

Provisional Outturn 2020/21

Policy & Resources Committee

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Contents

| | |
|--|---------------|
| Part A: Executive Summary & Overview | Page 2 |
| Part B: Fourth Quarter Revenue Budget 2020/21 | |
| B1) Revenue Budget: Council | Page 6 |
| B2) Revenue Budget: Policy & Resources (PRC) | Page 7 |
| B3) PRC Revenue Budget: Significant Variances | Page 9 |
| B4) Other Revenue Budgets: Significant Variances | Page 10 |
| B5) Grant Funding | Page |
| B6) Virements | Page 13 |
| Part C: Fourth Quarter Capital Budget 2020/21 | |
| C1) Capital Budget: Council | Page 15 |
| C2) Capital Budget: Policy & Resources (PRC) | Page 15 |
| C3) Capital Budget Variances | Page 17 |
| Part D: Fourth Quarter Local Tax Collection 2020/21 | |
| D1) Collection Fund | Page 20 |
| D2) Collection Rates | Page 20 |
| D3) Business Rates Retention (BRR) | Page 21 |
| Part E: Reserves & Balances 2020/21 | |
| E1) Reserves & Balances | Page 23 |
| Part F: Treasury Management 2020/21 | |
| F1) Introduction | Page 25 |
| F2) Economic Headlines | Page 25 |
| F3) Council Investments | Page 25 |
| F4) Council Borrowing | Page 26 |
| Part G: Maidstone Property Holdings | |
| G1) Maidstone Property Holdings Ltd. (MPH) | Page 28 |
| G2) MPH Headlines | Page 28 |

Part A

Executive Summary & Overview



This report provides members with the provisional outturn for 2020/21, covering activity for both the Council as a whole and this committee's revenue and capital accounts for the fourth quarter of 2020/21.

Members will be aware that since the budget was agreed in February 2020, the position for 2020/21 and future years has changed significantly as a result of the Covid-19 pandemic. Specific impacts include:

- Redirection of existing resources to support vulnerable people
- Administering government support schemes, notably business rate reliefs and grants
- Increased activity in some council services
- Temporary closure of some Council facilities
- Reduction in levels of activity in some other Council services
- Income generating activities severely impacted by overall contraction in economic activity
- Change in working patterns, with almost all office-based staff now working from home
- Reduced levels of Council Tax and Business Rates collection.

As reported throughout the financial year, it was anticipated that this would result in adverse budget variances for many service areas for 2020/21, particularly in relation to income. However, progressively more generous government support and active mitigation of the losses have resulted in an overall underspend of £1.2m for the 2020/21 financial year. This is essentially an over-correction for the very significant losses that the Council has incurred. The underspend is one-off in nature and does not give a true reflection of the underlying budget position.

The overall position for the Council as reported to government on our monthly financial monitoring returns is summarised in table 1 below, along with funding that we have received from central government during the year. Councils have been asked to complete these returns to enable a comprehensive picture of the financial impact of Covid-19 on local authorities to be compiled by the Ministry of Housing, Communities and Local Government.

| | £000 |
|--|--------------|
| <i>Additional Spending</i> | 1,668 |
| Income Reductions: | |
| Business Rates (MBC share) | 895 |
| Council Tax (MBC share) | 591 |
| Other Income | 4,699 |
| Total | 7,853 |
| <i>Offset by</i> | |
| Unringfenced government grants | 2,525 |
| Sales, fees and charges compensation (estimated) | 2,321 |
| Tax Income Guarantee compensation (estimated) | 52 |
| New Burdens funding | 567 |
| Service specific grants | 743 |
| | 6,208 |

Table 1, Covid-19 financial impact and government funding

It should be noted that the projections detailed within table 1 do not correspond to the in-year budget outturn. This arises for the following reasons:

- Due to the statutory accounting arrangements for council tax and business rates, these losses do not impact the general fund balance until next year.
- The variances above reflect an estimate of the financial impact of Covid-19, and do not take into account other factors which may impact on the budget outturn such as underspends that have the effect of mitigating Covid-19 related losses.

Given the all-encompassing impact of Covid-19 across many of the Council's services, mitigation for losses will be treated as a corporate exercise, and we will therefore not attempt to apportion all unringfenced support received across service committees.

In addition to the unringfenced grants totalling £2.5m, the council has received funding which can be clearly matched to additional expenditure, or outgoing grants. These funding streams have been used during the year to offset increased costs incurred in responding to the Covid-19 pandemic. Any unspent funding at 31 March which is ringfenced for specific activities will be carried forward into the current financial year and will be used to fund further activities which support the intended purpose of the grant. Further information on how grants have been used is provided in Section B5 of this report.

The impacts which arise from areas both within this committee's remit and the other three service committees are detailed within section B of this report.

The analysis also includes both the revenue and capital year-end position, 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 budget figures shown for revenue and capital are the revised estimate for 2020/21.

The headlines for Quarter 4 are as follows:

Part B: Revenue Budget – Q4 2020/21

- At the Quarter 4 stage, the Council has incurred net expenditure of £20.065m against a profiled budget of £21.287m, representing an underspend of £1.222m.
- For the services reporting directly to PRC, net expenditure of £7.715m has been incurred against an annual budget of £11.605m, representing an underspend of £3.890m. These underspends arise largely from the receipt of government grants for Covid-19 which will be used to cover overspends across all the service committees.
- There is a separate section later in this Appendix that provides more details on the various government grants that have been received.

Part C: Capital Budget – Q4 2020/21

- At the Quarter 4 stage, the Council has incurred overall expenditure of £20.123m against a budget allocation within the Capital Programme of £28.509m.
- Expenditure for services reporting directly to PRC of £11.565m has been incurred against the budget of £12.871m.

Part D: Local Tax Collection 2020/21

- Adjusted target collection rates for Council Tax and Business Rates have been met. However, overall levels of both Council Tax and Business Rates collected are lower than at the corresponding point in the previous year owing to Covid-19.
- It is anticipated that the Council will retain £0.335m through the Kent Business Rates Pool in 2020/21.

Part E: Reserves & Balances 2020/21

- The unallocated balance on the general fund has increased by £0.1m and this balance remains above the minimum level agreed by Council in February 2021.
- The Council held usable reserves (including earmarked reserves) of £31.8m at 31 March 2021, however £13.6m of this will need to be paid into the collection fund to offset deficits over the coming years.

Part F: Treasury Management 2020/21

- The Council held short-term investments of £16.16m and had £11.0m in outstanding borrowing as at 31st March 2021.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for the fourth quarter of 2020/21 was £138,274. Rent arrears as at 31st March 2021 totalled £8,044.

Part B

Fourth Quarter Revenue Budget 2020/21



B1) Revenue Budget: Council

B1.1 At the Quarter 4 stage, the Council has incurred net expenditure of £20.065m against a profiled budget of £21.287m, representing an underspend of £1.222m.

B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 4 2020/21 by providing alternative analyses: by Committee, Priority and Subjective Heading. The budget figures shown are the revised estimate for 2020/21.

Table 1: Net Expenditure 2020/21 (@ 4th Quarter): Analysis by COMMITTEE

| Committee | Full Year Budget £000 | Actual £000 | Variance £000 |
|---------------------------------------|--------------------------|----------------|------------------|
| Policy & Resources | 11,605 | 7,715 | 3,890 |
| Strategic Planning and Infrastructure | -468 | 1,251 | -1,719 |
| Communities, Housing & Environment | 8,915 | 8,326 | 589 |
| Economic Regeneration & Leisure | 1,235 | 2,772 | -1,537 |
| Net Revenue Expenditure | 21,287 | 20,065 | 1,222 |

Table 2: Net Expenditure 2020/21 (@ 4th Quarter): Analysis by PRIORITY

| Priority | Full Year Budget £000 | Actual £000 | Variance £000 |
|--|--------------------------|----------------|------------------|
| Safe, Clean and Green | 6,514 | 6,256 | 259 |
| Homes and Communities | 2,057 | 2,121 | -64 |
| Thriving Place | 1,423 | 2,705 | -1,282 |
| Embracing Growth and Enabling Infrastructure | -395 | 1,252 | -1,647 |
| Central & Democratic | 11,687 | 7,731 | 3,956 |
| Net Revenue Expenditure | 21,287 | 20,065 | 1,222 |

Table 3: Net Expenditure 2020/21 (@ 4th Quarter): Analysis by SUBJECTIVE SPEND

| Subjective | Full Year Budget £000 | Actual £000 | Variance £000 |
|--------------------------------|--------------------------|----------------|------------------|
| Employees | 22,034 | 21,496 | 538 |
| Premises | 5,554 | 5,423 | 131 |
| Transport | 670 | 527 | 143 |
| Supplies & Services | 11,741 | 12,268 | -527 |
| Agency | 5,780 | 5,855 | -75 |
| Transfer Payments | 45,027 | 43,958 | 1,069 |
| Asset Rents | 1,094 | 1,891 | -796 |
| Income | -70,615 | -71,354 | 739 |
| Net Revenue Expenditure | 21,287 | 20,065 | 1,222 |

B2) Revenue Budget: Policy & Resources (PRC)

B2.1 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 2020/21)

| (a) | (b) | (c) | (d) |
|-------------------------------------|-------------------------------|-------------|---------------|
| Cost Centre | Approved Budget for Year £000 | Actual £000 | Variance £000 |
| Civic Occasions | 42 | 16 | 25 |
| Members Allowances | 389 | 360 | 30 |
| Members Facilities | 29 | 24 | 6 |
| Contingency | -304 | -5,425 | 5,121 |
| Performance & Development | 14 | 2 | 12 |
| Corporate Projects | 0 | 0 | 0 |
| Press & Public Relations | 24 | 27 | -2 |
| Corporate Management | 117 | 589 | -472 |
| Unapportionable Central Overheads | 304 | 238 | 66 |
| Council Tax Collection | 66 | 65 | 1 |
| Council Tax Collection - Non Pooled | -358 | -59 | -299 |
| Council Tax Benefits Administration | -152 | -146 | -7 |
| NNDR Collection | 1 | 3 | -2 |
| NNDR Collection - Non Pooled | -234 | -195 | -39 |
| MBC- BID | 0 | -14 | 15 |
| Registration Of Electors | 49 | 76 | -27 |
| Elections | 1 | 1 | 0 |
| KCC Elections | 0 | 0 | 0 |
| PCC Elections | 0 | 0 | 0 |
| General Elections | 0 | 2 | -2 |
| European Elections | 0 | -3 | 3 |
| Emergency Centre | 27 | 16 | 11 |
| Brexit | 0 | -0 | 0 |
| Medway Conservancy | 120 | 120 | 0 |
| External Interest Payable | 1,362 | 152 | 1,210 |
| Interest & Investment Income | -100 | -36 | -64 |
| Palace Gatehouse | -10 | -7 | -3 |
| Archbishops Palace | -95 | -99 | 3 |
| Parkwood Industrial Estate | -308 | -323 | 15 |
| Industrial Starter Units | -28 | -20 | -8 |
| Parkwood Equilibrium Units | -85 | -84 | -1 |
| Sundry Corporate Properties | -381 | -85 | -297 |
| Phoenix Park Units | -216 | -212 | -3 |
| Granada House - Commercial | -117 | -113 | -4 |
| MPH Residential Properties | -279 | -133 | -146 |
| Heronden Road Units | -162 | -171 | 9 |
| Boxmend Industrial Estate | -93 | -126 | 33 |

| (a) | (b) | (c) | (d) |
|--|----------------------------------|----------------|------------------|
| Cost Centre | Approved Budget for Year £000 | Actual £000 | Variance £000 |
| Lockmeadow | 60 | 62 | -2 |
| NEW Lockmeadow Complex | -1,020 | -530 | -489 |
| Wren Industrial Estate | -140 | -76 | -65 |
| Pensions Fund Management | 1,674 | 1,687 | -13 |
| Non Service Related Government Grants | -4,472 | -4,472 | 0 |
| Rent Allowances | -125 | -99 | -25 |
| Non HRA Rent Rebates | -11 | -26 | 15 |
| Discretionary Housing Payments | 1 | -10 | 11 |
| Housing Benefits Administration | -354 | -345 | -9 |
| Innovation Centre Section | 123 | 102 | 21 |
| Democratic Services Section | 207 | 211 | -4 |
| Mayoral & Civic Services Section | 127 | 110 | 17 |
| Chief Executive | 206 | 203 | 3 |
| Communications Section | 203 | 194 | 9 |
| Policy & Information Section | 276 | 270 | 6 |
| Head of Policy and Communications | 129 | 123 | 6 |
| Revenues Section | 592 | 593 | -1 |
| Registration Services Section | 145 | 118 | 27 |
| Benefits Section | 567 | 566 | 1 |
| Fraud Section | 58 | 42 | 16 |
| Mid Kent Audit Partnership | 298 | 253 | 45 |
| Director of Finance & Business Improvement | 161 | 158 | 4 |
| Accountancy Section | 807 | 745 | 61 |
| Legal Services Section | 507 | 605 | -97 |
| Director of Regeneration & Place | 160 | 101 | 60 |
| Procurement Section | 123 | 94 | 29 |
| Property & Projects Section | 500 | 513 | -13 |
| Corporate Support Section | 272 | 265 | 6 |
| Improvement Section | 395 | 383 | 11 |
| Executive Support Section | 190 | 172 | 19 |
| Head of Commissioning and Business Improvement | 121 | 114 | 7 |
| Mid Kent ICT Services | 736 | 714 | 21 |
| GIS Section | 138 | 137 | 1 |
| Customer Services Section | 732 | 694 | 38 |
| Director of Mid Kent Services | 60 | 58 | 1 |
| Mid Kent HR Services Section | 457 | 432 | 25 |
| MBC HR Services Section | 95 | 26 | 69 |
| Head of Revenues & Benefits | 80 | 80 | -1 |
| Revenues & Benefits Business Support | 131 | 131 | 0 |
| Dartford HR Services Section | -30 | -6 | -24 |
| IT Support for Revenues and Benefits | 49 | 48 | 1 |
| Emergency Planning & Resilience | 26 | 28 | -2 |
| Salary Slippage | -212 | 0 | -212 |
| Town Hall | 97 | 85 | 12 |
| South Maidstone Depot | 185 | 191 | -6 |
| The Link | 82 | 71 | 11 |
| Maidstone House | 1,017 | 973 | 44 |
| Museum Buildings | 269 | 305 | -36 |
| I.T. Operational Services | 581 | 551 | 30 |
| Central Telephones | 15 | 11 | 4 |
| Apprentices Programme | 35 | 34 | 1 |
| Internal Printing | -5 | -15 | 10 |
| Debt Recovery Service | -11 | 20 | -31 |
| Debt Recovery MBC Profit Share | -144 | -15 | -129 |
| General Balances | 856 | 857 | -1 |
| Earmarked Balances | 6,727 | 6,727 | 0 |
| Invest To Save | 10 | 0 | 10 |
| Appropriation Account | 1,094 | 1,892 | -797 |
| Pensions Fund Appropriation | -2,868 | -2,880 | 12 |
| Totals | 11,605 | 7,715 | 3,890 |

B2.2 The table shows that, at the Quarter 4 stage, for the services reporting directly to PRC, net expenditure of £7.715m has been incurred against an annual budget of £11.605m, representing an underspend of £3.890m. These underspends arise largely from the receipt of government grants for Covid-19 which will be used to cover overspends across all the service committees. These grants are show against the 'Contingency' line in the above table.

B3) PRC Revenue Budget: Significant Variances

B3.1 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. Variances have been reported to each of the service committees on a quarterly basis throughout 2020/21.

B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 4.

Table 5: PRC Variances (@ 4th Quarter 2020/21)

| | Positive Variance Q4 | Adverse Variance Q4 |
|--|----------------------------|---------------------------|
| Policy & Resources Committee | £000 | |
| Contingency – This underspend is largely represented by central government funding for Covid-19, and it will offset various overspends as detailed elsewhere in this section of the report. | 5,121 | |
| Corporate Management - As a result of Covid-19 there has been a significant increase in the corporate bad debt provision. | | -472 |
| Unapportionable Central Overheads – Actual costs for pensions backfunding were lower than had been forecast. | 66 | |
| Council Tax & NNDR Collection (Non-pooled) - As courts were not open for much of 2020/21, it was not possible for revenues team to apply costs to Council Tax and Business Rates accounts in arrears for a large part of the year. | | -338 |
| External Interest Payable - £0.797m of this variance represents the budget that was set aside for the minimum revenue provision (MRP) for capital borrowing. For accounting purposes this entry is posted to the appropriation account, so there is a compensating adverse variance shown against that budget below. The remaining balance relates to savings on interest costs due to slippage in the capital programme, and through utilising short term borrowing. | 1,210 | |
| Interest & Investment Income – Investment rates have remained low, and a decision was taken to keep funds in liquid accounts which have lower yields than longer term deposits. | | -64 |

| | Positive Variance Q4 | Adverse Variance Q4 |
|---|----------------------------|---------------------------|
| Policy & Resources Committee | £000 | |
| Sundry Corporate Properties – This variance relates to a budget strategy item for income from future property purchases. In the event, only one significant purchase (Wren Industrial Estate) was identified, and both government policy and the pandemic have constrained the acquisition strategy. | | -296 |
| Maidstone Property Holdings Residential Properties – Adverse variances have arisen from increased repairs and maintenance costs had Granada House. We have received less income than anticipated owing to the timing of completion of new developments. | | -146 |
| Lockmeadow Complex – This heading includes income due to the Council arising from the long leasehold interest that it acquired in 2019/20. Due to the closure of the complex during periods of lockdown there will be a shortfall in rental income in cash terms. | | -489 |
| Wren Industrial Estate – The budget was set for the full year, but the acquisition of the property only took place part way through the year. | | -65 |
| Debt Recovery Service - There was a reduction in council cases being received as there were no court dates in 2020/21 so there was a significant reduction in income. In addition, at times enforcement agents were unable to call due to the high number of Covid cases in the area. Enforcement agent posts were not filled when they became vacant and other costs were reduced, including renting a vehicle out, which has helped to partially offset the reduction in income. | | -159 |
| Salary Slippage - There is a credit budget for 'salary slippage' being the savings arising from staff vacancies. These are reflected in the actual figures for individual sections (i.e. staff teams). The section codes underspent in aggregate by £362,000. This was significantly more than the budget for salary slippage and reflects a policy of deliberately holding posts vacant to address the budget risks that it was originally thought would be posed by Covid-19. | | -212 |
| Appropriation Account – This is a compensating variance for MRP referenced above against the External Interest Payable budget | | -797 |

B4) Other Revenue Budgets: Significant Variances

B4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances

Table 6: SPI Variances (4th Quarter 2020/21)

| | Positive Variance Q4 | Adverse Variance Q4 |
|--|----------------------|---------------------|
| Strategic Planning & Infrastructure Committee | £000 | |
| PLANNING SERVICES | | |
| Building Control Chargeable – The service has achieved additional income through the year as well as a slight reduction in running costs. | 61 | |
| Development Control Appeals – This variance is primarily down to costs incurred for the Church Road Otham appeal. | | -78 |
| Development Control Majors - The reduction in income is explained by a number of factors, primarily new legislation relating to affordable housing introduced in response to the pandemic and issues around the Local Plan. However, the reduction has been less than was initially forecast earlier in the year. | | -105 |
| Development Control Other - The reduction in income has been less than was initially forecast, around 10% for the year to date. | | -91 |

Local Plan Review

B4.1 The Local Plan Review (LPR) process is an important, high profile and continuous task undertaken by the Planning Services team. The associated revenue spending profile however is cyclical and does not fit the conventional 12-month financial planning process for general revenue expenditure. Instead, spending tends to follow the five-year production period of each Local Plan with various peaks and troughs over that time period.

B4.2 The LPR process is therefore funded through an annual £200,000 revenue contribution, in addition to the existing service budget, with any remaining unspent balances at year end automatically rolled forward into the following financial year. The table below shows the available revenue resources currently allocated to fund LPR activities, and the spend as at 31st March 2021.

| Opening Balance 01/04/2020 (including 2020/21 allocation) | Budget Adjustments | Actual Spend 2020/21 | Variance against adjusted budget |
|---|--------------------|----------------------|----------------------------------|
| £'s | £'s | £'s | £'s |
| 508,280 | 73,210 | 638,847 | -57,357 |

Table 6a, Local Plan Review budget (Q4, 2020/21)

B4.3 The primary reasons for the variance arise from increased spending in relation to sustainability appraisals, transport modelling, the accelerated timetable for LPR completion and the extension of contracts for specialist contractors.

B4.4 As previously agreed by Policy & Resources committee, the in-year overspend has been addressed as follows:

- £55,750 will be offset against a reduction in revenue costs for the Director of Regeneration and Place. This is a result of work which the Director of Regeneration and Place is currently undertaking relating to the Garden Community project, which will be capitalised.
- A £15,000 underspend on a project which was funded from the business rates pilot (Affordable Housing Supplementary Planning Guidance) has been reallocated to the Local Plan Review budget.
- The residual overspend has been funded through corporate contingency budgets.

2021/22

B4.5 Looking ahead to the 2021/22 financial year, spend for April and May has been summarised below:

| | |
|-------------------|----------------|
| Staffing costs | £76,637 |
| Commissioned work | <u>£7,281</u> |
| Total | £83,918 |

The cost for commissioned work represents expenditure incurred to date on economic impact consultancy.

B4.6 Funding for the work in the current financial year is as follows:

| | |
|--|-----------------|
| Annual LPR budget | £200,000 |
| Section 106 funding for Town Centre Planning | £78,333 |
| Vacancies within permanent staffing budget | £45,000 |
| Capitalisation of Director of Regeneration & Place | <u>£41,813</u> |
| Total | £365,146 |

B4.7 This budget is now managed by Head of Planning and Development who is seeking to ensure that expenditure can be met from the available resources. Spend in this area continues to be carefully monitored with the support of finance officers.

| | Positive Variance Q4 | Adverse Variance Q4 |
|---|----------------------------|---------------------------|
| Strategic Planning & Infrastructure Committee | £000 | |
| PARKING SERVICES | | |
| On Street Parking – Penalty Charge Notice (PCN) and parking meter income recovered during quarters 2 and 3 but fell again in the final quarter due to the last lockdown. | | -146 |
| Pay & Display Car Parks – Income levels recovered during quarters 2 and 3 and occupancy rates levelled off, but income fell again during the final quarter due to the last lockdown. | | -1,310 |
| Off Street Parking Enforcement - PCN and parking meter income had recovered during quarters 2 and 3 but fell again in the final quarter due to the last lockdown. | | -129 |
| Mote Park Pay & Display – Despite the lockdowns occupancy rates were high throughout the year leading to increased income. | 52 | |

Table 7: CHE Variances (@ 4th Quarter 2020/21)

| | Positive Variance Q4 | Adverse Variance Q4 |
|--|----------------------------|---------------------------|
| Communities, Housing & Environment Committee | £000 | |
| Parks & Open Spaces - There were savings from a number of vacant posts which were partially offset by the costs of some additional tree works | 51 | |
| Crematorium – Income levels increased significantly due to increased demand from Covid-19 related deaths. | 277 | |
| CCTV - Mobile cameras were not deployed through the year and not all the static cameras were powered up, so costs were reduced this year. | 59 | |
| Public Conveniences – This variance has arisen from a number of factors, primarily due to water leaks and increased running costs. | | -59 |
| Street Cleansing – Increased income and vacant posts have led to the underspend in this area. | 52 | |
| Recycling Collection – Green bin income has increased significantly and there has been a reduction in running costs. | 126 | |
| Community Hub – These costs will be funded by the central government grants referenced earlier in this section (Policy & Resources). | | -85 |

Table 8: ERL Variances (@ 4th Quarter 2020/21)

| | Positive Variance Q4 | Adverse Variance Q4 |
|---|----------------------------|---------------------------|
| Economic Regeneration & Leisure Committee | £000 | |
| Leisure Centre - The leisure centre was closed for a substantial part of the year. Serco Leisure are taking advantage of their contractual position to recover their losses from MBC, less £5,000 payable by the Leisure Trust. This is partially offset by a contribution from the National Leisure Recovery Fund. In addition, Serco have not paid the annual £0.200m contribution due under the contract. | | -1,201 |
| Mote Park Adventure Zone – The contractor (Serco) has been granted contract relief owing to closure of the facility due to Covid-19. | | -159 |
| Mote Park Café – The contract expired in March 2020, and the temporary replacement facility was not established until later in the year. | | -68 |
| Market – Income was reduced due to Covid-19 impacting on lettings of both stalls and the Market Hall. | | -115 |

B5) Grants

B5.1 The Council has received a significant amount of grant funding over the past year, in relation to its role in responding to the impact of the Covid-19 pandemic. The grants fall into three broad categories:

- Money which has been (or is due to be) passported to businesses and others;
- Service specific grants which are paid to the Council with the expectation that the money will be used for a particular purpose; and
- Unringfenced grants which have been paid to the Council to support with the additional costs incurred in responding to Covid-19, or to compensate for income losses.

B5.2 A summary of grant activity falling under each of these three headings is set out below.

Passported Funds

B5.3 At 31 March 2021, £46.3m had been paid out to businesses and others under the following grant schemes:

Table 9: Summary of grants paid out to businesses and others 2020/21

| Grant Description | Total Paid | |
|--|--------------|--------------------|
| | No. | Value |
| Retail, Hospitality and Leisure & Small Businesses | 2,247 | £28,890,000 |
| Discretionary Scheme | 252 | £1,425,250 |
| LRSO Mandatory November Lockdown2 | 924 | £1,564,384 |
| LRSO Tier 3 Closed | 411 | £360,583 |
| Wet Led Pubs | 77 | £77,000 |
| Tier 3 Open | 3 | £31,822 |
| LRSO Tier 4 Closed | 1,116 | £746,819 |
| LRSO Lockdown 3 | 1,836 | £6,957,579 |
| LRSO Extension 16 February to 31 March 2021 | 886 | £2,324,585 |
| Additional Restrictions Grant 1 | 125 | £155,630 |
| Additional Restrictions Grant 2 | 231 | £251,648 |
| Additional Restrictions Grant 3 | 417 | £1,696,493 |
| Additional Restrictions Grant 4 | 257 | £1,368,338 |
| Track & Trace Grant - Mandatory Scheme | | £99,506 |
| Track & Trace Grant - Discretionary Scheme | | £124,027 |
| Emergency Assistance Grant | | £55,088 |
| Winter Grants | | £72,072 |
| Totals as at 31/03/2021 | 8,782 | £46,200,824 |

Service Specific Grants

B5.4 Table 9 below shows the service-specific grants received during the 2020/21 financial year. Where funding remains unspent at the end of the year, this will be carried forward to ensure

that it can be spent as intended during 2021/22. Under some circumstances, the Council may be required to repay funding if conditions have not been met.

Table 10: Summary of service specific grants 2020/21

| Grant Description | Amount |
|---|--------------------|
| Contain Outbreak Management Fund Tranche 1 | £371,103 |
| Clinically Extremely Vulnerable Grant Tranche 1 | £84,484 |
| Test & Trace Grant | £50,000 |
| Compliance & Enforcement Grant | £78,004 |
| New Burdens Funding | £566,527 |
| Reopening High Streets Safely funding | £tbc |
| Council Tax Hardship Funding | £1,177,877 |
| Section 31 Grant - Covid-19 Business Rate Reliefs | £27,904,758 |
| Total | £30,232,753 |

B5.5 These grants have been used to fund a variety of different activities linked to the Council's Covid-19 response. Some of the grants, such as the Council Tax Hardship funding and Business Rates Section 31 Grants for Covid-19 reliefs, compensate the Council for income foregone during the year as a result of government interventions in these areas of the economy.

Unringfenced Funding

B5.6 As stated elsewhere in this report, the government has provided councils with a series of unringfenced grants to offset the financial impacts of Covid-19. For Maidstone, this funding received for 2020/21 amounts to £2.5m.

B5.7 In addition it is anticipated that the council will be able to recover income losses of £2.3m under the government's Sales, Fees and Charges and Tax Income Guarantee compensation schemes which reimburse councils for 75% eligible income losses.

B6) Virements

B6.1 In accordance with the Council's commitment to transparency and recognised 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.

B6.2 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.

B6.3 The virements made in Quarter 4 are presented in Table 9 below. These were all temporary virements.

Table 9: Virements (@ 4th Quarter 2020/21)

| Reason | From | To | Value £ | Perm/Temp |
|--|---|---|----------------|-----------|
| Fund Fourth Quarter Membership of 'Let's do Business' | YA11 (Business Rates Growth Earmarked Balances) | EL20 (Business Support & Enterprise-Borough Wide Support) | 7,000 | Temporary |
| Fund Quarterly Subscription for Springboard Membership | YA11 (Business Rates Growth Earmarked Balances) | EN40 (Economic Development) | 850 | Temporary |
| Business Rates Pool Funding for Economic Development Strategy Report | YA11 (Business Rates Growth Earmarked Balances) | EN40 (Economic Development Strategy) | 5,000 | Temporary |
| Move Unused Budgets Back to Earmarked Reserve | PN20 (Homelessness Prevention) | PN20 (Homelessness Prevention) | 195,260 | Temporary |
| Fund Local Plan Review Costs from Contingency | GC10 (Contingency) | EE10 (Planning Policy Local Plan Review) | 69,830 | Temporary |
| Fund Additional Local Plan Review Costs from Business Rates Pool Reserve | YA11 (Business Rates Pilot Projects Reserve) | EE10 (Planning Policy Local Plan Review) | 15,000 | Temporary |
| | | | 292,940 | |

Part C

Fourth Quarter Capital Budget 2020/21



C1) Capital Budget: Council

- C1.1 The overall five-year Capital Programme for 2020/21 to 2024/25 was approved by the Council on 26th February 2020. 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).
- C1.2 The 2020/21 element of the Capital Programme (including unused resources brought forward from 2019/20) has a revised budget of £28.509m. At the Quarter 4 stage, capital expenditure of £20.123m had been incurred, representing an underspend of £8.387m. It should be noted that slippage of budgets into 2021/22 for a number of schemes totalling £6.947m was identified as part of the third quarter report.

C2) Capital Budget: Policy & Resources Committee (PRC)

- C2.1 Progress towards the delivery of the 2020/21 PRC element of the Capital Programme at the Quarter 4 stage is presented in Table 10 below.
- C2.2 At the Quarter 4 stage, expenditure of £11.565m has been incurred against an adjusted budget of £12.871m million for PRC. This is an underspend of £1.214m.

Table 10: Capital Expenditure (@ 4th Quarter 2020/21)

| Capital Programme Heading | Adjusted | Actual to | Budget |
|---|-----------------------------|--------------------|-------------------|
| | Estimate 2020/21 £000 | March 2021 £000 | Remaining £000 |
| Communities, Housing & Environment | | | |
| Housing - Disabled Facilities Grants Funding | 591 | 660 | -69 |
| Temporary Accommodation | 1,887 | 1,406 | 482 |
| Brunswick Street - Costs of Scheme | 4,233 | 2,489 | 1,745 |
| Brunswick Street - Receipts | -1,502 | -1,843 | 341 |
| Union Street - Costs of Scheme | 5,201 | 2,599 | 2,602 |
| Union Street - Receipts | -2,100 | -740 | -1,360 |
| Springfield Mill - Phase 1 | 1,807 | 1,366 | 441 |
| Springfield Mill - Phase 2 | 1,322 | 787 | 535 |
| Granada House Extension | 125 | 62 | 63 |
| Private Rented Sector Housing Programme | 822 | 175 | 647 |
| Affordable Housing Programme | 800 | 16 | 784 |
| Acquisitions Officer - Social Housing Delivery P/ship | 80 | 86 | -6 |
| Street Scene Investment | 96 | 113 | -17 |
| Flood Action Plan | 50 | 7 | 44 |
| Electric Operational Vehicles | 100 | 16 | 84 |
| Rent & Housing Management IT System | 50 | 31 | 19 |
| Installation of Public Water Fountains | 15 | | 15 |
| Crematorium & Cemetery Development Plan | 230 | 22 | 208 |
| Continued Improvements to Play Areas | 123 | 98 | 26 |
| Parks Improvements | 99 | | 99 |
| Total | 14,029 | 7,348 | 6,681 |
| Economic Regeneration & Leisure | | | |
| Mote Park Visitor Centre & Estate Services Building | 20 | 17 | 3 |
| Mote Park Lake - Dam Works | 1,041 | 1,051 | -10 |
| Mall Bus Station Redevelopment | 400 | 84 | 316 |
| Total | 1,461 | 1,153 | 308 |
| Policy & Resources | | | |
| Corporate Property Acquisitions | 1,983 | 2,007 | -24 |
| Kent Medical Campus - Innovation Centre | 5,800 | 4,740 | 1,060 |
| Lockmeadow Ongoing Investment | 4,000 | 4,068 | -68 |
| Garden Community | 200 | 308 | -108 |
| Asset Management / Corporate Property | 437 | 270 | 167 |
| Biodiversity & Climate Change | 50 | 12 | 39 |
| Feasibility Studies | 150 | 27 | 123 |
| Digital Projects | 20 | 25 | -5 |
| Software / PC Replacement | 231 | 109 | 122 |
| Total | 12,871 | 11,565 | 1,306 |
| Strategic Planning & Infrastructure | | | |
| Bridges Gyrotary Scheme | 86 | | 86 |
| Total | 86 | | 86 |
| Section 106 Contributions | 62 | 57 | 5 |
| TOTAL | 28,509 | 20,123 | 8,387 |

C3) Capital Budget Variances (@ 4th Quarter 2020/21)

Policy and Resources Committee

C3.1 The most (financially) notable PRC items in the table above are as follows:

Kent Medical Campus (Innovation Centre) – Works are continuing with the opening of the centre scheduled for summer 2021. There have been some delays during the construction phase which means expenditure has been less than was forecast for this year.

Garden Community - Expenditure during the final quarter was greater than had been forecast but resources are available from the 2021/22 budget to fund this.

Communities, Housing and Environment Committee

C3.2 The most (financially) notable CHE items in the table above are as follows:

Crematorium & Cemetery Development Plan – The budget is for the construction of a new mess hut at the cemetery. Works are progressing and the project will be completed during 2021/22.

Springfield Mill – Phase 1 & 2 – Both these schemes are scheduled for completion during the first quarter of 2021/22.

Brunswick Street/Union Street - Both these schemes are scheduled for completion during the first quarter of 2021/22. Part of the 2020/21 budget for both schemes was identified for slippage as part of the third quarter report.

Temporary Accommodation – Five properties were purchased during the year. The remaining balance will be rolled forward and added onto the approved budget for 2021/22.

Private Rented Sector Housing and Affordable Housing Programmes – Work is progressing on the Heather House scheme, and the acquisition of Trinity Foyer was completed. Parts of the 2020/21 budgets for both schemes were identified for slippage as part of the third quarter report.

Economic Regeneration and Leisure Committee

C3.3 The most (financially) notable ERL items in the table above are as follows:

Mall Bus Station Project – the works are now taking place, and the majority of the expenditure will be incurred during 2021/22. The unused budget from 2020/21 will be carried forward to fund this.

Part D

Fourth Quarter Local Tax Collection 2020/21



D1) Collection Fund

- D1.1 A large proportion of the Council's income is generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- D1.2 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.
- D1.3 There are statutory accounting arrangements in place which minimise the in-year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets and the medium term financial strategy.

D2) Collection Rates & Reliefs

- D2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target and the equivalent position for the previous financial year.

Table 11: Local Tax Collection Rates (Q4 2020/21)

| Description | Target | Actual 2020/21 | Actual 2019/20 |
|----------------|--------|-------------------|-------------------|
| Council Tax | 95.75% | 96.77% | 97.49% |
| Business Rates | 95.20% | 95.43% | 97.52% |

- D2.2 Note that although these collection rates are close to target, the targets have been adjusted in the light of what is considered to be collectible. The amount of Council Tax collected is 0.72% below the level achieved at this time last year and the amount of Business Rates collected is 2.09% below the equivalent level achieved at this time last year. It will be possible to partially offset the impact of the reductions through the government's Tax Income Guarantee scheme, which compensates local authorities for 75% of eligible losses.
- D2.3 Collection rates for Council Tax have been impacted by the Covid-19 pandemic as measures to pursue non-payment were put on hold at the end of March. Therefore telephone chasing and additional reminder letters which would normally have taken place over the first quarter of the year were suspended and are likely to have adversely impacted on the overall collection rate.
- D2.4 Since the start of lockdown, hardship fund discounts of £150 have been awarded to 7,692 working age local council tax support (LCTS) recipients, using funding from the government's Covid-19 Hardship Fund scheme. A 13.6% increase in LCTS caseload has been observed since pre-Covid-19 budget expectations were set for 2020/21.
- D2.5 As part of the government's support package to businesses in response to the Covid-19 pandemic, 100% business rates relief was granted to retail, hospitality, leisure businesses and nurseries for 2020/21. The government has reimbursed the council for its lost business rates income through grants amounting to £27.9m, of which £12.3m will be retained by

Maidstone. This has improved the council's cash flow position for 2020/21, and also reduced risks associated with non-collection, to some extent.

D2.6 The grants do introduce some additional risks and complications to future business rates income. Firstly, if businesses cease trading during 2020/21 then the entitlement to rates relief is lost and the council will need to repay its share of the compensating grant to government. Secondly, since the reliefs were announced after councils had set their budgets for 2020/21, the reduction in income from business rates will create a significant deficit within the collection fund. It will be necessary to set aside a proportion of the grants to make good this deficit over the coming years.

D3) Kent Business Rates Pool

D3.1 The council has continued to participate with other Kent authorities during 2020/21 in order to maximise the proportion of business rates growth it is able to retain. Forecast pooling gains for Maidstone Borough Council amount to £0.335m for 2020/21, which is in line with our projections at the start of the financial year. The impact of the grants received from government to offset Covid-19 reliefs has helped to ensure that the pool has not been adversely impacted by the pandemic. As in previous years, this funding is allocated to spending which supports the delivery of the council's Economic Development Strategy.

D3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. The additional reliefs and associated grant funding mentioned previously within section D2 help to minimise the risks of pooling during 2020/21.

D3.3 The eventual impact of Covid-19 on the business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. how long the government's containment and business support measures will be in place for, and the longer term impacts on local, national and global economies.

D3.4 Some external analysis was therefore commissioned to inform thinking around the future of the Kent Business Rates Pool. The results of this initial work indicate that pool members would need to incur uniform reductions in business rates income of over 11.9% before the pool would make an overall loss. At present, none of the pool members are forecasting losses at or close to this level, however, we will continue to monitor this closely over the next year.

Part E

Reserves & Balances 2020/21



E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2020 was £16.6 million. The makeup of the balance, and the forecast movements during 2020/21 are presented in Table 13 below. The provisional year end position reflects an overall increase of £0.1m in the unallocated general fund balance.

E1.2 The closing balance enables a minimum general fund balance of £4.0 million to be maintained, as agreed by full Council in February 2021.

Table 13: Reserves & Balances at 31 March 2021

| | Balance at 1 April 2020 | Movement in 2020/21 | Estimated Balance at 31 March 2021 |
|---|-------------------------|---------------------|------------------------------------|
| | £000 | | |
| General Fund | | | |
| Unallocated balance | 8,819 | 91 | 8,910 |
| Sub-total | 8,819 | 91 | 8,910 |
| | | | |
| Earmarked Reserves | | | |
| Local Plan | 309 | -309 | 0 |
| Neighbourhood Plans | 75 | 22 | 97 |
| Planning Appeals | 286 | 0 | 286 |
| Civil Parking Enforcement | 165 | 4 | 169 |
| Homelessness Prevention & Temporary Accommodation | 681 | 92 | 773 |
| Business Rates Earmarked Balances | 3,887 | -99 | 3,788 |
| Occupational Health & Safety | 31 | -31 | 0 |
| Lockmeadow Complex | 335 | -335 | 0 |
| Future Funding Pressures | 1,589 | -620 | 969 |
| Trading Accounts | 30 | 0 | 30 |
| Future Capital Expenditure | 432 | 699 | 1,131 |
| Invest to Save Reserve | 0 | 500 | 500 |
| Commercial Risk Reserve | 0 | 500 | 500 |
| Funding for future collection fund deficits | 0 | 13,595 | 13,595 |
| Resources carried forward from 2020/21 to 2021/22 | 0 | 1,077 | 1,077 |
| Sub-total | 7,820 | 15,095 | 22,915 |
| | | | |
| Total General Fund Balances | 16,639 | 15,186 | 31,825 |
| | | | |
| Total excluding collection fund deficits | 16,639 | 1,591 | 18,230 |

Table 13: General Fund and Earmarked Balances at 31 March 2021

- E1.3 The movement in the unallocated general fund balance reflects the anticipated underspend of £1.2m for 2020/21, in accordance with the recommendations set out in the covering report. In the event that this recommendation is not agreed, or the final outturn figure should change, then this may change the closing balance on the general fund. The 2020/21 underspend is offset against amounts brought forward from 2019/20 and spent during 2020/21, and balances totalling £1m for the Invest to Save and Commercial Risk Reserves which have been formally earmarked from the unallocated general fund balances. These amounts had previously been notionally set aside within the general fund but not formally earmarked.
- E1.4 Earmarked balances have increased significantly, however this is largely due to amounts set aside to offset future deficits on the collection fund, particularly in relation to business rates. In response to the Covid-19 pandemic, the government announced that business rates relief to the retail, leisure and hospitality and nursery sectors would be expanded to 100%, with the loss of income to billing authorities being compensated through section 31 grants. As section 31 grants can only be paid into the general fund, this has created a significant deficit on the collection fund for 2020/21, which will need to be repaid by the general fund and preceptors over the next 3 years in accordance with regulations. Maidstone Borough Council's share of this deficit is £13m. It is therefore prudent to set aside the grant funding in order to mitigate the impact of the collection fund deficits on future revenue budgets. This reserve has also been used to fund the correction of a historical incorrect debit balance on the balance sheet in 2020/21.
- E1.5 Removing the impact of the balances which relate to the collection fund, the overall movement in reserves including earmarked reserves is a net increase of £1.76m.

Part F

Treasury Management 2020/21



F1) Introduction

- 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).
- The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 26th February 2020, the Council approved a Treasury Management Strategy for 2020/21 that was based on this code. The strategy requires that Policy & Resources Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

F2) Economic Headlines

- During the Quarter ended 31st March 2021, the Council's Advisors, Link Asset Services, reported:
 - Bank of England's Monetary Policy Committee kept Bank Rate and quantitative easing (QE) unchanged on 4th February and on 18th March 2021. The minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months, and by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates.
 - The Budget on 3rd March increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26.

F3) Interest Rates

- The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

| | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| BANK RATE | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 3 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 6 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 12 month ave earnings | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| 5 yr PWLB | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.30 | 1.30 | 1.40 | 1.40 | 1.40 | 1.40 |
| 10 yr PWLB | 1.60 | 1.60 | 1.60 | 1.70 | 1.70 | 1.70 | 1.80 | 1.80 | 1.90 | 1.90 | 1.90 | 1.90 |
| 25 yr PWLB | 2.10 | 2.10 | 2.20 | 2.30 | 2.30 | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 | 2.50 | 2.50 |
| 50 yr PWLB | 1.90 | 1.90 | 2.00 | 2.10 | 2.10 | 2.10 | 2.20 | 2.20 | 2.30 | 2.30 | 2.30 | 2.30 |

- The coronavirus outbreak has had huge economic impact on the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

- As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as the Bank of England is not expected to raise Bank Rate during that period as inflation is not expected to be sustainably over 2%.

F4) Council Investments

- The council held investments totalling £16.16m as at 31st March 2021. A full list of investments held at this time is shown at Table 14 below. All investments are held in either short term notice accounts or as short-term fixed rate deposits, to be readily available when required for business grants and to fund the capital programme.

Table 14: Short-Term Investments (4th Quarter 2020/21)

| Counterparty | Type of Investment | Principal £ | Start Date | Maturity Date | Rate of Return | MBC Credit Limits | |
|----------------------------------|--------------------|----------------|---------------|------------------|-------------------|-------------------|-----------------|
| | | | | | | Maximum Term | Maximum Deposit |
| Goldman Sachs International Bank | Callable Deposit | 2,000,000 | | | 0.23% | 6 Months | £5,000,000 |
| Lloyds Bank Plc | Callable Deposit | 1,000,000 | | | 0.10% | 6 Months | £5,000,000 |
| Handelsbanken | Callable Deposit | 2,280,000 | | | 0.10% | 12 Months | £5,000,000 |
| Santander | Callable Deposit | 5,000,000 | | | 0.35% | 6 Months | £5,000,000 |
| HSBC Bank | Callable Deposit | 2,880,000 | | | 0.05% | 12 Months | £5,000,000 |
| Brentwood Borough Council | Fixed Term Deposit | 3,000,000 | 05/03/2021 | 07/04/2021 | 0.10% | 5 Years | £8,000,000 |
| | | 16,160,000 | | | | | |

- Investment income to 31st March 2021 totals £28,900 against a budget of £100,000 with an average rate of 0.16%. The Bank of England brought down rates in March 2020 and it is expected that they will remain low for the foreseeable future (as explained above). This has resulted in investment rates being very low, especially in liquid instruments, which has meant the Council has received low returns and will continue to do so.

F4) Council Borrowing

- The Council held external borrowing amounting to £11m at 31st March 2021, all with Local Authorities. A list is shown at Table 15 below. Short term borrowing rates have been extremely low and cash has been readily available from local authorities, which has been the preferred type of borrowing to date. However, the Council is currently looking at other borrowing options such as UK Municipal Bonds Agency, PWLB (after the positive result of the consultation) and other financial institutions. It is the Council's aim to have a mixture of short and long term borrowing in order to spread the risks associated with interest rates and refinancing.

Table 15: Council Borrowing (4th Quarter 2020/21)

| Counterparty | Type of Institution | Principal £ | Start Date | Maturity Date | Rate of Return |
|---------------------------------|---------------------|----------------|------------|------------------|-------------------|
| Bridgend County Borough Council | Local Authority | 3,000,000 | 30/12/2020 | 30/06/2021 | 0.12% |
| Warwick District Council | Local Authority | 2,000,000 | 30/12/2020 | 30/06/2021 | 0.12% |
| London Borough of Tower Hamlets | Local Authority | 4,000,000 | 20/11/2020 | 20/05/2021 | 0.10% |
| Lincolnshire County Council | Local Authority | 2,000,000 | 22/03/2021 | 22/04/2021 | 0.06% |
| | | 11,000,000 | | | |

Part G



Maidstone Property Holdings 2020/21



G1) Maidstone Property Holdings Ltd. (MPH)

- G1.1 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.
- G1.2 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.
- G1.3 The MPH financial year-end was changed to 31 March, in order to align with the Council's financial reporting period. The external audit of the 2019/20 accounts is complete and an unqualified audit opinion was received from the company's auditors, UHY Hacker Young. The audit accounts have now been filed in accordance with Companies House requirements.
- G1.4 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.

G2) MPH Headlines

- G2.1 Net rental income for 2020/21 totals £138,274 (2019/20 £174,630). This represents rent charged to tenants, less costs recharged by the managing agent. The year on year reduction in net rent has arisen from increased repairs and maintenance costs, and a proportion of 2019/20 costs charged in 2020/21.
- G2.2 As at 31 March 2021, rent arrears totalled £8,044. £4,749 of this balance has now been paid and the accommodation team will continue to pursue recovery of the amounts which remain outstanding. There were two vacant flats at 31 March, however both have since been occupied. At the date of writing the report there is one vacant flat at Lenworth House which is being marketed by the managing agent.
- G2.3 The Council receives income from the company through charges made for services provided, and the property lease. After these charges and other expenses, it is expected that the company will achieve a breakeven position for 2020/21.
- G2.4 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.
- G2.5 Since the end of the 2020/21 financial year, management of these units has transferred from an external agent to the Council's in-house accommodation team. Market rental units at Brunswick and Union Street were transferred to MPH on 22-year leases from the Council. The units consist of 24 2-bedroom flats at Brunswick Street and 16 flats at Union Street which are 1- and 2-bedroom units. 23 of the 40 flats had been let to tenants at the date of writing the report. In addition to these units, a residential house has transferred from the Council to MPH on a similar lease, and further 14 flats at Springfield Place are due to transfer shortly.