstone has been seen in the area of support for affordable housing through the Homes and Communities Agency. Members noted that there was no addition to capital resources for the council set out in the Chancellor's Autumn Statement on 3rd December 2014.

At the present time most of the balance of government funding is being directed through Local Enterprise Partnerships (LEPs). Proposals must therefore be submitted as bids to the South East LEP (SELEP) if the resources are to be directed towards Maidstone initiatives. The Council has had some success in gaining funding for schemes through bids to government by the SELEP and these are considered as part of the future programme in section 1.8 of the report.

Determining the Strategy - MTFS Principles.

The strategy set out in the report has been developed from the current MTFS. It is a stand-alone capital strategy separate from the revenue strategy. The two strategies combine to form the MTFS. This approach, to have two separate strategies, was proposed by Strategic Leadership and Corporate Services Overview and Scrutiny Committee in 2012/13 and was utilised last year for the first time.

The strategy for 2015/16 onwards is attached at Appendix B to the report.

MTFS Principles

Appraisal of Schemes

All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:

a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant Cabinet Member following the approval of the full programme.

b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must be presented to the Property Investment Advisory Panel. These proposals will receive final approval from the Property Investment Cabinet Committee.

Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed use could be made of the budget working group of the Strategic Leadership and Corporate Services Overview and Scrutiny Committee to complete an evaluation however the prioritisation of such schemes will remain as previously approved by Council and set out below:

1st) For statutory reasons;

2nd) Fully or partly self-funded schemes focused on strategic plan priority outcomes;

3rd) Other schemes focused on strategic plan priority outcomes; and

4th) Other priority schemes with a significant funding gearing

If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme a prioritised list will be created of schemes that can be added to the programme as future resources permit. Schemes that receive endorsement from the budget working group and Cabinet will be prioritised by Cabinet thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.

The MTFS requires the Council to identify actual funding before commencement of schemes and that, while schemes may be prioritised for the programme, commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.

Funding

The MTFS principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:

a) The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies;

b) Opportunities to obtain receipts from assets sales as identified in the asset management plan and approved for sale by the Cabinet Member for Corporate Services;

c) The approval of prudential borrowing when the following criteria also apply to the schemes funding by this method:

   i. they are commercial in nature;

   ii. the outcome returns a financial benefit at least equal to the cost incurred by borrowing to fund the schemes;

   iii. after covering the cost of funding, a further financial or non-financial benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan.

d) The provision of on-going revenue support to manage the needs of the Asset Management Plan and the ICT Strategy.

e) The use of New Homes Bonus for capital purposes in line with the Council's strategic plan priorities.

f) The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.

The Amount and Allocation of Capital Resources

The funding assumptions made in the development of the future capital programme are essential to the development of the budget and specific detail in relation to each source is set out in the paragraphs below. Appendix C to the report set out the projected funding levels over the five year period of the MTFS.

Capital Grants

This funding source is the main focus of the Government's controls over the level of capital expenditure. In fact a number of the grants that were available to the council for funding capital projects no longer exist.

Recent projects that have received support through grants and contributions include the Museum, Mote Park, and the High Street. Some government grants are annual sums, such as the disabled facilities grant, but the majority of sums are one-off and scheme specific. The estimated grant for disabled facilities grants is set in the programme at £0.45m.

In 2014 the Council jointly with Kent County Council bid for funding for a number of infrastructure schemes and was successful in obtaining funding for two major schemes within the borough. Funding is subject to match funding from the Council or other sources. In submitting the bids the Council committed up to £2.4m of resources and the grant funding received is £8.75m. The two schemes: the bridges gyratory; and sustainable transport, were detailed in section 1.9 of the report. These schemes will be completed by Kent County Council who will receive the grant. The Council's contribution will be paid directly to the county council at the appropriate time.

Capital Receipts

From 2004 through to 2008 the receipt from the voluntary transfer of the housing stock was the main source of funding for the capital programme. Since then the council has sold surplus assets to provide support to the programme. Receipts in the current programme represent assets for which sale proceeds have been received. Council assets available for sale are diminishing although some potential asset sales still exist. In line with the principles of the MTFS the capital receipts from these potential sales will not be recognised in the programme until they are confirmed.

Further asset sales are restricted by two issues, the difficulty in obtaining best consideration for the asset during the recession and evidencing, in advance of sale, the greater benefit to be derived from the proceeds of the sale when compared to current or alternative uses of the asset. No assets can be sold until the Cabinet Member for Corporate Services has confirmed that a suitable business case exists or they are surplus to requirements.

No additional capital receipts are assumed in the programme. It is possible that windfall receipts could occur from the sale of minor assets.

Prudential Borrowing

In 2012 the Council approved in principle expenditure of up to £6m through prudential borrowing for acquisition of commercial property, acquisition of property to alleviate homelessness and action to enable stalled development to progress.

The Council has the power to borrow to finance capital expenditure subject to the guidance set out in the Prudential Code. This code of practice is published by the Chartered Institute of Public Finance and Accountancy and covers the full range of capital planning not just borrowing. Compliance with the code is a statutory requirement and the Council's MTFS has been developed to ensure compliance. In summary the key objectives of the code are:

a) To ensure within a clear framework that capital expenditure plans are affordable, prudent and sustainable;

b) That treasury management decisions are taken in accordance with good professional practice;

c) That local strategic planning, asset management planning and proper option appraisal are supported; and

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

Revenue Support

In recent years the Council created a permanent revenue resource of £0.35m to directly support programmed capital expenditure. This funding was provided because the Council foresaw the end of the resources available from asset sales and wished to ensure that asset management and ICT provision do not suffer from the lack of available resources. Since that time the agreement to utilise new homes bonus for capital purposes has meant that the £0.35m has be taken as a revenue saving.

A number of windfall cash receipts have also been used to support the capital programme. Examples include the use of the refund from the Fleming VAT claim and the outcome the bidding process for the use of the revenue under spend in 2011/12 and 2012/13.

The revenue support to the capital programme is the most flexible of the available resources because, arising as it does from the revenue budget, it can be utilised for both revenue and capital purposes. For this reason the Council has always elected to use other available resources first when funding actual capital expenditure and the balance of revenue support has grown to £10.3m. This is a cash resource.

Full use of this balance to fund the capital programme is expected by the end of 2016/17 as other sources of funding are diminishing.

New Homes Bonus (NHB)

Previous government announcements support a longer term attitude by government to the principles of the NHB system. It is therefore possible to continue to account for the receipt of NHB in all years of the current MTFS.

However the government still intends to review the NHB system and there remains a risk that there will be a change in the focus and/or calculation of the bonus.

The programme set out in this report assumes a funding level of 65% of estimated NHB for all future years. This approach allows for the loss of 35% of currently expected NHB following the completion of the Government's review. Once the review is completed any additional funding above the 65% assumption can be incorporated into a future capital programme.

The provisional calculation of NHB receipts for 2015/16 is based on an additional 431 dwellings. Including continued bonus for prior years the 2015/16 receipt is expected to be £4.2m 65% of that figure is £2.8m. For future years an assumed level equivalent to 330 additional dwellings has been made. Once the NHB system has been in operation for six years receipts will begin to recycle as the oldest year is removed from the payment and the resources are used to finance the bonus for the latest year. This recycling effect begins in 2017/18.

Other Contributions

The major other contributions are developer contributions through s106 and, in the future, the community infrastructure levy (CIL).

The intention of CIL and an element of s106 contribution is the completion of the priority schemes detailed in the Infrastructure Delivery Plan (IDP). The plan remains at a formative stage at this time as it must reflect the infrastructure needs of housing and business development in the final agreed local plan and these must be considered in accordance with the location of strategic sites.

It is however possible to identify an expected level of CIL given the information in the current draft Local Plan and an assumption that CIL will be introduced by 1st April 2016. The values attributable to CIL and other developer contributions within the programme period are provisional. The calculated figures are included with the detailed values of the other funding streams set out below.

Overall Funding

The funding available for the capital programme, based on the detail above, was given in Appendix B to the report. The appendix provided details of the available funding. The table below summarises the level of funding assumed for each resource type:

Estimate 2014/15 £,000	Capital Funding	Estimate 2015/16 £,000	Estimate 2016/17 £,000	Estimate 2017/18 £,000	Estimate 2018/19 £,000	Estimate 2019/20 £,000
450	Capital Grants	450	450	450	450	450
597	Capital Receipts					
6,000	Prudential Borrowing					
6,516	Revenue Contribution					
3,740	New Homes Bonus	2,754	3,117	2,900	2,900	1,926
	Developer Contributions		1,963	1,963	1,963	1,963
17,303		**3,204**	**5,530**	**5,313**	**5,313**	**4,339**

Current Programme

The current programme, set out in Appendix A to the report, was approved by Council in February 2013 and only annual programmes were included after 2014/15. The main reason behind the decision not to develop the programme beyond 2014/15 at that time was the limited detail available on future funding and the needs of the infrastructure delivery plan. The draft IDP available at that time predicted a need for resources that could not be completely covered by either the Council's current access to resource or the development of a community infrastructure levy.

In May 2014 Cabinet considered the outturn for 2013/14 and in August 2014 and November 2014 Cabinet considered the capital programme as part of the quarterly monitoring reports for 2014/15. Approved recommendations from those reports have amended the current programme since the document reproduced as Appendix A to the report. The report takes account of those approvals in developing proposals for a future programme.

Future Programme

Even though a finalised IDP does not exist at this time and the Council intends to retain NHB, CIL and S106 developer contributions to deliver the IDP, it is necessary to make some assumptions about future use of council resources for other services. Appendix D to the report sets out a proposed programme based on proposals that have come forward to date, as set out below.

A number of schemes exist in the current programme that should be carried forward. At this time it is proposed to retain the current budgets for these schemes. These are:

a) Enterprise Hub: The scheme has previously funding of £0.7m for the Council at a time when the assumed cost of the full scheme was to be part funded by Kent County Council. As alternative proposals are developed it has been assumed that a minimum budget of £0.7m should remain.

b) Play Areas: At this time the strategy is being considered by the Cabinet Member and Officers. It is proposed that funding for the completion of all the works will be most effectively utilised over a longer period of time and the budget of £1.8m for the scheme has been spread over the five years from 2014/15.

c) Ongoing housing support: This covers private sector grants and support to registered providers. The budgets from 2014/15 to 2018/19 match the budgets approved by Council in 2014. The budgets proposed for 2018/19 match those previously approved for 2017/18.

d) Information and Communications Technology (ICT) & Asset Management: These budgets cover maintenance of the Council's own ICT and property assets and expenditure should reflect the two strategies. Funding for 2018/19 has been maintained in line with the previously agreed funding levels to 2017/18 of a total of £0.35m.

In addition there are other schemes that require funding based on previous commitments.

a) Commercialisation projects: The commercialisation projects in business case stage require an overall investment of approximately £4.2m including some final costs as a result of the redevelopment of Chillington House.

b) Commercial acquisitions: Two main schemes are currently in planning stage. The total resource required for these schemes is in the region of £4.1m over the two years 2014/15 and 2015/16. The developing proposals will be reported to the Property Investment Advisory Board and the Property Investment Cabinet Committee for approval before any expenditure will occur. Together with the costs set out in item a) above the total expenditure is budgeted as £8.3m leaving a balance of £1.4m for further acquisitions or commercial projects at this time.

c) Gyratory system: This scheme is grant aided from the Growth Fund through a joint bid with Kent County Council who will be the lead authority. At the time of submitting the bid for funding the Council committed £1.4m of its own resources.

d) Sustainable Transport: This scheme is grant aided from the Growth Fund through a joint bid with Kent County Council who will be the lead authority. The scheme will develop cycle paths into the town centre along the River Medway. At the time of submitting the bid for funding the Council committed a maximum of £1m of its own resources.

Incorporating these schemes into the programme, at the values indicated, is possible within the projected funding as set out in Appendix C to the report. If the programme is approved, a balance of unused NHB will exist of £6.2m. This sum is proposed for use in delivering the IDP as complementary funding to the provision of S106 and CIL from developers.

The programme as set out in Appendix D to the report includes subheadings from within the draft IDP and identifies levels of funding that could be used to deliver schemes under each heading. Some schemes will be required regardless of the final format of the Local Plan and are most effectively completed early, to support and enable development.

Alternatives considered and why rejected

Cabinet could at this time have chosen to take no further action in relation to the capital programme. An approved programme through to the end of the financial year 2018/19 exists as set out in Appendix A to the report of Corporate Leadership Team and amended by more recent Cabinet decisions. Whilst Cabinet could have chosen to wait, giving consideration at a future time, resources are available for immediate use and it is appropriate to consider options as part of the medium term financial strategy for 2015/16 onwards.

Cabinet could have chosen any variation on the strategy, funding assumptions and programme as set out in the appendices to this report for approval:

a) The strategy has been set using the MTFS approved for 2014/15. It also considers current circumstances. However, Cabinet could have considered amending some of the principles set out in the report allowing for a variation to the programme. However, the principles are set in accordance with national guidelines and previous Council approvals and it is not recommended that changes be made at this time.

b) The funding levels could be varied but they are based upon prudent assumptions made from the latest information available. It was not recommended that Cabinet amend these assumptions at this time.

c) The programme is based upon the known schemes that have come forward for consideration or require match funding to enable receipt of grant funding. All schemes meet the Council's priorities. Any additional schemes that Cabinet may wish to propose should be considered initially by the budget working group as set out in the MTFS.

Cabinet could have considered the use of prudential borrowing to finance a larger capital programme. Whilst achieving the Council's strategic aims at a quicker pace, such a strategy would place additional pressure on the revenue budget. An alternative strategy such as this would not, at this time, support the requirements of the Prudential Code. Such a change requires approval by Council of changes to prudential borrowing levels and the related prudential indicators.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: **30 December 2014**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

BUDGET STRATEGY 2015 16 ONWARDS - REVENUE

Issue for Decision

The report is produced annually to update the Cabinet on the budget strategy and normally follows the publication of the provisional finance settlement figures. The Autumn Statement was given by the Chancellor of the Exchequer on 3rd December 2014 and the provisional finance settlement, although imminent, had not been received at the time of writing this report.

A decision on the recommendations in this report also enabled the Cabinet to formally consult the Strategic Leadership and Corporate Services Overview and Scrutiny Committee on the current situation in relation to the budget strategy in January 2015. Such consultation is a requirement of the Constitution.

It was essential that Cabinet considered the latest information at this time in order to remain on target for a balanced budget to be presented to Council at the end of February 2014.

Decision Made

That:

(a) the provisional allocation of the local council tax support funding be agreed as set out in Appendix B to the report of Corporate Leadership Team and be notified to parish councils along with their tax base;

(b) the revised strategic revenue projection be agreed as detailed in Appendix A to the report which incorporates the changes outlined in sections 1.7 to 1.9 of the report and amended to include £0.16m contribution to temporary accommodation costs in the housing service, resourced by an equivalent reduction in the local plan budget within planning policy be agreed;

(c) the proposed savings as set out in Appendix C to the report be agreed;

(d) the proposed use of earmarked reserves and the allocation of the general fund balances be agreed as set out in Appendix D to the report as amended to include an allocation to planning policy for a maximum sum of £0.48m to allow for the completion of the local plan over a three year period;

(e) the outcome from the completed consultation exercise and the impact on the budget strategy as set out in 1.13 to the report be noted; and

(f) the work of the budget working group and formally consult Strategic Leadership and Corporate Services Overview and Scrutiny Committee on the decisions arising from this report be noted.

Reasons for Decision

On 10th September 2014 the Cabinet considered the initial budget strategy for 2015 onwards. At that time a strategic revenue projection (September SRP) was agreed, including a provisional level of Council Tax as a planning and consultation tool. The September SRP included increases for inflation based on information provided by key officers and future indices from sources such as the office of budget responsibility.

The September SRP used an estimate of resources at £32.7m and predicted expenditure, including new budget pressures, of £33.6m. This meant a need to find savings in 2015/16 of £0.9m. At that time a number of risks were considered by Cabinet:

a) The future consequence of the government's spending round 2013.
b) Possible enhancements to the business rates pool.
c) Potential council tax levels.
d) The level of other income being achieved.
e) Commercial activity
f) Future year's issues on single tier pensions.
g) A series of local pressures including King Street Multi Storey Car Park and the Local Plan.

Since the initial report some of the factors have changed and the effect of these changes on the September SRP is considered later in this report.

The Chancellor of the Exchequer made the Autumn Statement to parliament on 3rd December 2014 and this is considered below. As a consequence of that statement the Department for Communities and Local Government (DCLG) provide each authority with its provisional finance settlement for the following year, at the time of writing this report the settlement information had not been received.

<u>The Autumn Statement</u>

The Autumn Statement is one of two major statements made by the Chancellor of the Exchequer each year. The other is the Budget Statement usually presented in March. The Chancellor presented the Autumn Statement to Parliament on 3rd December 2014. This announcement precedes the receipt of the provisional finance settlement.

Issues important to local government in the Autumn Statement include:

a) Recognition of the work of the public sector in reducing the deficit and a commitment that the new decisions announced will not be funded through a further reduction in local government funding;

b) A commitment to the continued support of small and medium enterprises including a second year of capping the business rates increase to 2%;

c) The continuance of the small business rates relief extension and other small business exemptions currently in existence;

d) A commitment to review the structure of business rates in 2016 that will be fiscally neutral but with no commitment to this neutrality being at the level of individual authorities; and

e) Changes to the period over which business rates appeals are backdated.

The statement contained no detail at a service or local level and at this time it is expected that the additional support to health and other services will continue to impact on the funding provided to district councils in a disproportionate way.

Until the details of the provisional finance settlement are published by the DCLG it will be difficult to identify the exact impact on this council.

Review of Current Performance

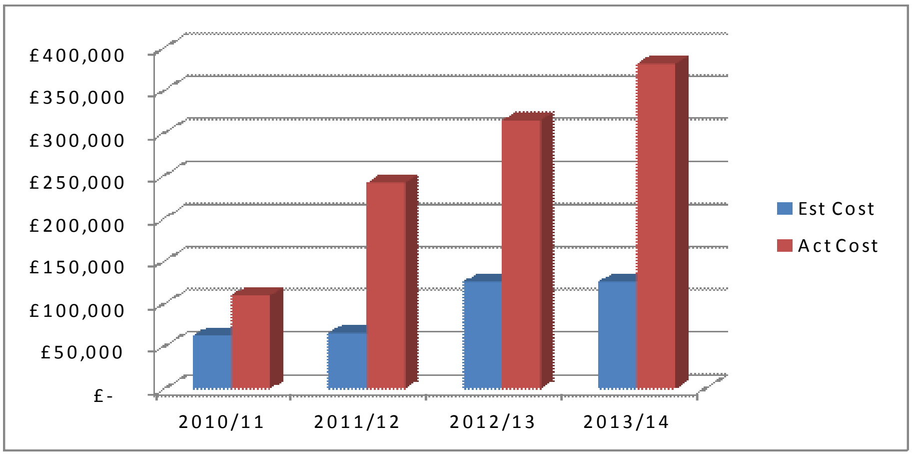
The current year's financial performance is reported to the Corporate Leadership Team and to the Cabinet on a quarterly basis. The first two quarterly reports show a favourable position with an expected outturn of £0.36m under spend at 31st March 2015.

The main budget messages are the continued increase in cost of temporary accommodation and the continued increase in income from both waste & recycling and planning services.

The increase in temporary accommodation costs began in 2010 as can be seen from the chart below. The chart shows, over four years, the budgetary provision and the actual net spend on temporary accommodation:

1. The left hand set of bars represent the budget provided for each year,

2. The right hand set shows the actual expenditure in each year.



The increase in income from the waste & recycling service and the planning service are continuations of the increase in demand seen in those areas in 2013/14. The income is providing support for the overall level of fees and charges which has not delivered to target. This issue is set out in the Fees and Charges Report elsewhere on this agenda.

Review of Revenue Resources

Given at Appendix A to the report of Corporate Leadership Team was a revised strategic revenue projection (revised SRP) that took into account all of the changes set out in the following sections of this report.

The finance settlement

As stated earlier in the report the DCLG is due to publish the provisional finance settlement for 2015/16 but at the time of writing this report no information has been received. The details in this report are based on the notional figures provided as part of the 2014/15 settlement which set the provisional level of revenue support grant received by the council and the baseline level of business rates retained by the council as those given in the table below:

	£,000
Revenue Support Grant	2,251
Business Rates	2,983
Total	**5,234**

It was expected that the provisional finance settlement for 2015/16 would be announced before the meeting of Cabinet and it was intended that Officers give a verbal update to this report at the meeting. However, no figures had been announced by the time of the meeting.

The settlement figures include the central funding towards local council tax support (LCTS) that replaced council tax benefit from 1st April 2013. At its meeting on 12th December 2012 the Council approved the current scheme in operation in the borough and has reconsidered the scheme annually, most recently the scheme was considered by the Council at its meeting on 10th December 2014.

The government funding for the scheme, as set up back in 2013/14, represented 90% of the government's predicted expenditure on council tax benefit. This was based on actual costs for the year 2012/13. By 2014/15 the funding for LCTS was no longer identified separately in the settlement figures.

Part of the LCTS funding related to the benefit paid to claimants in parish areas. This is because the local scheme affects parish precepts in the same way as it affects the Council's income from council tax. As in prior years, the effect was considered by the General Purposes Group when it set the Tax Base for 2015/16. The government has stated that it expects appropriate consideration of the funding of parish councils to be made by district councils when planning for overall funding levels. However it has not legislated for the payment of this funding on to parishes.

In previous years the Council has chosen to pass on the funding to parish councils. Resources totalling £110,631 were passed on in 2013/14. Resources totalling £96,802 were passed on in 2014/15. The reduction in the level of resource has been linked to the overall reduction in the level of the funding received by the Council through the finance settlement each year. On that basis the indicative reduction for 2015/16 would be 15.27% of the current year's distribution.

96,802 * 15.27% = £14,778.

Reducing the current year's resource by £14,778 would leave a balance of £82,024 to be distributed in 2015/16.

Individual parish council funding is distributed on the basis of predicted demand for the local council tax support in each parish as set out in the decision of General Purposes Group and the proposed distribution is given at Appendix B to the report.

The estimate was the best available at this time. Following consultation with Strategic Leadership and Corporate Services Overview and Scrutiny Committee in January 2015 and the announcement of the confirmed financial settlement figures in February 2015 the Cabinet will have a second opportunity to consider this issue. However, it will be too late by then to notify parish councils of the outcome if they are to incorporate the figures into the calculation of their precept.

Parishes are required to notify the council of their precept requirement before the end of January 2015.

Council Tax

The Council's 2014/15 council tax charge is £231.12 per annum for a band D property.

At the meeting on 10th September 2014 the Cabinet agreed a SRP for planning purposes that included an assumed 2.5% increase in council tax income. This represented a 1.99% increase in the council tax charge and a 0.5% increase in the tax base arising from new property.

In 2013 the Government announced support for a council tax freeze for the two years 2014/15 and 2015/16. This announcement offers a grant equivalent to a 1% increase for the two years. The Council did not accept the freeze grant in 2014/15 as it presents an increased financial risk to the future resources of the Council.

On 8th December 2014 the General Purposes Group approved a tax base of 56974.3 for the borough area. This is a 0.94% increase over the tax base for 2014/15. This actual tax base figure is higher than the tax base prediction that was used in the production of the September SRP.

A council tax increase of 1.99% will produce a band D charge of £235.72. This represents an increase of £4.60 per annum or 38 pence per month. This level of charge made on the tax base detailed above would generate council tax receipts of £13.4m for the council.

It was noted that a decision on the level of council tax that the Cabinet would wish to recommend to the Council need not be taken at this time. Cabinet noted that the revised SRP given at Appendix A to the report included a 1.99% increase consistent with the increase set for planning purposes in September 2014.

Elsewhere on the agenda Cabinet had considered a report on the collection fund adjustment. The recommendation of that report was to distribute approximately £1.8m across the major preceptors and this council. The share calculated for this council is £302,209 and this has been added to the resources available to the Council in the revised SRP set out at Appendix A to the report.

Income from Other Sources

The estimated income for the council generated from other source is £13.9m for 2014/15. This represented all income and does not account for the cost of the services that generate this income. In some cases this income is a contribution to overall costs. From a small number of services the council generates a surplus from the activities. This surplus is used to support other service provision except in cases where legislation limits the use of a surplus.

This income is divided between:

Income Type	**£,000**
Grants and contributions	341
Charges to other organisations (incl. partnership)	4,591
Interest on investments	250
Rents (commercial and residential)	1,063
Fees and charges to service users	7,693
Total	**13,938**

Cabinet approved the Commercialisation Strategy at its meeting in August 2014. This strategy proposed a target level of net increase in income of £1m over five years. The SRP attached assumes an equal annual increase in income generated of £0.2m. Cabinet will soon consider the business case for each of a series of proposals that will enable the Council to generate this income.

Elsewhere on the agenda Cabinet considered a report on future fees and charges. The report recommended increases in some fees and charges that will increase income budgets by £76,300 in 2015/16. Those increases have been included in the revised SRP attached at Appendix A to the report and any amendment to the recommendations in that report will affect the figures as shown.

Combining the resources available to this council from the revenue support grant, business rates income, council tax income, the collection fund adjustment and income from other sources gives estimated resources for the period of the revised SRP of £33.2m for 2015/16 as tabled below. Cabinet noted that the level of resources available from revenue support grant estimated for the years 2016/17 and beyond assume an effect related to the future spending review 2015 announced by the Chancellor in March 2013. Although a projection is given, no actual detail is available on the rate at which the resources available to this council will reduce or whether the reduction will be seen through the revenue support grant or through another source of government funding.

	2015/16 £,000	**2016/17 £,000**	**2017/18 £,000**	**2018/19 £,000**	**2019/20 £,000**
Revenue Support Grant	2,251	1,463	922	420	0
Business Rates	2,983	3,043	3,104	3,166	3,229
Business Rates growth	42	52	62	72	82
Collection Fund Adjustment	302	0	0	0	0
Council Tax	13,430	13,766	14,110	14,462	14,824
Other Income	14,214	14,414	14,614	14,814	15,014
Available Resources	**33,222**	**32,738**	**32,812**	**32,934**	**33,149**

Review of Strategic Projection

When the Cabinet agreed the September SRP officers were set the task of continuing to review the budget pressures and identify additional savings to balance the budget.

Since that time there has been a series of meetings managed by the Chief Accountant in order for her to meet with each Head of Service and identify proposals that offer potential savings and efficiencies and these were considered later in the report.

No further amendments were proposed in relation to budget pressures and the revised SRP set out in Appendix A to the report, taken in combination with the revised assessment of resources available to the Council, requires the provision of savings in 2015/16 of £0.42m compared to the £0.94m requirement set out in the Cabinet decision in September 2014. The values for each year of the five year projection are set out in the table below:

	2014/15 £,000	**2015/16 £,000**	**2016/17 £,000**	**2017/18 £,000**	**2018/19 £,000**
Available Resources	33,222	32,738	32,812	32,934	33,149
Projected Requirement	33,640	34,026	33,272	33,388	33,438
Savings Target	**418**	**1,288**	**460**	**454**	**289**

Review of Savings Proposals

Savings and efficiency data were not reported in detail to Cabinet in September 2014. The targets were set out and it was identified that some savings proposals existed, in the main these came from plans developed for the 2014/15 strategy. The September 2014 report suggested that, set against a need to find £0.96m in savings, plans existed to save £0.4m.

As stated previously, the revised SRP at Appendix A to the report showed a need to save £0.42m in 2015/16 and attached at Appendix C to the report was a more detailed analysis of savings. Along with the savings previously identified this list includes additional proposals that have been identified through meetings between the Council's Chief Accountant, Heads of Service and relevant Cabinet Members. The value of these proposals, set against the required need for savings in each of the five years considered by the revised SRP, are tabled below.

	2014/15 £,000	**2015/16 £,000**	**2016/17 £,000**	**2017/18 £,000**	**2018/19 £,000**
Savings requirement in SRP	418	1,288	460	454	289
Savings proposals	418	304	50	0	0
Savings still required	**0**	**984**	**410**	**454**	**289**

The savings requirement set out above assumes approval to the proposed fees and charges set out in a report elsewhere on the Cabinet agenda. In addition the delivery of £0.2m from commercial activity in 2015/16 has been assumed. Should the resources delivered by either of these be amended, it will be necessary to identify additional savings from new ideas or, where possible, bring forward proposals currently identified for 2016/17 or later years.

Strategic Leadership and Corporate Services Overview and Scrutiny Committee – Budget Working Group

The budget working group has now met on three occasions since the Cabinet meeting in September 2014 when the Cabinet agreed the September SRP for planning and consultation purposes.

The working group has completed an in-depth review of the provisional business plans and proposals that will be brought forward to achieve the objectives of the commercialisation strategy. This was completed so that the group could be confident that the assumptions built in to the medium term financial strategy are achievable.

The group has also considered a number of other aspects of the medium term financial strategy:

a) the proposed fees and charges increases set out in a separate report elsewhere on this agenda;

b) the link between budgetary provision and the priorities set out in the draft strategic plan elsewhere on this agenda; and

c) the savings and efficiencies set out in Appendix C of the report;

In addition the group considered a reference from Audit Committee arising from the external auditor's report on the accounts. Two issues were raised in that report that the Audit Committee felt would benefit from seeking the views of the budget working group before consideration by the Audit Committee and by the Cabinet, they were:

a) That the level of balances relative to net revenue expenditure, held by the Council is low in when compared to the Council's local authority family group.

   While the budget working group recognised the statement as fact they also felt that it was not necessarily evidence of good financial management to hold excessive levels of balances. It also noted that, given the current financial climate, it would not be appropriate for the Council to raise its level of balances if this meant an additional rise in council tax rather or diverting resources from service provision.

b) That the Council only recognises a single general fund balance and does not identify earmarked reserves for specific purposes.

   The budget working group felt that there were appropriate elements of the Council's general balance that could be identified as earmarked reserves and felt that officers should seek approval of Cabinet to set up earmarked reserves when such action was truly appropriate. It is proposed later in this report that a small number of earmarked reserves should be created.

The group will report on its work to the January 2015 meeting of the Strategic Leadership and Corporate Services Overview and Scrutiny Committee. At that meeting the Committee will formally consider the Cabinet's decisions on issues relating to the budget strategy arising from various reports on this agenda.

<u>New Homes Bonus</u>

Along with the finance settlement, it is expected that the government will also announce the allocation of New Homes Bonus for the forthcoming year. This is the fifth year of the programme and the Council should receive an amount equivalent to last year's payment plus the new sum specifically for housing growth during the period October 2013 to October 2014.

The Chancellor has previously announced a review and top slice of NHB to support a £2bn growth fund. This matter was deferred and resources to support the growth fund were identified at a national level from other budgets. It remains appropriate to assume that the new homes bonus programme will be subject to a review of effectiveness in the next parliament and that the Council should remain prepared for a change in resources received from this programme.

Cabinet had previously considered the future use of NHB and agreed that resources should be set aside to support the Capital Programme and the level of future funding is considered in the Capital Budget Strategy report elsewhere on the Cabinet agenda.

<u>Balances</u>

Given the detrimental factors that will continue to face local government Cabinet were mindful of the level of resources and the potential need that the Council may have for those resources to remain financially stable, until the current economic situation improves.

The estimated level of general fund balance as at 31st March 2015 is £4.5m plus provisionally allocated sums of another £1.4m. There are no proposed uses in 2015/16 at this time and balances are assumed to remain stable. A statement of balances was set out in Appendix D to the report.

For 2014/15 the Council has set a minimum level of balances of £2m and the Cabinet have agreed to set a working balance of £2.3m below which it is not expected that the Cabinet will utilise balances. This means that balances in the sum of £2.2m remain available for use.

In paragraph 1.9.4 of the report it was identified that the budget working group had given consideration to the recommendations of the council's external auditor regarding the level of balances and earmarked reserves. At this time the council does not earmark reserves for specific purposes and this allows a greater flexibility over the use of those resources. It does however mean that in cases where the council has made a specific decision to set aside resources this is not identified clearly when reviewing the statement of accounts or reports, such as the report, on financial matters.

At the request of the Audit Committee the budget working group has considered the issue and it is felt that, given the current financial pressures facing the Council it would be impossible to increase the level of reserves significantly and any such plan should not be part of the MTFS at this time. The budget working group did agree that the use of earmarked reserves would be beneficial in two circumstances:

a) Where a decision has been made to set aside specific resources rather than general balances, such as is the case with new homes bonus receipts being set aside for the financing of capital expenditure; and

b) Where statutory or other decisions require specific resources to be held for a specific purpose, such as surpluses from trading accounts (i.e. building control) that are able to generate a surplus in a single year but must break even over a rolling period.

It was recommended that the following earmarked reserves were created for the current year so that they are identified in the statements on 31st March 2015 and carried forward:

a) Capital support from revenue resources. This would incorporate all revenue resources set aside to support the capital programme. In the main this means new homes bonus receipts but can mean specific one off contributions made by managers to support specific services.

b) Local plan funding. This incorporates the specific resources previously set aside to produce the local plan and currently carried forward each year within general fund balances.

c) Trading account surpluses. This would incorporate surpluses and deficits generated by statutory trading accounts to ensure they break even in accordance with legislation, normally on a three year rolling basis.

The expected level of resources in those earmarked reserves was also set out in Appendix D to the report.

Consultation

This year’s budget consultation was combined with the consultation on the new strategic plan. This was completed, in the main, through a series of roadshows. Officers and Cabinet Members have taken the roadshow to multiple locations throughout the borough during October and November. The results are set out in detail in the report on the Strategic Plan 2015 – 2020 elsewhere on the Cabinet agenda.

The public response indicates that the greatest importance is placed on two priorities: clean and safe; and transport.

The clean and safe priority is the area with the highest level of revenue funding within the budget. This area has also provided the greatest level of efficiency savings in recent years due to initiatives like the current refuse contract and the in-house commercial waste service.

Transport infrastructure is not the direct responsibility of the council but there are revenue resources directed to public transport and parking management. In addition there council has agreed to set aside substantial capital resources for infrastructure and is developing a community infrastructure levy. Planned uses for these resources are linked to the local plan and include transport proposals.

Medium Term Financial Strategy and Strategic Plan

The medium term financial strategy (MTFS) is closely aligned to the strategic plan which was reported elsewhere on the Cabinet agenda. In addition the MTFS must reflect the Cabinet's decisions arising from this report along with the finance settlement information that has not yet been published by the DCLG.

The element of the MTFS that relates to the Council's capital programme has been updated for the period 2015/16 to 2019/20 and was provided as an appendix to the Capital Budget Strategy report elsewhere on the Cabinet agenda.

The element of the MTFS that relates to the Council's Revenue Budget Strategy has not been updated at this time. It will however be amended based on the various outstanding decisions on the agenda along with data from the Council's finance settlement once known. The complete document, both capital and revenue, will be reported to the Cabinet in February 2015 when consideration is given to the recommendations of Cabinet to Council on the budget and council tax levels.

Alternatives considered and why rejected

The production of the budget is an element of the statutory process of setting the council tax each year. In addition the final document and budget is required to be robust and adequate under the Local Government Act 2003 and the Chief Financial Officer is required to give a statement to that fact. On this basis the actions outlined in this report must be considered and a balanced budget ultimately set by March 2015.

A number of the assumptions set out in this report remain uncertain and alternative options are possible. The main examples include:

a) The finance settlement – As the DCLG has not yet provided the Council with the provisional settlement figures for 2015/16 the figures used in this report are the indicative figures provided to the Council a year ago. Although the Chancellor's Autumn Statement suggests that there will be no significant financial impact on local government nationally the statement is not specific enough to confirm that this will be the case for this Council.

b) The indices used to calculate future inflation and contractual commitment – These indices are continuously updated and a revised set of values could be developed, however the level of change likely to occur is not significant and it is proposed that current resources will be re-prioritised if the level of growth allowed in any particular budget area proves to be insufficient.

c) Savings – The identification of significant and deliverable savings is becoming increasingly difficult. Careful and thorough monitoring of outcomes will need to continue during 2015/16.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: **30 December 2014**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

DRAFT STRATEGIC PLAN 2015/2020

Issue for Decision

The Strategic Plan and the Medium Term Financial Strategy are the key corporate planning documents for the Council. The Strategic Plan sets out what we want to achieve, the actions we will take and how we will measure our performance.

Cabinet were asked to agree the Draft Strategic Plan for 2015-2020 for consultation with scrutiny prior to approval for submission to Council in February.

Decision Made

That the Draft Strategic Plan 2015-2020 be approved for consultation with Strategic Leadership and Corporate Services Overview and Scrutiny Committee prior to approval for submission to Council on 25 February 2015.

Reasons for Decision

The Draft Strategic Plan at Appendix A to the report of the Chief Executive outlined a vision for the borough, supported by a clear mission for the Council to put people first and a set of clear priorities.

During the course of the plan's development there have been staff consultations at One Council briefing sessions, outlining the vision and priorities for the next five years and asking them to identify how we could achieve the priorities and what the barriers may be. This feedback has shaped the actions outlined in the priorities and will be used by heads of service and unit managers in their service planning. Work was also carried out with unit managers to look at how we measure achievement considering which indicators would give us the most useful information.

Several budget roadshows with the public were held to discuss the priorities; asking residents to identify which are most important to them. There was positive feedback from this exercise and the results were shown in Appendix B to the report of the Chief Executive.

As a result of the feedback, clean and safe environment and transport improvements are proposed as top priorities for the Council. This has also been reflected in the medium term financial strategy.

The Draft Plan has been developed giving careful consideration to performance data and other contextual information including the most recent residents' survey results, national research and other emerging strategies and plans. Information on the Borough Profile and 100 people was provided at Appendix C to the report.

The plan has been deliberately kept short and focused to ensure it translates into action easily and it is clear to residents and council employees and our partners what we want to achieve over the next five years.

There is synergy between the council's previous strategic plan and the new plan that has been developed. The mission to put people first continues the theme of Great People and underpins all of the council's priorities going forward. Keeping Maidstone an attractive place for all and securing a successful economy continue our previous priorities of Great Place and Great Opportunity. There is a renewed emphasis in the plan on listening to our communities and working with our Parishes. The Draft Plan contains a balanced set of priorities that reflect all parts of the Borough both rural and urban.

As face to face and on-line consultation has already been carried out on the priorities with residents and staff, the next phase will be on-line consultation on the draft plan itself and consultation with Overview and Scrutiny and all elected Members.

Alternatives considered and why rejected

The current Strategic Plan finishes in March 2015, the draft Strategic Plan sets the vision and corporate priorities for the next five years. Without a Plan to set our priorities and provide clear focus for employees and related plans and policies the effectiveness of the Council would be significantly reduced.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: **30 December 2014**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

ENTERPRISE HUB

Issue for Decision

To consider the establishment of an enterprise hub on the first floor terrace of Maidstone House.

To consider re-affirming the Council's commitment to providing a longer term Enterprise Hub solution when the right building and/or land becomes available and that an established sum remains in the Capital Programme for this purpose.

Decision Made

That:

(a) expenditure up to the sum as set out in the Exempt Report of the Director of Environment and Shared Services to establish an enterprise hub on the first floor terrace of Maidstone House be agreed;

(b) delegated authority is given to the Director of Environment and Shared Services to negotiate changes to the council's lease of the Gateway with the landlord, Capital and Regional to enable the enterprise hub to be delivered;

(c) delegated authority is given to the Director of Environment and Shared Services to recommend the appointment of a contractor to the Head of Finance and Resources, selected via tender, for the refurbishment works;

(d) delegated authority is given to the Director of Environment and Shared Services to make changes to the design, project programme and budget to ensure the project is delivered on time and within budget;

(e) an initial progress report is presented after nine months of operation and a full review undertaken after 18 months into the success and progress of the Enterprise Hub; and

(f) the Economic Development Unit in conjunction with the Property & Procurement Manager continues to look for suitable land and/or buildings for longer term Enterprise Hub solutions and subject to the review in (e) above, report back with fully costed options as appropriate.

Reasons for Decision

The strategic need and demand for an Enterprise Hub has long been established, being first included in the 2008 Economic Development Strategy. This was reinforced strongly be research underpinning the emerging new Economic Development Strategy 2012-2031 and the new Local Plan: The Health of the Maidstone Economy points again to the impact of the recession having been particularly severe in Maidstone with business growth below the Kent and national averages. Business deaths have outnumbered business births between 2008 and 2011, with 2012 seeing a reversal of this trend.

It was not until 2013 that an opportunity to finance the hub project arose through Kent County Council's Flexible Workspaces Programme Fund which offered both loan and grant. A successful first-phase bid was made and as a result £700,000 match funding (against a total project cost of £1.4m) was allocated in the Capital Programme following a report to Cabinet on 18 December 2013 which was attached as Appendix A to the report of the Director of Environment and Shared Services. Before the final "approval to spend" bid could be submitted, KCC withdrew the grant element from the Programme.

As a result, Maidstone Council looked at both financing the grant shortfall and proceeding with the KCC bid and funding the project in full through the Public Works Loan Board. This process necessitated a review of the business plan by the new Commercial Projects Manager in line with the Council's tightened investment strategy. It was acknowledged there is a need for an Enterprise Hub, but the perceived level of risk was too significant due to high capital start up costs and potential ongoing revenue liability if it was not successful. It was agreed that the project should be underpinned by a freehold asset to mitigate risk. A bid was also made to the Heritage Lottery Fund – which would have funded the project in full - but this was unsuccessful as the building is not listed and English Heritage prioritised buildings with greater heritage value for the fund. It was therefore decided not to pursue the former Post Office site in King Street (leasehold) which had been the basis of both the KCC and Heritage Lottery bids.

In the above context a report was subsequently presented to the Council's Corporate Leadership Team in July 2014 with short, medium and long term options for establishing an Enterprise Hub and how they would achieve borough-wide Economic Development outcomes. The report evidenced and concluded that establishing an Enterprise Hub should remain the strategic goal, but there was no immediate prospect of achieving this because:

(a) No Maidstone or KCC asset was suitable; and it would take at least two years to realise and/or could prove financially prohibitive to overcome development constraints, and

(b) No suitable freehold properties were available currently.

The report therefore recommended consideration be given to using the first floor Terrace of Maidstone House as a "holding" business support centre to establish a presence for Enterprise in Maidstone with the twin objectives of:

1. Addressing the immediate need to maintain and enhance support to pre-start and start-up businesses and, identify and target indigenous businesses with growth potential and those with skills needs critical to improving innovation and competitiveness, and

2. Providing a venue for events, seminars and workshops in Maidstone linked to the tightened and expanded Service Level Agreement with Kent Invicta Chamber of Commerce.

A subsequent report presented initial sub division options for the Terrace including revisiting plans for an Enterprise Hub in the whole Gateway itself which was attached as Appendix C to the report*.* Those options included £17,488 of new capital expenditure for short term office; staff and meeting room replacement facilities that would be displaced from the Terrace, but still using parts of the first floor of Maidstone House for this purpose.

It was decided that Option 2 (using just the terrace area) be looked at further and that the proposed scheme would need to be seen as part of the wider accommodation work currently being undertaken, but would be delivered before the break clause in the lease of the first floor of Maidstone House.

Given the above a further report was presented to the Corporate Leadership Team on 5 August, attached as Appendix C to the report which gave detailed costings for establishing a small enterprise hub on the terrace and which now forms the basis of the recommendations in this report.

<u>Views of the Economic & Commercial Overview & Scrutiny Committee</u>

At the request of the Economic & Commercial Overview & Scrutiny Committee a progress report was presented to members at their 29 September meeting. The committee recognised there is a strong demand for an Enterprise Hub, and that the council could not wait for two years for a suitable site to become available and that the following courses of action were seen as desirable:

* To first establish a smaller hub, possibly located at Maidstone House or the Gateway, in order to prove the success of the project and attract more funding;

* If it was not possible to find accommodation in current council assets, the possibility of a short term leasehold property should be considered.

The Committee also asked to see any final report with recommendations before a decision was made by Cabinet. As a result the draft of this report was debated by the committee on 25th November with members recommending that the Cabinet Member for Economic and Commercial development:

- Approves the proposal for an Enterprise Hub

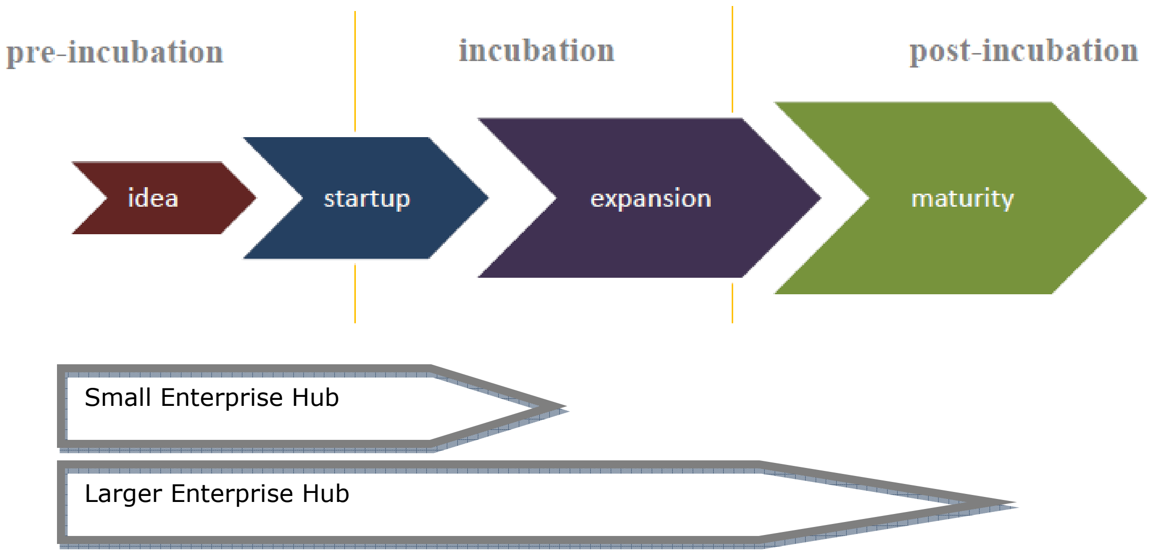
- Brings an update report to the appropriate committee in six to twelve months after the Enterprise Hub has opened, and

- Pays particular attention to staffing needs due to the likelihood of high usage of the hub, and also in relation to the existing workloads of the department.

The rest of the report detailed establishing an enterprise hub on the first floor terrace - and how it fits with the overall Office Accommodation Project. This needs to be seen in the context of a continuing need for a longer term flagship project to emphasise and action the Council's commitment to stimulating indigenous growth and job creation by increasing start up and survival rates, safeguarding existing jobs and helping improve the skills, innovation and competitiveness of businesses across the Borough particularly in our rural areas.

<u>The Maidstone Model</u>

The recommendation to establish a small enterprise hub on the terrace needs to be seen in the context of how it will help improve the survival rates of new ventures, and an understanding of the life cycle of businesses and how they can be directly related to the types of interventions and support needed.



Most incubators/hubs are not single-purpose: providing support to start-ups (germination) as well as mature companies (tenancies). This mixed use model was proposed for the Post Office to give diversified revenue income streams and enable the Enterprise Hub to remain flexible: enabling companies to move from one stage of evolution to another while remaining a 'customer,' and provide for anchor tenancies. This also provides the flexibility to respond to the market and adapt to demand.

This flexibility is often not associated with classical types of incubation (Canterbury Innovation Centre) but needs to be built in from the start to be able to act as a landlord to some tenants, and as germinator / incubator / accelerator to others.

This fluid approach is crucial to success along with an in depth understanding of the need (and gaps) in Maidstone in order to:

- Remove the critical barriers to business formation, growth and survival across the borough
- Stand the best chance of success financially (to remove/mitigate the continuing need for public subsidy), and
- Achieve the desired economic outputs and outcomes in line with both the evolving Maidstone Economic Development Strategy and the SE LEP Strategy.

This model also provides the catalyst for a joined-up approach to support depending on the life cycle of the business, and bring together delivery partners in one place – both physically and virtually. This would further ensure all partners share responsibility for staffing the hub particularly given the need for long opening hours. As attached at Appendix D to the report.

Supporting work and evidence

The proposal to establish the enterprise hub is not being made in isolation: there are several initiatives to support businesses which are also being progressed which include:

- Redesign of the *locateinmaidstone* website with a sectoral approach and enhanced emphasis on support for start-ups and indigenous business
- Implementation of the new Economic Development Business Relationship Management system
- Improvement of the access to, and content of Start-up on-line resources
- Completion of a detailed mapping of rural businesses and their needs and continuing working with partners to provide rural-based business support centres
- Implementation of an enhanced property search & matching module linked to both the new business Customer Relationship Management system and new website and capitalising on the income generating opportunities this affords
- Completion of a comprehensive audit of all support and training currently available to Maidstone businesses to be incorporated into the new website as a searchable module, and
- Complete the development of the skills support and training database that will be available to Maidstone residents including an enhancement to provide for business-to-business and business-to-

customer apprenticeship; work experience and skills matching module.

However, there still remains an immediate need for a venue and "shop front" for Enterprise in Maidstone. The Kent Invicta Chamber of Commerce is currently engaging with between 700-800 people each year under the Council's Service Level Agreement (SLA) to deliver start up and other support in Maidstone. The Enterprise Hub will be the delivery point for all support under this or any future SLA. This will both ensure a co-ordinated "one stop" approach and provide a captive audience for the membership, office networking and seminar facilities of the Hub.

As a direct result of the increasing numbers of people thinking of starting a business in Maidstone, Kent County Council provided additional grant funds to double Maidstone Council's spend on start up support during 2013/14 from the Regional Growth Fund.

Maidstone has also seen a 30% increase in people working from home over the past 10 years. This is a national trend, with Maidstone having one of the highest concentrations of home-based businesses in the country. Statistics from the 2011 Census states there are 9,000 people working from home in Maidstone, with more than half (5,000) being trading businesses. Government and national surveys state these businesses too often work in isolation and lack access to professional equipment; meeting facilities and invaluable peer-to-peer networking. The enterprise hub will address these issues and provide the framework for setting up local business points in rural areas. Given this, talks have been held with the Centre for Micro Businesses which has developed an expertise in reaching under the radar home-based micro and rural businesses.

In addition there is the latent demand to be generated by the Council's *Get in Touch, Get Advice Get Started* campaign launching in December. This campaign – giving *One number; One email and One website* for start up support - will target our most disadvantaged wards. Research suggests many of the country's most disadvantaged young people have innate entrepreneurial skills and abilities: self employment offers many a credible pathway out of the benefit trap.

An enterprise hub on the first floor Terrace would be a serious statement of the Council's intent and demonstrate that it is both "open for business" and has a true understanding of what is needed to support and grow businesses and how it can be delivered in the short term while a longer term solution can be assessed.

National workhub expert Tim Dwelly confirmed that this approach could work as a precursor to a larger Enterprise Hub if fitted out/ branded correctly and it does not look and feel like an office block. He recommends investment in proper branding, facilities and atmosphere, concentrating on the quality of furniture and lighting.

The Facility

The enterprise hub would be created by a complete refit of the first floor terrace as illustrated on the Architect's indicative layout and overview as set out in Appendix E to the report. Total development costs have been calculated by the Property & Procurement Manager and were detailed in the Exempt Report of the Director of Environment and Shared Service.

Initial talks have been held with the landlord, Capital & Regional who has indicated strong in principle support for the project.

Facility Up to eight offices (available for start-up businesses on flexible in and out terms); Networking /breakout seating; up to 20 hot desks; a 50-seat seminar space and one small meeting room. The facility would be branded at street level and given an identity more in keeping with what businesses are wanting and needing, and lay the foundations for an Enterprise Hub. Access would be from the main King Street entrance via the escalator and stairs and then by dedicating one of the two lifts from ground to first floor Business Terrace only.
Opening Hours 7am to 7pm Monday to Friday minimum from day one including Saturday morning. There are no Lease restrictions on opening hours; however the King Street access doors are controlled by the Mall. Security arrangements and opening times would be by agreement with them. We would need to ensure the Gateway access doors were locked when the Gateway was closed.
Parking Talks are currently being held with Parking Services on possible arrangements around the Town centre, particularly lower Sittingbourne Road. Subject to talks with Capital & Regional it may be possible they would sponsor" at least one parking space for use by an anchor tenant which helps run the Hub.
Timescales: Open July/August 2015 • November/December: Procure design team • January/February: Detailed design and tender documents issued • March/April: Procure contractor • May/June: Construction

Alternatives considered and why rejected

Virtual delivery

Many start-ups are launched by aspiring entrepreneurs with no previous experience, and possibly little exposure to a mature business environment: the result is enterprises not being planned appropriately: markets not assessed; products not commercialised and marketing not adequate or unimaginative. They work largely in isolation with few or no opportunities for peer-to-peer networking and collaboration to form natural clusters and opportunities for developing local supply chains. This is not addressed by virtual delivery alone.

Many established businesses also have a lack of business skills, with little awareness of what is available; the relevance to their business and the perceived high cost of engaging help.

While there is plethora of on line resources – both public and private – businesses are frustrated that the business support landscape is too fragmented and/or irrelevant to their needs. There is plenty to choose from – but what is right?

Following extensive research by the Department for Business Innovation & Skills into understanding the barriers to take up and use of business support, the move is towards "Gateways to Growth." In the SE LEP area this is being piloted by Southend-on-Sea through their City Deal. This is based on the Greater Manchester Growth Hub model (a £6m *virtual shop window* underpinned by £20m of physical infrastructure and other resources).

More recent research also confirms that the hands on approach is highly valued and achieves the best results in terms of measurable outcomes for business (and therefore the economy), and value for money for the taxpayer. Further, those on-line tools do not always work effectively and deliver value for money.

As reported earlier the Economic Development Unit is already working towards an integrated virtual shop window for business support, working with partners, and linked to the current development of the new Business CRM database and plans for a new website to replace locateinmaidstone as part of the mix.

Do nothing

This is not an option if the Council wants to tackle the myriad of barriers to business growth and survival in a strategic, coherent and effective way with the best chance of success. This would also be contrary to the SE LEP Strategic Plan.

Local support interventions must be designed to be responsive to local economic conditions and addressing areas where the demands of businesses are not being met are critical. It is therefore important that the service is demand-led in both design and delivery.

There are other providers in Maidstone of co-working and flexible accommodation, however none are best placed (even with additional financial resource) to design and deliver the strategic lead needed to achieve the priority outputs and desired borough-wide outcomes.
Maidstone Council has forged strong partnerships with key support organisations to provide onsite wrap around support to businesses. Collectively these organisations will help ensure additionality and remove duplication. This working partnership model will maximize impact, and

help introduce a major step change in business support across Maidstone. There is a gap in the market.

Alternative Location

An extensive property search was originally undertaken between February and April 2013 *(*Appendix A to the report refers*)*. This has been reviewed on an ongoing basis most recently in July this year. What private sector premises and services do exist does not meet the stated need**.**

All available premises have failed and continue to fail at least one of the original desirable search criteria:

- Size (minimum of 8,000sq ft)
- Flexibility of terms and costs
- Flexibility of space
- Conversion and fit out costs
- Provision of wrap around support
- Availability of dedicated seminar and meeting rooms
- A presence and ability to be branded
- Within Town Centre, close to amenities and availability of parking

Talks have also been held with existing providers of flexible workspace including Basepoint. These organisations however are now beginning to re think their "office-based" approach and operating models. Existing smaller scale facilities – such as Union 23 in Maidstone – have also faced difficulties largely as a result of being too small in scale to provide a networking critical mass; fairly sector specific and with no onsite support or meeting facilities of sufficient scale to generate further income.

Detailed discussions and consideration were given to two approaches from the private and voluntary sectors. In each case the proposals would have provided "more of the same."

The "Maidstone Model" is in comparison to models where there is a greater focus on individual office spaces – which represents most of the available space in Maidstone Town Centre.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: **30 December 2014**