

# Fourth Quarter Budget Monitoring 2019/20

Policy & Resources Committee

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# Executive Summary

This report provides members of the Policy & Resources Committee (PRC) with an overview of progress against the 2019/20 revenue and capital budgets as at 31st March 2020 (i.e. the Quarter 4 cumulative position) for the Council overall, including those services reporting directly into the PRC.

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

The headlines for Quarter 4 are as follows:

## **Part A: Fourth Quarter Revenue Budget 2019/20**

- At the Quarter 4 stage, the Council has incurred net expenditure of £20.80m against a revised budget of £20.56m, representing an overspend of £237,000.
- For the services reporting directly to PRC, net expenditure of £10.49m has been incurred against a revised budget of £10.58m, representing an underspend of £0.09m.

## **Part B: Fourth Quarter Capital Budget 2019/20**

- At the Quarter 4 stage, the Council has incurred overall expenditure of £34.38m against a revised budget allocation within the Capital Programme of £42.65 million, representing an underspend of £8.27m, which will be carried forward into 2020/21.
- Expenditure for services reporting directly to PRC of £23.54m has been incurred against a revised budget of £28.72m, representing an underspend of £5.18m.

## **Part C: Local Tax Collection 2019/20**

- Collection rates for Council Tax and Business Rates for Quarter 4 were both marginally off target.
- Latest available projections for the Kent Business Rates Pool (@ 31<sup>st</sup> March 2020) are forecasting that income retained from the growth in Business Rates is ahead of original expectations.

**Part D: Reserves & Balances 2019/20**

- The balance on the General Fund at 31<sup>st</sup> March 2020 was £8.804m, which represents a decrease of £0.4m over the last year. This is above the minimum contingency balance of £2.0 million adopted by the Council.

**Part E: Treasury Management 2019/20**

- The Council held short-term Investments of £11.025m and had £11.0m in outstanding Borrowing as at 31<sup>st</sup> March 2020.

**Part F: Maidstone Property Holdings Ltd. (MPH)**

- MPH net rental income for 2019/20 from April 2019 to December 2019 was £174,630, compared to £80,474 in 2018/19, representing a year-on-year increase of 117%.

# Part A

# Fourth Quarter Revenue Budget 2019/20



## A1) Revenue Budget: Council

A1.1 At the Quarter 4 stage, the Council has incurred net expenditure of £20.80m against a revised budget of £20.56m, representing an overspend of £237,000.

A1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 4 2019/20 by providing alternative analyses: by Committee, Priority and Subjective Heading.

**Table 1: Net Expenditure 2019/20 (@ 4<sup>th</sup> Quarter): Analysis by COMMITTEE**

Committee	Full Year Budget £000	Actual £000	Variance £000
Policy & Resources	10,580	10,491	89
Strategic Planning and Infrastructure	-791	-473	-318
Communities, Housing & Environment	9,251	8,890	361
Economic Regeneration & Leisure	1,520	1,889	-370
<b>Net Revenue Expenditure</b>	<b>20,560</b>	<b>20,797</b>	<b>-237</b>

**Table 2: Net Expenditure 2019/20 (@ 4<sup>th</sup> Quarter): Analysis by PRIORITY**

Priority	Full Year Budget £000	Actual £000	Variance £000
Safe, Clean and Green	6,753	6,809	-56
Homes and Communities	2,279	2,200	79
Thriving Place	1,716	1,606	110
Embracing Growth and Enabling Infrastructure	-720	-473	-248
Central & Democratic	10,533	10,655	-122
<b>Net Revenue Expenditure</b>	<b>20,560</b>	<b>20,797</b>	<b>-237</b>

**Table 3: Net Expenditure 2019/20 (@ 4<sup>th</sup> Quarter): Analysis by SUBJECTIVE SPEND**

Subjective	Full Year Budget £000	Actual £000	Variance £000
Employees	21,915	21,653	262
Premises	5,067	5,110	-43
Transport	880	786	94
Supplies & Services	9,926	10,693	-767
Agency	6,398	6,669	-271
Transfer Payments	43,912	43,918	-6
Asset Rents	1,275	1,275	0
Income	-68,812	-69,305	493
<b>Net Revenue Expenditure</b>	<b>20,560</b>	<b>20,797</b>	<b>-237</b>

## A2) Revenue Budget: Policy & Resources (PRC)

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

**Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 4th Quarter 2019/20)**

(a)	(b)	(c)	(d)
Cost Centre	Revised Budget for Year £000	Actual £000	Variance £000
Civic Occasions	41	40	1
Members Allowances	380	366	14
Members Facilities	29	15	13
Contingency	64	-201	265
Performance & Development	6	5	1
Corporate Projects	40	1	39
Press & Public Relations	31	30	0
Corporate Management	107	193	-86
Mid Kent Improvement Partnership	2	2	-0
Unapportionable Central Overheads	910	866	43
Council Tax Collection	53	48	5
Council Tax Collection - Non Pooled	-366	-392	27
Council Tax Benefits Administration	-152	-148	-5
NDR Collection	-1	3	-4
NDR Collection - Non Pooled	-150	-150	0
MBC- BID	0	0	-0
Registration Of Electors	48	49	-1
Elections	163	169	-6
General Elections	0	-1	1
European Elections	0	-2	2
Emergency Centre	25	24	2
Brexit	0	-0	0
Medway Conservancy	115	118	-2
External Interest Payable	310	134	176
Interest & Investment Income	-112	-217	105
Palace Gatehouse	-8	-8	0
Archbishops Palace	-98	-97	-1
Parkwood Industrial Estate	-311	-317	6
Industrial Starter Units	-30	-25	-5
Parkwood Equilibrium Units	-77	-47	-30
Sundry Corporate Properties	-355	-113	-242
Parks Dwellings	0	0	0
Chillington House	0	1	-1
Phoenix Park Units	-227	-217	-10
Granada House - Commercial	-92	-104	13
MPH Residential Properties	-162	-158	-4
Heronden Road Units	-152	-175	24
Boxmend Industrial Estate	-109	-117	8

(a)	(b)	(c)	(d)
Cost Centre	Revised Budget for Year £000	Actual £000	Variance £000
Lockmeadow	-76	-15	-61
NEW Lockmeadow Complex	-4	-112	108
Pensions Fund Management	1,674	1,673	1
Non Service Related Government Grants	-3,881	-3,891	11
Rent Allowances	-147	-46	-101
Non HRA Rent Rebates	-8	2	-11
Discretionary Housing Payments	1	8	-6
Housing Benefits Administration	-358	-343	-14
Democratic Services Section	209	204	5
Mayoral & Civic Services Section	127	123	4
Chief Executive	208	209	-1
Communications Section	226	203	24
Policy & Information Section	288	271	16
Head of Policy and Communications	132	130	2
Revenues Section	599	599	-0
Registration Services Section	151	139	11
Benefits Section	559	557	3
Fraud Section	74	53	20
Mid Kent Audit Partnership	275	275	-0
Director of Finance & Business Improvement	162	160	2
Accountancy Section	792	826	-34
Legal Services Section	503	602	-99
Director of Regeneration & Place	161	162	-1
Procurement Section	153	159	-6
Property & Projects Section	455	465	-10
Corporate Support Section	269	249	20
Improvement Section	394	388	6
Executive Support Section	169	165	4
Head of Commissioning and Business Improvement	116	113	3
Mid Kent ICT Services	764	779	-16
GIS Section	139	140	-1
Customer Services Section	747	743	4
Director of Mid Kent Services	63	61	2
Mid Kent HR Services Section	468	431	37
MBC HR Services Section	94	68	26
Head of Revenues & Benefits	82	81	1
Revenues & Benefits Business Support	147	147	0
Dartford HR Services Section	-11	-8	-3
IT Support for Revenues and Benefits	37	40	-3
Salary Slippage 1PR	-201	0	-201
Town Hall	98	78	20
South Maidstone Depot	165	164	1
The Link	91	49	43
Maidstone House	1,140	1,129	11
Museum Buildings	267	308	-40
I.T. Operational Services	532	585	-53
Central Telephones	15	10	4
Apprentices Programme	52	24	28
Internal Printing	-6	11	-17
Debt Recovery Service	32	37	-4
Debt Recovery MBC Profit Share	-143	-142	-1
General Balances	-525	-525	0
Earmarked Balances	5,885	5,885	0
Invest To Save	10	0	10
Appropriation Account	1,755	1,757	-2
Pensions Fund Appropriation	-4,265	-4,264	-1
<b>Total</b>	<b>10,580</b>	<b>10,491</b>	<b>89</b>



A2.2 The table shows that, at the Quarter 4 stage, for the services reporting directly to PRC, net expenditure of £10.49m has been incurred against a revised budget of £10.58m, representing an underspend of £0.09m.

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

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

A3.2 Table 5 below highlights and provides further detail on the most significant variances (i.e. those meeting or exceeding £30,000 at the end of Quarter 4.

**Table 5: PRC Variances >£30,000 (@ 4th Quarter 2019/20)**

	<b>Positive Variance Q4 £000</b>	<b>Adverse Variance Q4 £000</b>
<b>Contingency</b> – General grant income from a number of sources has been retained to offset overspends elsewhere in the Council’s budgets.	+265	
<b>Corporate Projects</b> – The Council’s contribution towards the Mid-Kent Services arrangement was not required this year. It has been identified as a saving for 2020/21 and the budget has been removed.	+39	
<b>Corporate Management</b> – It is anticipated that the level of bad debts will rise as a result of the current Covid-19 situation, so the bad debt provision has been increased to reflect this.		-86
<b>Unapportionable Central Overheads</b> – Payments to Kent County Council for pension contributions were less than forecasted at the start of the year.	+43	
<b>External Interest Payable</b> – This budget is related to the need to borrow to finance the Capital Programme. However, there was no need to borrow until the purchase of the Lockmeadow complex in Autumn 2019, therefore there was a significant underspend on this budget.	+176	
<b>Interest &amp; Investment Income</b> – Due to the reduced level of borrowing and slippage in the Capital Programme, combined with slightly higher interest rates than had been assumed there was a higher level of income generated.	+105	
<b>Sundry Corporate Properties</b> - the original budget assumed that 12 months worth of income would be generated from the purchase of further commercial properties. Lockmeadow (accounted for separately – see below) was acquired in November 2019 and has mitigated this budget shortfall.		-242

<b>Lockmeadow</b> – The service charges budget for this site has been under pressure for some time. Following a review by the Corporate Property Manager, including discussions/negotiations with the managing agent, it has been identified that the Council is liable for higher service charges under the terms of the lease than assumed in the current budget.		-61
<b>Lockmeadow Complex (NEW)</b> – A surplus has been realised from rental income in the first four months of the Council’s ownership of the complex. A portion of the additional income has been set aside to equalise incomes between years. This requirement was anticipated when the complex was acquired, given that some leases had relatively short terms and rent free periods would be required to attract new tenants.	+108	
<b>Rent Allowances</b> – The budget on this cost centre assumes a percentage difference between benefits paid and income received from central government. For this year the difference was less than was budgeted for.		-101
<b>Accountancy Section</b> – The overspend relates to costs incurred for the Interim Head of Finance who was in post for the majority of the year.		-34
<b>Legal Services Section</b> – This overspend is provisional, as Swale Borough Council (the employing authority) has not closed its accounts for 2019/20. It is thought that some of the overspend relates to time spent by the section on capital projects, which it would be possible to charge against these schemes.		-99
<b>Mid Kent HR Services Section</b> – This variance is primarily related to vacant posts.	+37	
<b>Salary Slippage</b> - This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. This adverse variance offsets underspends in other service areas.		-201
<b>The Link</b> – There was additional income received from the Department of Work & Pensions, and in addition the cost of gas had been over-accrued in earlier years.	+43	
<b>Museum Buildings</b> - Following a revaluation of the site, the Business Rates liability for the Museum has increased significantly beyond the current budget provision.		-40
<b>IT Operational Services</b> – The overspend related to a delay in the delivery of a savings target, originally set at £100,000.		-53

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

A4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances (i.e. those meeting or exceeding £30,000, at the end of Q4.

**Table 6: SPI Variances >£30,000 (4<sup>th</sup> Quarter 2019/20)**

	<b>Positive Variance Q4 £000</b>	<b>Adverse Variance Q4 £000</b>
<b>Development Control Majors</b> – The initial income target set was reviewed and reduced, as outlined in the Quarter 3 report. However, the number of applications received has continued to be significantly less than forecast hence the shortfall in income for this year.		-169
<b>Development Control Other</b> – This is a similar situation to the major applications budgets where minor planning applications received are significantly less than forecast for the year.		-142
<b>Development Management Section</b> – Budget pressures have been experienced on salaries and wages (£50,000) and professional services (£14,000) due to the use of additional consultancy resources to address shortfalls in capacity.		-64
<b>Mid Kent Planning Support Service</b> – This variance relates to a number of posts that have been vacant during the year.	+85	
<b>Salary Slippage</b> – This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. This adverse variance offsets underspends in other service areas.		-71
<b>On-Street Parking</b> – Higher than expected on-street parking space turnover has driven higher than budgeted income.	+74	
<b>Residents Parking</b> – A number of Tribunal cases have been lost where the adjudicator has ruled that the wrong contravention code has been used within resident parking bays. Consequently, processes have been adapted, entailing a lower contravention code (leading to a lower penalty charge), which has depressed income from this source. PCN volumes for Residents Parking infringements are also down slightly compared to last year.		-79
<b>Pay &amp; Display Car Parks</b> – Income levels from Pay & Display car parks have not met expectations.		-171
<b>Off-Street Parking Enforcement</b> – although overall PCN volumes are comparable to last year, a slightly greater proportion have been issued for Off-Street infringements than the budget assumes, which is offset by a slightly lower proportion issued for Residents	+111	

**Table 7: CHE Variances >£30,000 (@ 4<sup>th</sup> Quarter 2019/20)**

	<b>Positive Variance Q4 £000</b>	<b>Adverse Variance Q4 £000</b>
<b>Playground Maintenance &amp; Improvements</b> – This underspend relates to staffing costs (£25k) and reduced expenditure on materials and supplies (£40k) as there is funding available in the capital programme for additional spare equipment for future maintenance.	+65	
<b>Crematorium</b> – Increased maintenance costs (additional landscaping costs of £31,000) along with unaccrued maintenance expenditure of £18,000 from 2018/19 are the main factors in this overspend.		-47
<b>Street Cleansing</b> – This area has benefited from an increased level of income for external works.	+46	
<b>Recycling Collection</b> - This variance is a combination of savings from the purchase of wheeled bins (£58,000) along with increased income from the service (£43,000).	+101	
<b>General Fund Residential Properties</b> – Provision has been made for non-payment of rent for a number of vacant properties (£23,000). There was also unbudgeted spend on maintenance and non-domestic rates (£13,000) and a shortfall in rental income from a vacant property (£6,000).		-44
<b>Homelessness Prevention</b> – There have been significant underspends on the service, including the Guaranteed Rent scheme budget (£20,000), the Deposit Bond schemes (£14,000) and General Expenses (£24,000) The Guaranteed Rent scheme has been put on hold.	+74	
<b>Community Partnerships &amp; Resilience Section</b> – This underspend mainly relates to a recent restructure (£10,000) and staff vacancies during the year (£11,000) along with a general underspend on running costs (£14,000).	+36	
<b>Depot Services Section</b> – The underspend relates to reduced staffing costs following the implementation of a restructure during the year.	+48	
<b>Salary Slippage</b> – This is a credit budget, which allows for service underspends on salaries due to temporary vacancies arising from staff turnover. This variance is offset by underspends in the service areas.		-121
<b>Fleet Workshop &amp; Management</b> – The main elements of this underspend are the vehicle hire budget (£29,000) and repair and maintenance costs (£24,000). These reduced costs are a result of the purchase of new vehicles and an improved standard of maintenance.	+53	
<b>Grounds Maintenance – Commercial</b> – This variance is from additional section 106 income to fund works that were carried out during the year.	+51	

**Table 8: ERL Variances >£30,000 (@ 4<sup>th</sup> Quarter 2019/20)**

	<b>Positive Variance Q4 £000</b>	<b>Adverse Variance Q4 £000</b>
<b>Community Halls</b> - a range of small underspends have been recorded on controlled running costs, including utilities, and repairs and maintenance.	+31	
<b>Mote Park Adventure Zone</b> – this variance arises primarily from the substantial costs (£403k) incurred as a result of the sewer collapse on the site during the construction phase. This has been referenced in previous reports to the Committee, and it was explained that the potential for legal action to recover the costs was being investigated. However, after thorough consideration, it has been concluded that the prospects of successful recovery were too low to make it worthwhile to pursue legal action. Accordingly, the cost been written off against the committee’s budget this year. The balance of the overspend arises because income from the Adventure Zone was below budget levels.		-457
<b>Sandling Road Site</b> – this variance arises from insurance costs chargeable to the KCC/MBC partnership which had not hitherto been budgeted.	+39	
<b>Market</b> – the variance represents the combined impact of the Tuesday and Saturday markets not achieving the income target (£30k) and an overspend on refuse collection (£17k).		-51
<b>Economic Development Section</b> – the variance predominantly relates to salary underspends on two posts that were vacant for part of the year.	+38	

## A5) Virements

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

A5.3 The virements made in Quarter 4 are presented in Table 9 below. These were all temporary virements.

**Table 9: Virements (@ 4<sup>th</sup> Quarter 2019/20)**

<b>Description</b>	<b>Cost Centre (From)</b>	<b>Cost Centre (To)</b>	<b>Value (£)</b>
Fund Heritage Culture Officer extension	YA10 (In-Year Contribution to Balances)	SA14 (Cultural Services Section)	4,230
Budget transferred to fund GDPR compliance cost for CCTV	PA10 (Strategic Housing Role)	CE10 (CCTV)	9,850
Additional funding for Heritage Culture Officer	YA11 (Business Rates Growth Earmarked Balances)	SA14 (Cultural Services Section)	2,320
Additional funding for Destination Management Plan	YA11 (Business Rates Growth Earmarked Balances)	AG10 (Tourism)	280
Business Rates Pilot (BRP) funding for business start-up workshops	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development - Promoting & Marketing)	5,300
BRP funding for KMC accountable body contribution	YA11 (Business Rates Growth Earmarked Balances)	EL20 (Business Support & Enterprise)	100
BRP funding for IT cabling works at the Market	YA11 (Business Rates Growth Earmarked Balances)	EN10 (Market)	6,070
Additional BRP funding for Business Forum	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development - Promoting & Marketing)	1,360

# Part B

# Fourth Quarter Capital Budget 2019/20



## **B1) Capital Budget: Council**

- B1.1 The overall five-year Capital Programme for 2019/20 to 2023/24 was approved by the Council on 27th February 2019. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding does continue to be available from the New Homes Bonus (NHB).
- B1.2 The revised 2019/20 element of the Capital Programme has a total budget of £42.65m. At the Quarter 4 stage, capital expenditure of £34.38m had been incurred, an underspend of £8.27m which will be rolled forward into 2020/21.

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

- B2.1 Progress towards the delivery of the 2019/20 PRC element of the Capital Programme at the Quarter 4 stage is presented in Table 10 below. The budget for 2019/20 includes resources brought forward from 2018/19.
- B2.2 At the Quarter 4 stage, expenditure of £23.54m has been incurred against a revised budget of £28.72 million for PRC. This is an underspend of £5.18m which will be carried forward into 2020/21.



**Table 10: Capital Expenditure (@ 4<sup>th</sup> Quarter 2019/20)**

Capital Programme Heading	Adjusted Estimate 2019/20 £000	Actual to March 2020 £000	Budget Remaining £000
<b>Communities, Housing &amp; Environment</b>			
Brunswick Street - Net Cost of Scheme	2,514	2,796	-281
Union Street - Net Cost of Scheme	975	1,499	-523
Indicative Schemes	3,475	1,545	1,930
Housing - Disabled Facilities Grants Funding	1,570	793	777
Temporary Accommodation	3,236	3,083	153
Gypsy Site Improvement Works	42	47	-4
CCTV Upgrade and Relocation	150	154	-4
Commercial Waste	180	196	-16
Street Scene Investment	147	77	71
Flood Action Plan	100		100
Continued Improvements to Play Areas	422	125	297
Commercial Projects - Crematorium Projects	55	107	-52
Commercial Projects - Cemetery Chapel Repairs	100		100
Other Parks Improvements	100	1	99
<b>Total</b>	<b>13,069</b>	<b>10,423</b>	<b>2,645</b>
<b>Economic Regeneration &amp; Leisure</b>			
Mote Park Centre & Estate Services Building	156	103	53
Mote Park Lake - Dam Works	267	194	73
Museum Development Plan	36	38	-2
<b>Total</b>	<b>460</b>	<b>335</b>	<b>124</b>
<b>Policy &amp; Resources</b>			
High Street Regeneration	547	688	-141
Asset Management / Corporate Property	1,017	699	318
Feasibility Studies	113	13	100
Infrastructure Delivery	1,200		1,200
Software / PC Replacement	124	93	31
Digital Projects	20	25	-5
Acquisition of Commercial Assets	24,850	20,281	4,569
Kent Medical Campus - Innovation Scheme	649	1,535	-885
Garden Community	200	202	-2
<b>Total</b>	<b>28,720</b>	<b>23,536</b>	<b>5,184</b>
<b>Strategic Planning &amp; Infrastructure</b>			
Mall Bus Station Redevelopment	250	53	197
Bridges Gyratory Scheme	121	35	86
<b>Total</b>	<b>371</b>	<b>88</b>	<b>283</b>
Section 106 Contributions	28		28
<b>TOTAL</b>	<b>42,647</b>	<b>34,382</b>	<b>8,266</b>

## **B3) Capital Budget Variances (@ 4<sup>th</sup> Quarter 2019/20)**

### **Policy and Resources Committee**

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

High Street Regeneration – The additional spend was within the overall project budget and was funded by Section 106 contributions.

Infrastructure Delivery – No new projects have been identified to date this year. The budget will therefore be carried forward to 2020/21; and

Acquisition of Commercial Assets – Following the acquisition of Lockmeadow for £19.7 million in Quarter 3, the remainder of the budget (£4.57m) will be rolled forward to 2020/21.

Kent Medical Campus (Innovation Scheme) – The scheme has now commenced, and the initial level of contract payments was higher than the budget that had been established for 2019/20. There is no overall change in the scheme budget and the funding in the budgets for subsequent years will be adjusted to reflect this.

### **Communities, Housing and Environment Committee**

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

#### Brunswick Street/Union Street

Both schemes are forecast to be delivered on budget. The year-end variance reflects the timing of payments to the main contractor and the receipt of external funding. The remainder of the net costs due are funded in the capital programme for the next two years.

#### Indicative Schemes

The only scheme progressed to date is the purchase of Springfield Mill.

#### Housing- Disabled Facilities Grants

Expenditure on housing adaptations often does not match the Council's financial year. The 2019/20 budget of £1.57 million includes allocations for a wider range of initiatives, including the "Helping You Home" scheme, operated in conjunction with Maidstone and Pembury hospitals.

#### Temporary Accommodation

Following the competition of phase 3 £153,000 was unspent, and this will be rolled forward and incorporated into phase 4.

#### Flood Action Plan

This budget was unspent in 2019/20 and will be rolled forward into 2020/21.

### Continued Improvements to Play Areas

This budget is used for grants to parishes and for the purchase of spare equipment to maintain the play areas on an ongoing basis, and the unspent budget is rolled forward annually.

### Commercial Projects – Cemetery Chapel Repairs

This budget was unspent in 2019/20 and will be rolled forward into 2020/21.

### Other Parks Improvements

This budget was unspent in 2019/20 and will be rolled forward into 2020/21.

## **Strategic Planning and Infrastructure Committee**

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

Mall Bus Station Redevelopment – work is progressing on the scheme with survey and design work being undertaken so far. Subject to the impact of Covid-19 it is anticipated that the major works will be undertaken at some point in 2020/21.

Bridges Gyrotory Scheme – the residual budget is being used to fund flood prevention works by the Medway Street subway. Designs have been drawn up and the work is now expected to take place in 2020/21.

## **Economic Regeneration and Leisure Committee**

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

### Mote Park Schemes

Both the Mote Park schemes are being progressed with a view to more substantial works being undertaken during 2020/21. The contract for the dam works has now been let, but the Centre & Estate Services Building contract has not reached that stage yet.

# Part C

## Fourth Quarter Local Tax Collection 2019/20

### C1) Collection Fund

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

### C2) Collection Rates

- C2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target for the year, and the actual amount collected during 2019/20

**Table 11: Local Tax Collection Rates (2019/20 Full Year)**

Description	Target	Actual
	%	%
Council Tax	98.00	97.49
Business Rates	98.60	97.52

- C2.2 Collection rates for Council Tax and Business Rates for 2019/20 were close to target with both just marginally below original expectations.
- C2.3 Although recovery procedures were followed as normal during 2019/20, towards the end of March pursuit of non-payment was put on hold due to the Covid-19 pandemic. Therefore telephone chasing and additional reminder letters which would normally have taken place at this time were suspended and are likely to have adversely impacted on the overall collection rate.

**Write-offs: Business Rates**

- C2.6 The Committee is asked to approve the write-off of £37,153.22 in uncollectable Business Rates (detailed in **Appendix 3**). It should be noted that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.
- C2.7 The Council takes a systematic approach to the collection and recovery of Business Rates, including a number of progressive steps ranging from a 'first reminder' for non-payment through to seeking a committal to prison in the most aggravated cases.
- C2.8 However, throughout the process, the Council actively encourages contact from any business experiencing difficulty with a view to negotiating a payment arrangement.
- C2.9 The Council could continue to hold these debts as outstanding, although this is not recommended as there is no realistic prospect of achieving economic recovery and this would distort the Council's true financial position.
- C2.10 For the businesses in **Appendix 3**, the Council has exhausted the recovery process in trying to collect the outstanding sums. It is therefore recommended that these debts are written off to the impairment allowance, which has sufficient funds to meet the cost in full.

**C3) Business Rates Retention (BRR)**

- C3.1 Following the Council's successful participation in the 2018/19 (100%) BRR Pilot, along with all other authorities in Kent and Medway, the Council has reverted to participating in the original (50%) Kent BRR Pool for 2019/20.
- C3.2 Provisional 2019/20 figures show overall growth in business rates measured against the Council's baseline of £2.869 million (original forecast £2.284 million), with a projected overall pooling benefit of £1.324 million achieved. This will be shared in line with the pooling memorandum of understanding, as set out in the table below:

**Table 12: Business Rates Pooling (provisional outturn 2019/20)**

<b>MBC Business Rates Pooling Benefit 2019/20</b>		
<b>Description</b>	<b>Amounts</b>	<b>Allocation of Pooling Benefit</b>
	<b>£</b>	
Kent County Council share (30%)	£397,265	Payable to KCC
Maidstone Borough Council share (30%)	£397,265	Economic Development projects
Growth fund share (30%)	£397,265	Maidstone East (joint project with KCC)
Pool Safety Net (10%)	£132,422	
<b>Total Benefit</b>	<b>£1,324,216</b>	

- C3.3 As reported to your 29<sup>th</sup> April meeting, £426K of money allocated for schemes under the 2018/19 Business Rates Retention Pilot remained unspent as at 31.3.20. Details are as follows.

	<b>Unspent as at 31.3.20</b>	<b>Committed</b>	<b>Comments</b>
Go Green, Go Wild	£40,203	£40,203	A Community Partnership Officer was appointed on a fixed term contract to deliver this 2 year project
Arterial Route Improvements	£32,196	£32,196	Orders were placed before lockdown for budgeted amount less £7K contingency
Climate Change Commission	£23,259	£23,259	Member of staff appointed on fixed term contract to deliver project
Data analytics for inclusive growth	£21,550	£21,550	Member of staff appointed on fixed term contract to deliver project
Maidstone Housing Design Guide	£16,153	£16,153	Work already commissioned
Phoenix Park Regeneration	£40,000	£0	Refurbishment of Council-owned warehouse units - work specified but currently on hold
Inclusion Through Enterprise	£47,355	£0	Part of homelessness and rough sleeper strategy. No suitable venue for the initiative identified yet.
Archbishop's Palace Options	£25,000	£0	Funding to allow project to address wider public realm and improve connectivity between the heritage sites
Cycle Parking Infrastructure	£60,000	£0	Proposal for a bike hire scheme plus associated infrastructure.
Property Asset Review	£10,000	£0	Balance of funding used for Gen2 report, currently allocated to Redhill Stables feasibility study
Housing Delivery Partnership	£27,500	£0	Allocated for an Affordable and Local Needs Housing Supplementary Planning Document
Conservation area plans	£24,000	£0	Funding still required to progress project
'A Sense of Place'	£22,000	£0	Project to support the updated Arts and Cultural Strategy promoted by ERL Committee. Not started.
St Philips Community Centre	£17,000	£0	Funding still required to progress project
Staplehurst Village Centre Masterplan	£14,641	£0	Earmarked for a feasibility study to demonstrate viability of employment land use
Domestic Abuse Awareness	£5,218	£0	Take-up for events planned originally was poor but Covid-19 may alter the position
<b>TOTAL</b>	<b>£409,922</b>	<b>£117,208</b>	

The Committee could decide to:

- Proceed with spending the money on the schemes as originally envisaged (as shown above, some of the money is already committed, eg where staff have been taken on under fixed term contracts)
- Set aside some or all of the uncommitted money for expenditure specifically to support the recovery from Covid-19
- Apply the uncommitted money to reserves, such that the impact of the likely overall 2020/21 budget deficit will be mitigated. Updated projections of the position for 2020/21 will be presented to the July meeting of this Committee.

# Part D

## Reserves & Balances 2019/20



## D1) Reserves & Balances

D1.1 The combined total of the General Fund balance and Earmarked Reserves as at 31st March 2019 was £16.6 million. The makeup of the balance, and the movements in 2019/20 are presented in Table 13 below. The provisional year end position reflects an overall reduction of £0.4m in the unallocated general fund balance.

D1.2 The closing balance enables a minimum general fund balance of £2.0 million to be maintained, as agreed by full Council in February 2020.

**Table 13: Reserves & Balances at 31<sup>st</sup> March 2020**

	1 April 2019	Movement in 2019/20	31 March 2020
	£000		
<b>General Fund</b>			
Unallocated balance	9,228	-424	8,804
<b>Sub-total</b>	<b>9,228</b>	<b>-424</b>	<b>8,804</b>
<b>Earmarked Reserves</b>			
Local Plan	200	109	309
Neighbourhood Plans	64	11	75
Planning Appeals	300	-14	286
Civil Parking Enforcement	419	-254	165
Homelessness Prevention & Temporary Accommodation	700	-19	681
Business Rates Growth Fund	3,682	205	3,887
Occupational Health & Safety	0	31	31
Lockmeadow Complex	0	335	335
Future Funding Pressures	0	1,589	1,589
Trading Accounts	30	0	30
Future Capital Expenditure	432	0	432
<b>Sub-total</b>	<b>5,827</b>	<b>1,993</b>	<b>7,820</b>

*Table 13: General Fund and Earmarked Balances at 31 March 2020*



# Part E

## Treasury Management 2019/20



## **E1) Introduction**

- E1.1 The Council has adopted – and incorporated into its Financial Regulations – the “Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code)”.
- E1.2 The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. In February 2019 the Council approved a Treasury Management Strategy for 2019/20 that was based on the CIPFA Code. That Strategy requires that the Policy and Resources Committee should formally be informed of Treasury Management activities quarterly as part of the budget monitoring process.

## **E2) Economic Headlines**

- E2.1 During the Quarter ended 31<sup>st</sup> March 2020, the Council’s Advisors, Link Asset Services, reported:
- Due to the coronavirus outbreak and the impact it would have on the economy, the Monetary Policy Committee enacted two emergency bank rate cuts in March 2020, the first to 0.25% and the second to 0.1%.
  - The base rate cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts by the Bank of England of £200bn.
  - Quarter 4 growth in the UK was very flat at 0.0% on the previous quarter and +1.1% year on year.
  - Over the last year wage inflation has been significantly higher than CPI inflation which means that consumer real spending power has been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will take a big hit.

## **E3) Council Investments**

- E3.1 The council held investments totalling £11.025m as at 31<sup>st</sup> March 2020. Investments are held short term in bank notice accounts and Money Market Funds to enable ready access to funds when required for upcoming expenditure.

**Table 14: Short-Term Investments (4<sup>th</sup> Quarter 2019/20)**

Counterparty	Type of Investment	Principal £000	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Suggested Term	Maximum Deposit £000
London Borough of Croydon	Fixed Term Deposit	2,000	01/05/2018	01/05/2020	1.05%	5 Years	£5,000
Lloyds Bank Plc	Notice Account Deposit	1,000			1.10%	12 Months	£3,000
HSBC Bank Plc	Notice Account Deposit	3,000			0.50%	12 Months	£3,000
Aberdeen Asset Management	Money Market Fund	2,905			0.45%	2 Years	£8,000
Federated Investors LLP	Money Market Fund	1,000			0.35%	2 Years	£8,000
Goldman Sachs	Money Market Fund	1,120			0.28%	2 Years	£8,000

E3.2 Investment income for this period is £208,000 with an average rate of 0.82% against a budget of £112,000. Investment income is likely to drop dramatically in 2020/21 due to the latest interest rates cut in March 2020.

#### E4) Council Borrowing

E4.1 The Council entered into a borrowing position in November 2019 due to the purchase of the Lockmeadow Leisure Complex as part of the Council's Capital Programme, for which it borrowed £7m. Due to income in Council Tax dropping at the end of the year and the potential requirement for further liquidity, an additional £4m borrowing was sought short term from other local authorities, bringing the total borrowing to £11m as at 31<sup>st</sup> March 2020. This additional £4m has been repaid in the early part of 2020/21.

**Table 15: Council Borrowing (4<sup>th</sup> Quarter 2019/20)**

Counterparty	Type of Institution	Principal £000	Start Date	Maturity Date	Interest Rate
North Somerset District Council	Local Authority	3,000	22/11/2019	30/04/2020	0.80%
North Yorkshire County Council	Local Authority	4,000	22/11/2019	20/11/2020	0.97%
Ceredigion County Council	Local Authority	1,000	04/03/2020	02/04/2020	0.80%
Ribble Valley Borough Council	Local Authority	1,000	20/03/2020	06/04/2020	1.50%
Horsham District Council	Local Authority	2,000	23/03/2020	23/04/2020	2.00%

# Part F

## Fourth Quarter Maidstone Property Holdings 2019/20



## **F1) Maidstone Property Holdings Ltd. (MPH)**

- F1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a vehicle for letting residential properties on assured short-hold tenancies. The company currently holds two properties on 22 year leases from the council.
- F1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (to the Policy and Resources Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.
- F1.3 The MPH financial year-end was changed to 31st March, in order to align with the Council's financial reporting period.
- F1.4 Two new Directors were appointed to the company (Georgia Hawkes and Claudette Valmond) and the audited Annual Accounts and Confirmation Statement were submitted to Companies House in September 2019.
- F1.5 On 18th December 2019, full Council accepted the Policy and Resources Committee recommendations and formally adopted the new Articles of Association, Operational Agreement, Services Agreement and Business Plan. The Services Agreement and Operational Agreement have subsequently been signed and sealed, and the amended Articles of Association submitted to Companies House.

## **F2) MPH Headlines 2019/20**

- F2.1 Net rental income for 2019/20 totalled £174,630, compared to £80,474 in 2018/19. This represents rent charged to tenants, less costs recharged by the managing agent. As at 31st March 2020, rent arrears totalled £2,003 and there were no vacancies in either building. The year on year increase represents the new lease of 14 flats to Maidstone Property Holdings.
- F2.2 The Council receives income from the company through charges made for services provided, and the property lease. For the 2019/20 financial year these charges totalled £169,094.32 (2018/19, £76,107). After these charges and other expenses, the company achieved a breakeven position for 2019/20.
- F2.3 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.