

ECONOMIC REGENERATION AND LEISURE COMMITTEE MEETING

Date: Tuesday 29 October 2019
Time: 6.30 p.m.
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Bartlett, Mrs Blackmore (Vice-Chairman), Cox, Fort, Mrs Gooch, Harper (Chairman), B Hinder, Lewins and Webb

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

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1. Apologies for Absence	
2. Notification of Substitute Members	
3. Urgent Items	
4. Notification of Visiting Members	
5. Disclosures by Members and Officers	
6. Disclosures of Lobbying	
7. To consider whether any items should be taken in private because of the possible disclosure of exempt information.	
8. Minutes of the meeting held on 3 September 2019	1 - 6
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Issued on Monday 21 October 2019

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

PUBLIC SPEAKING AND ALTERNATIVE FORMATS

If you require this information in an alternative format please contact us, call **01622 602899** or email committee@maidstone.gov.uk.

In order to speak at this meeting, please contact Democratic Services using the contact details above, by 5 p.m. one clear working day before the meeting (i.e. Friday 25 October 2019). If asking a question, you will need to provide the full text in writing. If making a statement, you will need to tell us which agenda item you wish to speak on. Please note that slots will be allocated on a first come, first served basis.

To find out more about the work of the Committee, please visit www.maidstone.gov.uk.

Should you wish to refer any decisions contained in these minutes to the Policy and Resources Committee, please submit a Decision Referral Form, signed by three Councillors, to the Head of Policy, Communications and Governance by: 17 September 2019.

MAIDSTONE BOROUGH COUNCIL

ECONOMIC REGENERATION AND LEISURE COMMITTEE

MINUTES OF THE MEETING HELD ON TUESDAY 3 SEPTEMBER 2019

Present: Councillors Bartlett, Mrs Blackmore, Cox, Fort, Mrs Gooch, Harper (Chairman), Hinder, Lewins and Webb

Also Present: Councillors Brindle and M Rose

37. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor Blackmore.

38. NOTIFICATION OF SUBSTITUTE MEMBERS

It was noted that Councillor Brindle was present as a Substitute, until Councillor Blackmore arrived.

39. URGENT ITEMS

There were no urgent items.

40. NOTIFICATION OF VISITING MEMBERS

It was noted that Councillor M Rose was present as a Visiting Member, but did not register to speak.

41. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

42. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

43. TO CONSIDER WHETHER ANY ITEMS SHOULD BE TAKEN IN PRIVATE BECAUSE OF THE POSSIBLE DISCLOSURE OF EXEMPT INFORMATION.

RESOLVED: That all items be taken in public as proposed.

44. MINUTES OF THE MEETING HELD ON 2 JULY 2019

RESOLVED: That the Minutes of the meeting held on 2 July 2019 be approved as a correct record and signed, subject to the following deletion to Item 35. Economic Development Strategy - Redrafted Motion:

“In response to a question from the Committee, the Head of Regeneration and Economic Development said that stakeholder engagement and consultation exercises would be undertaken **during the tendering process.**”

Voting: Unanimous

45. PRESENTATION OF PETITIONS

There were no petitions.

46. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from members of the public.

47. COMMITTEE WORK PROGRAMME

RESOLVED: That the Committee Work Programme be noted.

48. MAIDSTONE MUSEUM DEVELOPMENT OPTIONS

The Museum Director informed the Committee that Innes Associates and DesignMap had worked with Officers to produce Museum development options. The National Lottery Heritage Fund was expected to be the first funding route to be explored, and therefore the potential funding was likely to be capped at £5m. The options were designed to be scalable so that the visionary project, estimated to cost £6.7m, could be delivered at later date if further funding became available.

Mr Mark Baker made a statement on this item.

The committee commented that:

- Maidstone Borough Council (MBC) had allocated £350,000 to help secure external funding. If the full funding was not achieved from external sources, the development plans were to be scaled down.
- The report recommendations were to be amended to refer to the Maidstone Museum Foundation, as the report had erroneously referred to the organisation as Maidstone Museum Friends.
- The Head of Regeneration and Economic Development was to consult with the Chairman and Vice-Chairman of the Economic Regeneration and Leisure (ERL) Committee when exercising delegated authority.
- The Maidstone Museum Foundation had successfully contributed to other projects through fundraising, and it was therefore important to work closely with the organisation on the Museum development.

- It was important for the ERL Committee to be kept updated on the progress of the Museum development, and therefore, it was appropriate that regular updates be provided to the Committee by Officers.

RESOLVED: That:

1. A Heritage Lottery Bid (Development Phase) be submitted in November 2019 for Option 2 (Large Minus) at a maximum of £4.9m.
2. Delegated authority be granted to the Head of Regeneration and Economic Development to finalise Option 2 following further work as set out in paragraph 3, in consultation with the Chairman and Vice-Chairman of the Economic Regeneration and Leisure Committee.
3. Maidstone Museum Foundation be tasked with raising match funding for the Heritage Lottery Bid, in partnership with Officers of £140,000, as set out in Option 2.
4. Should the Heritage Lottery Bid (Option 2) be unsuccessful, a further report be presented to the Economic Regeneration and Leisure Committee, seeking approval to deliver Option 3 (Medium).
5. Option 1 (Large) be endorsed as the longer-term vision for the museum.
6. Maidstone Museum Foundation be requested to raise a further amount of £1.7m, over a 5-year period, to enable the long-term vision (Option 1) to be delivered.
7. The significant risks associated with the successful delivery of Option 1 and 2 be noted.
8. A fundraising group be established, including representatives from the Maidstone Museum Foundation and Maidstone Museum, to be chaired by the Chairman of the Economic Regeneration and Leisure Committee.
9. Regular briefing notes be sent to Members and Substitute Members of the Economic Regeneration and Leisure Committee, outlining progress with the application, works programme, fundraising and other associated points with the redevelopment. If at any time members wish to discuss the issues raised in an update at committee, this can be done if they inform the Chairman and Vice-Chairman.

Voting: Unanimous

Note: Councillor Blackmore arrived during consideration of this item and assumed the role of Member of the Committee. Councillor Brindle therefore became a Visiting Member for the remainder of the meeting.

49. 1ST QUARTER BUDGET MONITORING REPORT

The Interim Head of Finance and Information & Corporate Policy Officer introduced the report. It was explained that the executive summary was to be amended to read:

“Overall, 90% (9 out of 10) of Key Performance Indicators, reportable to the Committee, achieved their Quarter 1 targets. For the strategic priority “A Thriving Place” 86% (6 out of 7) KPIs achieved their Quarter 1 targets, while for the “Embracing Growth and Enabling Infrastructure”, 100% (3 out of 3) of Key Performance Indicators, reportable to the Committee, achieved their Quarter1 targets.”

Furthermore, Appendix 2 (page 92) was to be adjusted to:

“Overall, 100% (3 out of 3) indicators that are targeted under this objective have achieved their quarterly target.”

In response to questions from the Committee, the Museum Director and Head of Regeneration and Economic Development replied that:

- The funding for the Museum Education Service was provided by Arts Council England. There was uncertainty regarding the length of time that the funding would be available for, however, Officers were working to identify alternative funding in case this was needed.
- The legal claim regarding the sewage leak at Mote Park was ongoing. Some losses incurred as a result of the leak were insurable, however, others were not. The cost of the overspend was to be funded temporarily until the outcome of the claim was known.

RESOLVED: That:

1. The Revenue position at the end of the Quarter 1 and the actions being taken or proposed to improve the position, where significant variances have been identified, be noted.
2. The Capital position at the end of Quarter 1 be noted.
3. The Summary of Performance for Quarter 1 for Key Performance Indicators be noted.

50. DELIVERY PROGRAMME FOR THE SPORTS/LEISURE REVIEW

The Leisure Manager highlighted that the review had been renamed to “Making Maidstone More Active” in order to establish a common name for

the work. Additionally, this ensured that the objective of addressing health inequalities was referenced. It was explained that the review consisted of two stages. Stage One was a survey of all residents, while Stage Two included a series of forums. The Leisure Manager concluded by stating that the report recommendations were to be amended to clarify that a briefing note, outlining the initial results of the survey, was to be circulated to Members and Substitute Members of the Economic Regeneration and Leisure Committee. This meant that a report on the outcome of the survey was to be considered by the Committee by the end of March 2020.

In response to questions from the Committee, the Leisure Manager replied that:

- A collaborative working agreement, outlining shared objectives of the review, had been agreed with the Senior Public Health Officer at Maidstone Borough Council.
- Clinical Commissioning Groups (CCGs) were being engaged throughout the review, while GP surgeries were to be specifically targeted during Stage One to maximise survey responses.
- Several Local Authorities had requested access to the review data, which had created further opportunities for collaborative working.
- The funding for the review had previously been agreed by the Heritage, Culture and Leisure Committee to cover the operational costs of the review and a specific Leisure Officer role.

The Committee commented that it was possible to invite organisations to attend future committee meetings, in order to address Members on key topics. Furthermore, site visits could be arranged to enhance understanding of best practice.

RESOLVED: That:

1. The proposed delivery approach and timeline be agreed.
2. An all-member workshop briefing, to inform all councillors of the review, be held by the end of January 2020.
3. A briefing note be circulated to Members and Substitute Members of the Economic Regeneration and Leisure Committee outlining the initial results of the residents' survey.
4. A report be submitted to the ERL Committee by the end of March 2020 outlining the outcome of the residents' survey.

Voting: Unanimous

51. NOMINATIONS TO OUTSIDE BODIES

The Chairman explained that there was an outstanding Council Representative vacancy on the Maidstone Area Arts Partnership and that Councillor Harvey had submitted a nomination form for the position.

RESOLVED: That Councillor Harvey be appointed as a Council Representative on the Maidstone Area Arts Partnership.

Voting: Unanimous

52. DURATION OF MEETING

6.31 p.m. to 8.00 p.m.

2019/20 WORK PROGRAMME

	Committee	Month	Lead	Report Author
Draft Medium Term Financial Strategy 2020/21 - 2024/25	ERL	29-Oct-19	Mark Green	Mark Green
Q2 Performance and Budget Monitoring Report	ERL	29-Oct-19	Mark Green	Chris Hartgrove/ Anna Collier
Presentation by Ken Scott (MAAP) - TBC	ERL	26-Nov-19	Ken Scott	Ken Scott
Draft Arts and Cultural Plan for the Borough	ERL	26-Nov-19	John Foster	Anne Marie Langley
Maidstone East (incl. recommendation to P&R)	ERL	26-Nov-19	William Cornall	John Foster
Festival and Events Strategy	ERL	26-Nov-19	John Foster	Laura Dickson
Town Centre Opportunity Sites Delivery Strategies	ERL	17-Dec-19	William Cornall	John Foster
Economic Development Strategy Review	ERL	17-Dec-19	John Foster	John Foster
Draft Budget Proposals 2020/21	ERL	28-Jan-20	Mark Green	Chris Hartgrove
Q3 Budget and Performance Monitoring	ERL	03-Mar-20	Mark Green	Chris Hartgrove/ Anna Collier
Annual Reports of Outside Bodies and Consideration of Outside Bodies for the Next Municipal Year	ERL	03-Mar-20	Angela Woodhouse	Mike Nash
Mote Park Visitor Centre and Estates Service Building	ERL	TBC	William Cornall	John Foster

Agenda Item 12

ECONOMIC REGENERATION & LEISURE COMMITTEE

29 October 2019

Is the final decision on the recommendations in this report to be made at this meeting?

No

Medium Term Financial Strategy 2020/21-2024/25

Final Decision-Maker	Council
Lead Head of Service	Director of Finance and Business Improvement
Lead Officer and Report Author	Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report sets out a draft new Medium Term Financial Strategy (MTFS) for the Council. The new strategy updates the existing strategy to cover the five-year period 2020/21 to 2024/25 and to reflect changes in the local authority financial landscape and corporate priorities.

This report makes the following recommendations to this Committee:

1. Consider and comment on the draft Medium Term Financial Strategy 2020/21 – 2024/25.

Timetable

Meeting	Date
Economic Regeneration & Leisure Committee	29 October 2019
Strategic Planning & Infrastructure Committee	5 November 2019
Communities Housing & Environment Committee	12 November 2019
Policy and Resources Committee	20 November 2019
Council	11 December 2019
All Service Committees	January 2020
Policy and Resources Committee	12 February 2020
Council	26 February 2020

Medium Term Financial Strategy 2020/21-2024/25 – Initial Scoping and Assumptions

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council’s decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
Cross Cutting Objectives	The MTFS supports the cross-cutting objectives in the same way that it supports the Council’s other strategic priorities.	Section 151 Officer & Finance Team
Risk Management	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Legal Services
Privacy and Data Protection	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Policy and Information Team
Equalities	The MFTS report scopes the possible impact of the Council’s future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence based equalities impact	Equalities and Corporate Policy Officer

	assessment will be undertaken. Should an impact be identified appropriate mitigations with be identified.	
Public Health	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Public Health Officer
Crime and Disorder	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

2. INTRODUCTION AND BACKGROUND

- 2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council agreed a new Strategic Plan in December 2018 which describes and prioritises our corporate objectives. The MTFS sets out how these objectives will be delivered, given the resources available.
- 2.2 The draft MTFS is attached as Appendix A. It builds on the existing MTFS, which was developed in parallel with the new Strategic Plan and was agreed by Council in December 2018. The main developments since December 2018 have been further central government announcements about local authority funding and refinement of our own corporate priorities.
- 2.3 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2020/21 at the Council meeting on 26 February 2020. This report is a key step towards achieving that objective.

Local authority funding

- 2.4 It was originally anticipated that a new local government funding regime would be introduced in 2020/21. However, this has now been delayed until 2021/22 and the government plans to implement a 'roll-forward' settlement for 2020/21, with stability for the majority of funding sources for local government.
- 2.5 The implications of this for the key financial variables are as follows.

Council Tax - The government plans to set a limit of 2% to increases, above which a referendum would be required (as compared to 3% in 2019/20).

Business Rates - The Business Rates baseline, which dictates the amount of business rates that local authorities may retain locally, will be increased in line with inflation.

Negative Revenue Support Grant - The government is currently minded not to levy negative revenue support grant, but this is subject to consultation.

This would mean a broadly neutral revenue position in real terms for Maidstone Borough Council, so long as Council Tax is increased by 2% and no negative RSG is levied.

2.6 The new regime to be implemented in 2021/22 will include much more significant changes, which are likely to include:

- Implementation of a 'Fair Funding Review'
- 75% business rates retention by local authorities (versus 50% now)
- Resetting business rates baselines.

It should be noted that 75% business rates retention will not mean an increase in resources for individual local authorities. The government originally intended the increased business rates income to be accompanied by an increase in responsibilities, eg for public health; it remains to be seen what new responsibilities will actually be devolved to local authorities.

2.7 The implications of this for the MTFS are:

- Assuming no major changes in corporate priorities, a 'standstill' budget could be set for 2020/21, with updating simply to allow for inflation.
- For future years, there remains a considerable degree of uncertainty and it is therefore appropriate to plan for a number of different potential scenarios – favourable, neutral and adverse.

Corporate Objectives and Key Priorities

2.8 The Council's Strategic Plan sets out four key priorities, as follows:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

Over the past year, the priority of 'Embracing growth and enabling infrastructure' has been made more explicit through our developing plans for an Innovation Centre, for Maidstone East and a new Garden Community. Investment plans have been approved by Policy and Resources Committee which seek to promote Maidstone as a 'Thriving Place', as well as generating a positive financial return for the Council. The priority of a 'Safe, Clean and Green' place has been emphasised by Council's decision to declare its recognition of global climate and biodiversity emergencies, and to consider adopting a target date of 2030 for the whole of the Borough of Maidstone to be carbon neutral.

2.9 These refinements of the Strategic Plan are likely to involve a limited amount of additional revenue expenditure in the short term, and additional capital investment in the medium to long term. This will be factored into the strategic revenue projections, whilst recognising that the overall requirement to deliver a standstill revenue budget means that budget growth in one area will need to be offset by savings or additional income in another.

Revenue Projections

2.10 Financial projections for the next five years have been updated, based on what is now known about the local government financial settlement for 2020/21 and other emerging information. These projections assume that budget savings already agreed by members, as set in Appendix B, are delivered. Financial projections indicate a budget position as follows under the different scenarios. Full details are set out in Appendix C.

	20/21	21/22	22/23	23/24	24/25
	£m	£m	£m	£m	£m

Scenario 1 – Favourable					
Budget gap / (surplus)	-0.2	0.8	1.1	1.4	1.2

Scenario 2 – Neutral					
Budget gap / (surplus)	-0.1	0.9	1.6	2.1	2.2

Scenario 3 – Adverse					
Budget gap	0.4	1.9	3.3	4.6	5.5

2.11 These figures assume inflation of 2% per annum, in line with the Bank of England's long term forecast, and that Council Tax is increased correspondingly, ie by 2% per annum, such that its level remains constant in real terms.

2.12 On the basis of these assumptions, a balanced position can be achieved in 2020/21 under the neutral and favourable scenarios. There will be an increasing budget gap in the neutral and adverse scenarios in future years, although the deficit flattens out in year 5 as income from Council capital investments grows. The budget gap in the neutral scenario is considered to be manageable, in that by 2024/25 it still represents less than 5% of the Council's projected operating income.

2.13 The projected gap will be kept under review and steps taken to bring forward proposals for addressing it, whether by generating additional income or making savings, in good time such that there is no risk of the Council setting an unbalanced budget in future years.

2.14 The following table compares the position in the neutral scenario for a 2% Council Tax increase with that for a Council Tax freeze, as requested by Members at the meeting of Policy and Resources Committee on 23 July 2019.

	20/21	21/22	22/23	23/24	24/25
	£m	£m	£m	£m	£m

Neutral Scenario – Council Tax increase 2% per annum					
Budget gap	-0.1	0.9	1.6	2.1	2.2

Neutral Scenario – Council Tax freeze					
Budget gap	0.2	1.6	2.6	3.5	4.0

Assuming all other factors remained unchanged, freezing Council Tax would lead to a budget gap of £200,000 in 2020/21. Over the longer term, it can be seen that not increasing Council Tax in line with inflation increases the budget gap to a level which risks being unmanageable.

Capital Programme

2.15 The capital programme plays a vital part in delivering the Council’s strategic plan, since it is only through long term investment that our ambitions for the borough can be realised. The capital programme is a rolling five year programme. The existing capital programme totals £109 million over five years. Major schemes include the following:

- Brunswick Street redevelopment
- Union Street redevelopment
- Further mixed housing and regeneration schemes
- Council affordable housing programme
- Housing for temporary accommodation
- Flood Action Plan
- Improvements at Mote Park
- Mote Park dam works
- Town centre regeneration
- Commercial property investments.

2.16 Schemes may be included in the capital programme if they fall within one of the four following categories:

- Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
- Self-funding schemes focused on strategic plan priority outcomes;
- Other schemes focused on strategic plan priority outcomes; and
- Other priority schemes which will attract significant external funding.

2.17 To the extent that schemes are self-funding, in other words they cover the cost of finance and a provision for repayment of borrowing, there is no net impact on the revenue budget. This gives scope for the capital programme to be expanded, subject to the Council’s agreed prudential indicators. These indicators are important in ensuring that the burden of borrowing is reasonable given the Council’s overall revenue budget.

Reserves

- 2.18 The Council maintains reserves as a safety net to allow for unforeseen circumstances. There is no statutory definition of the minimum level of reserves: the amount required is a matter of judgement. However, the Council has agreed to set £2 million as the minimum General Fund balance.
- 2.19 In practice, reserves are higher than this. In total, General Fund balances at 31 March 2019 amounted to £14.4 million. The budget for the current financial year allows for a further £1.6 million, money that was originally set aside to pay negative Revenue Support Grant, to be added to reserves as a contingency for future funding pressures. It is proposed that this contingency be rolled forward to 2021/22, given that the government's standstill funding settlement does not require us to draw on the contingency in 2020/21. This would maintain reserves at a healthy, but not excessive level.

Conclusion

- 2.20 In the short term, the government's spending round announcements allows the Council to assume a real terms 'stand still' spending position for 2020/21, provided Council Tax is increased up to the referendum limit of 2%.
- 2.21 In the longer term, a budget gap is likely to emerge under 'neutral' and 'adverse' scenarios. Budget proposals will be brought forward to address the projected gap as necessary, whether by generating additional income or making savings, such that there is no risk of the Council setting an unbalanced budget in future years.

3. AVAILABLE OPTIONS

- 3.1 The Committee is asked to consider and comment on the draft MTFS attached at Appendix A. Any changes and comments will be considered by the Policy and Resources Committee at its meeting on 20 November.
- 3.2 The Committee could choose not to comment on Appendix A.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The The Committee is asked to consider and comment on the draft MTFS attached at Appendix A. This will ensure that its views are taken into account as part of developing the MTFS.

5. RISK

- 5.1 The preceding paragraphs have indicated at several points the risks and uncertainty surrounding the Council's financial position. In order to address these in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Policy and Resources Committee reviewed the background to setting a new Medium Term Financial Strategy at their meeting on 23 July. They noted the planning assumptions and requested that officers consider the implications of both (a) a Council Tax freeze and (b) maintaining the level of Council Tax in real terms.
- 6.2 A survey is currently under way, consulting residents on what they wish to see in the budget. The results will be reported when detailed budget proposals are presented to the Committee in January 2020, so Members will be able to take into account residents' views at that stage.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 An outline timetable for developing the Medium Term Financial Strategy and budget for 2020/21 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
20 November 2019	Policy and Resources Committee	Agree updated MTFS for submission to Council
11 December 2019	Council	Approve updated MTFS
October – December		Develop detailed budget proposals for 2020/21
January 2020	All Service Committees	Consider 20/21 budget proposals
12 February 2020	Policy and Resources Committee	Agree 20/21 budget proposals for recommendation to Council
26 February 2020	Council	Approve 20/21 budget

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Draft Medium Term Financial Strategy 2020/21 – 2024/25
- Appendix B: Agreed Budget Savings 2020/21 – 2023/24
- Appendix C: Strategic Revenue Projections 2020/21 – 2024/25 – under different scenarios.

9. BACKGROUND PAPERS

None.

MAIDSTONE BOROUGH COUNCIL
MEDIUM TERM FINANCIAL STRATEGY
2020/21 – 2024/25

DRAFT

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1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

Background

- 1.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council agreed a new Strategic Plan in December 2018 which describes and prioritises our corporate objectives. The MTFS sets out how these objectives will be delivered, given the resources available.
- 1.2 Resources depend first of all on the broad economic environment. The overall picture for the economy is one of slower growth, but it is hoped that growth will resume as the uncertainties around Brexit are resolved. The present government has responded to lower growth and the reaction against austerity by announcing significant new spending initiatives. These initiatives have been in other areas from the public sector from District Councils, so there is not expected to be a direct benefit to this Council. To the extent that the Council wishes to fund new initiatives, it is likely to have to rely on self-generated resources.
- 1.3 Most of the Council's income already comes from Council Tax and other local sources, including parking, planning fees and property income. This relative self-sufficiency provides a level of reassurance, but there is considerable uncertainty about the position for 2021/22 onwards. The Government offered a four year funding settlement to local authorities in 2016, covering the years 2016/17 to 2019/20, and for 2020/21 the funding arrangements have been rolled forward without significant changes, but the future position is very uncertain.
- 1.4 Capital investment faces a different set of constraints. As set out in section 6 below, funds have been set aside for capital investment and further funding is available, in principle, through prudential borrowing. The challenge is to ensure that capital investment is affordable and sustainable, given the return on investment and the cost of finance, and that the overall scale of the capital programme remains proportionate to the Council's overall budget.

Revenue Projections

- 1.5 The strategic revenue projections underlying the MTFS 2019/20 – 2023/24 suggested that there would be a budget gap of £400,000 in 2020/21, increasing to £2.2 million by the end of the five year period, as follows. The projections were based on a 'neutral' scenario.

Table 1: Current MTFS Revenue Projections 2019/20 – 2023/24

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m
Council Tax	16.2	16.8	17.5	18.2	18.9
Retained Business Rates	3.2	1.7	0.4	0.5	0.6

Business Rates Growth	1.1	0.0	0.2	0.4	0.7
Budget requirement	20.5	18.5	18.1	19.1	20.2
Fees and Charges	20.8	21.0	21.2	21.4	21.6
Total Funding Available	41.3	39.5	39.3	40.5	41.8
Predicted Expenditure	42.5	41.5	41.2	41.1	42.6
Budget Gap	1.2	2.0	1.9	0.6	0.8
Required Savings – Cumulative	1.2	3.2	5.1	5.7	6.5
Savings identified – Cumulative	1.2	2.8	3.7	4.3	4.3
Still to be identified	0.0	0.4	1.4	1.4	2.2

- 1.6 The MTFS 2020/21 – 2024/25 sets out an updated set of financial projections in section 7. However, it is important to note that projections like these can only represent a best estimate of what will happen. In updating the projections, various potential scenarios have been modelled – adverse, neutral and favourable.
- 1.7 In accordance with legislative requirements the Council must set a balanced budget. The MTFS sets out a proposed approach that seeks to address this.

2. CORPORATE OBJECTIVES AND KEY PRIORITIES

2.1 The Council has developed a new Strategic Plan which was approved by Council in December 2018. The development of a new Strategic Plan was brought forward in order to inform the refresh of the Local Plan, which sets out the framework for development in the borough and is due to be completed by April 2022. The new Strategic Plan likewise informs the whole range of other Council strategies and policies.

2.2 The new Strategic Plan went through a thorough process of discussion and refinement over the period June – October 2018 and was approved by Council on 12 December 2018. It sets out four key priorities, as follows:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

'Embracing growth and enabling infrastructure' recognises the Council's role in leading and shaping the borough as it grows. This means taking an active role in policy and master planning for key sites in the borough, and where appropriate, investing directly ourselves.

'Homes and communities' expresses the objective of making Maidstone a place where people love to live and can afford to live. This means providing a range of different types of housing, including affordable housing, and meeting our statutory obligations to address homelessness and rough sleeping.

'A thriving place' is a borough that is open for business, attractive for visitors and an enjoyable and prosperous place to live for our residents. We will work to regenerate the County town and rural service centres and will continue to grow our leisure and cultural offer.

A 'safe, clean and green' place is one where the environment is protected and enhanced, where parks, green spaces, streets and public areas are looked after, well-managed and respected, and where people are and feel safe.

2.3 Since the adoption of the Strategic Plan in December 2018, the priority of 'Embracing growth and enabling infrastructure' has been made more explicit through our developing plans for an Innovation Centre, for Maidstone East and a new Garden Community. Investment plans have been approved by Policy and Resources Committee which seek to promote Maidstone as a 'Thriving Place', as well as generating a positive financial return for the Council. The priority of a 'Safe, Clean and Green' place has been emphasised by Council's decision to declare its recognition of global climate and biodiversity emergencies, and to consider adopting a target date of 2030 for the whole of the Borough of Maidstone to be carbon neutral.

2.4 The purpose of the MTFs is to describe how the outcomes associated with these objectives and priorities can be delivered, given the financial resources available to the Council, and bearing in mind the prioritisation of

objectives. 'Financial resources' include both revenue resources, for day-to-day expenditure, and capital resources, for one-off investment that will deliver benefits over more than a year.

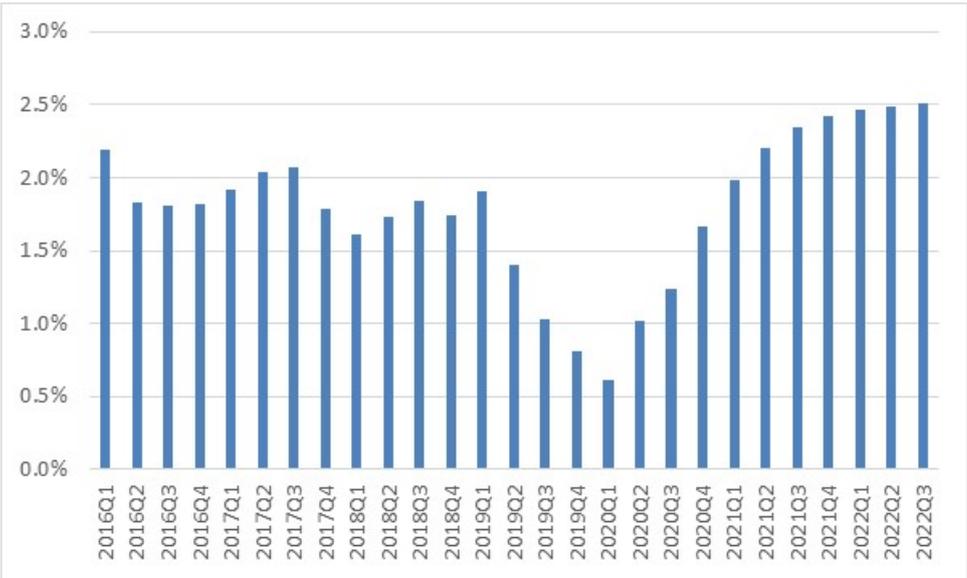
- 2.5 Resources are described in section 4 below. It will be seen that there are constraints on the funding available for the revenue budget, and there are in any case service pressures which must be accommodated. This implies a process of matching resources against the objectives in the Strategic Plan.
- 2.6 Capital investment has hitherto been funded from the New Homes Bonus, internal revenue resources and third party contributions such as Section 106 payments on new developments. From 2019/20 onwards capital investment will increasingly be funded by external borrowing. The constraints on capital expenditure are different from those facing revenue expenditure, because the current local authority funding regime does not set cash limits for borrowing. However, borrowing must be sustainable in terms of the Council's ability to fund interest payments and ultimately repayment of capital. Capital investment plans also depend on having the capacity, in terms of internal resources, to develop projects, work effectively with partners, and secure third party funding.

3. NATIONAL CONTEXT

Economic Outlook 2020 – 2025

- 3.1 The prospects for the national economy depend both on global economic prospects and on the consequences of Brexit. Growth projections in most leading economies, as expressed in Purchasing Managers’ Indices, have been falling, particularly where growth is heavily dependent on international trade. The Bank of England has pointed out that UK’s composite output PMI is now at the bottom of a range of advanced economies, indicating that the prospects for the UK are further exacerbated by Brexit-related uncertainties.
- 3.2 So far, these uncertainties have led to volatility in economic growth, with businesses stocking up in anticipation of Brexit in March 2019, followed by a slowdown. This has not yet pushed the economy into recession, which is defined as two successive quarters of negative growth: output grew in the three months to the end of August by 0.3% after a contraction of 0.2% in the three months to the end of June.
- 3.3 It remains to be seen whether recession can be avoided in the short term. In the medium term, the Office of Budget Responsibility expects growth in 2019 and 2020 to be slightly below potential, as Brexit uncertainty weighs on the economy. From 2021 onwards, it assumes that Brexit uncertainty will begin to fade and potential productivity growth will pick up, which means that GDP growth would rise¹. Bank of England projections show a similar picture – see graph below.

Figure 1: Real UK gross domestic product (GDP) growth rate assuming constant interest rates
 (Source – Bank of England Quarterly Inflation Report August 2019)



- 3.4 The most recent Consumer Price Inflation (CPI) data shows 1.7% for the year to August 2019. The Bank of England projects inflation of 1.92% for quarter 1 of 2020 assuming constant interest rates. Thereafter, inflation is

¹ <https://obr.uk/forecasts-in-depth/the-economy-forecast/real-gdp-growth/>

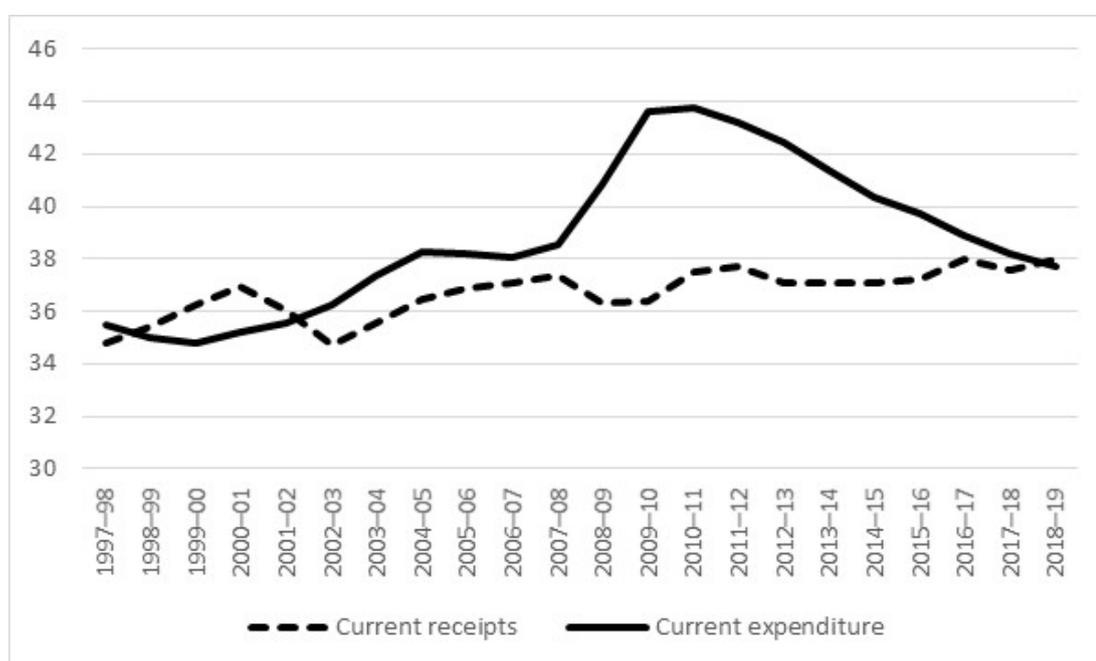
judged likely to rise slightly above the target inflation rate of 2%, based on domestic inflationary pressures. Over the longer term, policy action will be designed to ensure inflation remains within 1% above or below the target of 2%.

- 3.5 The overall picture for the national economy is therefore for slower growth in the short term before resuming a moderate rate of growth in the medium term. Inflation is projected to increase to above the Bank of England target of 2% next year, but with the expectation that policy action will bring it back in line with target in the longer term.

Public Finances

- 3.6 After a period of austerity between 2010 and 2017, government spending has come back into line with receipts.

Figure 2: Current receipts and expenditure as % of national income

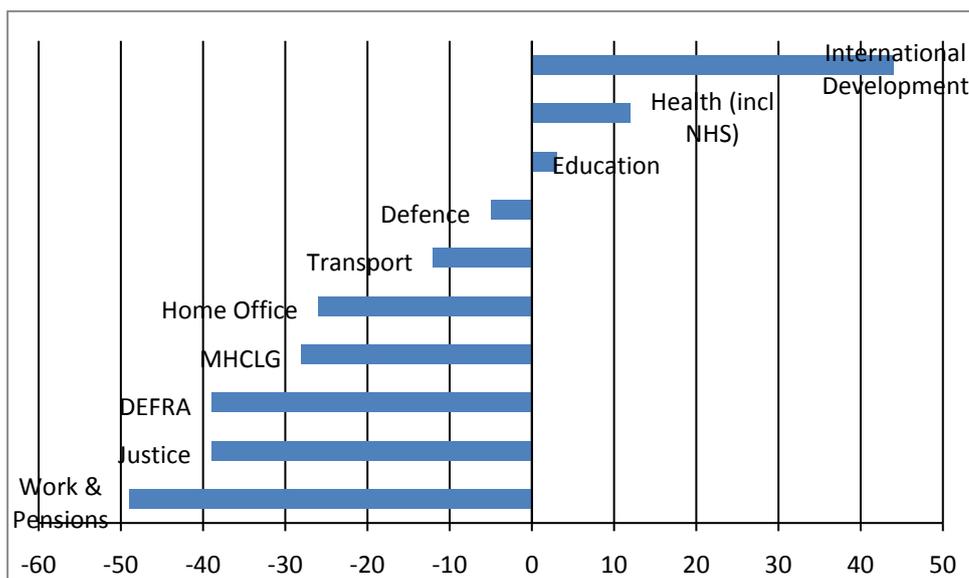


However, the cumulative deficit is at its highest ever level in relation to GDP, at 82% of national income. The government has also now rapidly changed direction following the long period of austerity, with a number of increasingly generous public spending commitments over the past twelve months. This will increase the level of borrowing as a percentage of GDP, even under a smooth Brexit scenario².

- 3.7 Within the overall reduction in public expenditure, there has been a widely disparate pattern between different government departments.

² IFS, Green Budget 2019

Figure 3: Planned real change to Departmental Expenditure Limits 2010-11 – 2019-20 (per cent)



- 3.8 MHCLG, which provides central government funding for local authorities, has seen some of the biggest cuts. Although the policy of austerity has now been reversed, it is unlikely that local government will see significant benefits given the pressures elsewhere on the public purse, in particular from the NHS.
- 3.9 The effects of austerity in local government have not been spread evenly between authorities. The increasing costs of adult social care and children’s social care – services delivered by the upper tier of local government - contribute by far the majority of the funding gap faced by the sector. When local government spending needs are assessed against resources in the planned 2020 Spending Review, it is likely that any rebalancing of public spending will benefit the upper tier authorities that deliver these services, rather than District Councils like Maidstone.
- 3.10 The Queen’s Speech on 14 October 2019 announced a White Paper on devolution. This may be the first step towards local government reorganisation, but at this stage it is appropriate to plan on the basis of the Council retaining its current level of autonomy.

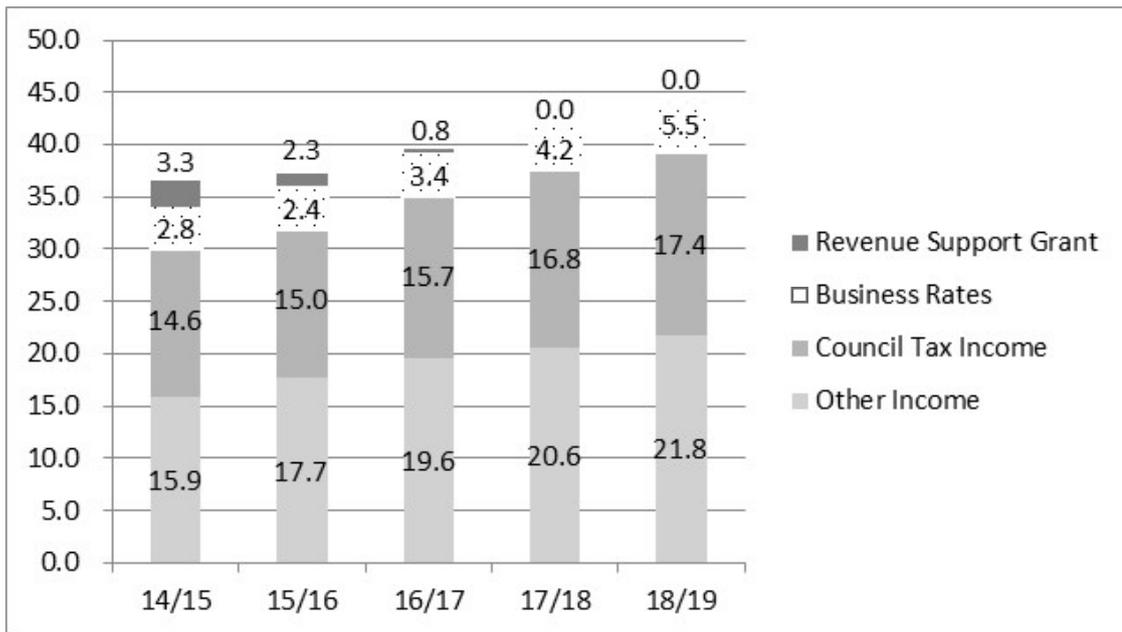
Conclusion

- 3.11 Growth in the national economy is slowing, and is vulnerable to Brexit related uncertainty. Although the government plans aggressive public expenditure which would counter-act any downturn in the economy, there is unlikely to be much direct benefit to District Councils. This Council is already largely self-sufficient, so for financial planning purposes, it needs to assume a continued reliance on self-generated resources, and to maintain a level of reserves that will allow it to withstand external shocks.

4. FINANCIAL RESOURCES

- 4.1 The Council's main sources of income are Council Tax and self-generated income from a range of other sources, including parking, planning fees and property investments. It no longer receives direct government support in the form of Revenue Support Grant; although it collects around £60 million of business rates annually, it retains only a small proportion of this.

Figure 4: Sources of Income (£m)



Council Tax

- 4.2 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.
- 4.3 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below.

Table 2: Number of Dwellings in Maidstone

	2015	2016	2017	2018	2019
Number of dwellings	67,721	68,519	69,633	70,843	71,917
% increase compared with previous year	0.81%	1.18%	1.63%	1.74%	1.52%

Note: Number of dwellings is reported each year based on the position shown on the valuation list in September.

- 4.4 The level of council tax increase for 2020/21 is a decision that will be made by Council based on a recommendation made by Policy and Resources Committee. The Council's ability to increase the level of council tax is limited

by the requirement to hold a referendum for increases over a government set limit. The referendum limit for 2019/20 was the greater of 3% or £5.00 for Band D tax payers. Council Tax was increased by the maximum possible, ie £7.56 (3%).

- 4.5 In the Medium Term Financial Strategy 2019/20 – 2023/24, it was assumed that the Council Tax base would increase by 2% per annum for the MTFs period, and Band D Council Tax increases would revert to 2% per annum after 2019/20. Given the risk of an economic slowdown, and the fact that growth of 2% per annum has never actually been achieved, a more prudent assumption for increases in the Council Tax base would be 1.5%.

Other income

- 4.6 Other income is an increasingly important source of funding for the Council. It includes the following sources of income:

- Parking
- Shared services
- Commercial property
- Planning fees
- Cremations
- Garden waste collection
- Income generating activity in parks

Where fees and charges are not set by statute, we apply a policy that guides officers and councillors in setting the appropriate level based on demand, affordability and external factors. Charges should be maximised within the limits of the policy, but customer price sensitivity must be taken into account, given that in those areas where we have discretion to set fees and charges, customers are not necessarily obliged to use our services.

- 4.7 In developing the strategic revenue projection for 2020/21 a broad assumption of a 2% increase in future fees and charges has been used for the development of the MTFs, in line with overall inflation assumptions.

Business Rates

- 4.8 Under current funding arrangements, local government retains 50% of the business rates it collects. The aggregate amount collected by local government is redistributed between individual authorities on the basis of perceived need, so that in practice Maidstone Borough Council receives only around 7% of the business rates that it collects.

- 4.9 Prior to the 2017 General Election, the Government was preparing to move to 100% business rates retention with effect from 2020. The additional income would have been accompanied by devolution of further responsibilities to local government. However, the need to accommodate Brexit legislation meant that there was no time to legislate for this. Government now intends to increase the level of business rates retention to the extent that it is able to do within existing legislation, and plans to introduce 75% business rates retention with effect from 2021/22.

- 4.10 In the meantime, the Autumn 2019 Spending Round announcement assumes a 'roll-forward' settlement for 2020/21, with the existing 50% scheme retained and the amounts retained by individual local authorities increased in line with inflation.
- 4.11 As with 50% business rates retention, the new 75% business rates retention regime will be linked to a mechanism for rates equalisation to reflect local authorities' needs. These will be assessed based on a 'Fair Funding Review'. The overall amounts to be allocated as part of the Fair Funding Review are also subject to a planned Spending Review which is now expected to take place in 2020. It is therefore difficult to predict with any degree of accuracy whether the proportion of business rates retained by Maidstone will remain the same, increase or decrease from 2021/22 onwards.
- 4.12 The current local government funding regime gives authorities the opportunity to pool their business rates income and retain a higher share of growth as compared with a notional baseline set in 2013/14. Maidstone has been a member of the Kent Business Rates pool since 2014/15. Its 30% share of the growth arising from membership of the pool is allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has been used to support the Maidstone East development.
- 4.13 It should be noted that in 2021, the baseline will be reset, so all growth accumulated to that point will be reallocated between local authorities as described in paragraph 4.11 above.
- 4.14 A further element of growth was retained locally for one year only in 2018/19 as a result of Maidstone's participation in the Kent & Medway 100% Business Rates Retention pilot. Kent & Medway local authorities were successful in bidding for pilot status, which meant that 100% of business rates growth, rather than 50%, was retained locally. The additional growth was split between a Financial Sustainability Fund (70%) and a Housing and Commercial Growth Fund (30%).
- 4.15 Unfortunately, Kent & Medway was unsuccessful with its bid to form a pilot again in 2019/20, and no further pilots are planned for 2020/21.
- 4.16 Total projected business rates income for 2019/20 and the uses to which it will be put are summarised in the table below.

Table 3: Projected Business Rates Income 2019/20

	£000	
Business Rates baseline income	3,208	Included in base budget
Growth in excess of the baseline	1,129	Included in base budget
Pooling gain (MBC share)	315	Funds Economic Development projects
Pooling gain (Growth Fund)	315	Spent in consultation with KCC, eg on Maidstone East
Total	4,967	

- 4.17 Whilst the proportion of total business rates income retained by the Council is relatively small, the amounts retained have grown significantly since the introduction of 50% business rates retention. Pressure on the government to reduce the burden of business rates and the unpredictability of future arrangements for equalising business rates income between Councils place future income growth from this source at risk.

Revenue Support Grant

- 4.18 Maidstone no longer benefits directly from central government support in the form of Revenue Support Grant, as it is considered to have a high level of resources and low needs. In fact, Councils in this situation were due to be penalised by the government under the existing four year funding settlement, through a mechanism to levy a 'tariff / top-up adjustment' – effectively negative Revenue Support Grant. Maidstone was due to pay negative RSG of £1.589 million in 2019/20. However, the government faced considerable pressure to waive negative RSG and removed it in the 2019/20 Local Government Finance Settlement. The government has also stated that it is minded not to levy negative RSG in 2020/21.
- 4.19 From 2021/22 there will be a new local government funding regime. However, it should be noted that a needs-based distribution of funding will continue to create anomalies like negative RSG, so it cannot be assumed that the threat of losing funding in this way (even if the mechanism is different) has gone away.
- 4.20 The potential negative RSG of £1.589 million for 2019/20 was held as a contingency for future funding pressures, to be applied to cushion the impact of likely reductions in resources in the future. Given that it appears that negative RSG will not be levied in 2020/21, it is proposed to continue rolling forward this contingency in anticipation of the impact of the new funding regime in 2021/22.

Balances and Earmarked Reserves

- 4.21 The Council maintains reserves as a safety net to allow for unforeseen circumstances. There is no statutory definition of the minimum level of reserves: the amount required is a matter of judgement. However, the Council has agreed to set £2 million as the minimum General Fund balance.

- 4.22 Within the General Fund balance, amounts have been allocated for specific purposes. These amounts do not represent formal commitments. Instead, they represent the level of reserves considered to be required for specific purposes, including asset replacement, commercialisation and Invest to Save projects.
- 4.23 In addition to unallocated General Fund balances, the Council holds reserves that are earmarked for specific purposes. Full details of reserves held are set out below.

Table 4: General Fund balances as at 31 March 2019

	31.3.18 £000	31.3.19 £000
Earmarked Reserves		
New Homes Bonus funding for capital projects	1,404	0
Local Plan Review	200	200
Neighbourhood Plans funding carried forward	70	64
Planning Appeals Contingency	0	300
Accumulated Surplus on Trading Accounts	51	31
Civil Parking Enforcement	481	419
Future Capital Expenditure	0	431
Housing Prevention & Temporary Accommodation	0	700
Unspent Business Rates Growth (Pool and Pilot)	692	3,682
Sub-total Earmarked Reserves	2,898	5,828
Unallocated Balances	9,022	8,620
Total General Fund balances	11,920	14,448

- 4.24 The unallocated balances comfortably exceed the £2 million minimum. They represent around 20% of the gross revenue budget, which is well in excess of the 10% benchmark that is sometimes cited as a reasonable level. It can therefore be seen that the level of reserves is adequate without being excessive.

Capital Funding

- 4.25 Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, which offers rates that are usually more competitive than those available in the commercial sector. Maidstone Borough Council has so far not borrowed to fund its capital programme, instead relying primarily on New Homes Bonus to fund the capital programme. Borrowing has not been required so far in 2019/20, but is likely to be in subsequent years. The cost of any borrowing is factored into the MTFS financial projections.
- 4.26 Public Works Loan Board funding has for several years offered local authorities a cheap source of finance, which has been used more and more extensively. The amount authorised by the Treasury for PWLB lending is currently capped at £95 billion, and with borrowing reaching £85 billion in October 2019, it was announced that the cost of borrowing would be increased by 100 basis point across the board, with the clear intention of

dampening demand for funds. This meant, for example, that the annual interest on a 50 year loan, repayable on maturity, increased from 1.8% to 2.8%. Given that borrowing costs in the market generally remain very low, it is considered likely that local authorities will be able to continue to borrow cheaply from other lenders, if not from the PWLB.

- 4.27 There has been a reduction of the period for which New Homes Bonus would be paid from six years to five in 2017/18 and then to four in 2018/19 and 2019/20. The government has announced its intention of paying New Homes in 2020/21, but under the new Local Government funding regime to be implemented from 2021/22 a new, unspecified mechanism for incentivising housebuilding is envisaged.
- 4.28 External funding is sought wherever possible and the Council has been successful in obtaining Government Land Release Funding for its housing developments and ERDF funding for the Kent Medical Campus Innovation Centre.
- 4.29 Funding is also available through developer contributions (S 106) and the Community Infrastructure Levy (CIL). The Community Infrastructure Levy was introduced in Maidstone in October 2018.
- 4.30 The current funding assumptions used in the programme are set out in the table below.

Table 5: Capital Programme Funding

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	Total £000
External sources	6,901	9,179	3,253	2,782	860	22,975
Own resources	15,185	1,082	1,277	1,485	1,682	20,712
Debt	29,667	8,644	9,153	8,371	9,338	65,173
TOTAL	51,754	18,905	13,683	12,638	11,880	108,860

A review of the schemes in the capital programme will take place during the course of Autumn 2019. Proposals will also be considered for new schemes to be added to the capital programme. The affordability of the capital programme will be considered as part of this review, as it is essential that any borrowing to fund the capital programme is sustainable and affordable in terms of its revenue costs.

- 4.31 Under CIPFA's updated Prudential Code, the Council is now required to produce a Capital Strategy, which is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. A Capital Strategy was approved by Council at its meeting on 25 September 2019.

- 4.32 The outcome of the capital programme review and an updated Capital Strategy will be considered by Policy and Resources Committee in January 2020 and an updated capital programme and strategy recommended to Council for approval.

5. SCENARIO PLANNING

- 5.1 Owing to uncertainty arising from the economic environment, and from the lack of clarity about what the government's plans for local government funding will mean for the Council, financial projections have been prepared for three different scenarios, as follows.

1. Favourable

Brexit is accompanied by a government-induced stimulus to the economy, which provides more funding for local government. In the medium term, this generates higher economic growth which more than offsets any potential negative Brexit impacts.

2. Neutral

Current trends are maintained. The Council is able to maintain existing service levels and to fund inflationary increases in expenditure thanks to a steadily growing Council Tax base and regular annual increases in Council Tax. However, without any overall increase in local government spending, new spending pressures have to be funded from within existing resources.

3. Adverse

An adverse outcome from Brexit leads to recession, reducing Council income but increasing service pressures in areas like homelessness, requiring spending cuts in order to ensure that statutory services are maintained.

Details of key assumptions underlying each of these scenarios are set out below.

Council Tax

- 5.2 It is assumed that the Council will take advantage of any flexibility offered by central government and will increase Council Tax up to the referendum limit. The government plans to set a referendum limit of 2% for 2020/21. It is not known at this stage what the referendum limit will be for subsequent years, but it is assumed to be 2%, to align with the government's inflation target. This assumption applies to all three scenarios, as Council Tax is the authority's principal and most reliable source of income, and it would not be prudent to fail to maximise income from this source.
- 5.3 The other key assumption regarding Council Tax is the number of new properties. The number of new properties has been increasing in recent years, from a low of 0.38% in 2014, peaking at 1.74% in 2018. The rate of increase nevertheless remains lower than that implied by Local Plan new homes targets. Assumptions are as follows:

Favourable – 2%

Neutral – 1.5%

Adverse – 1%

- 5.4 The target collection rate for Council Tax is 98%. Current indications are that the actual collection rate for 2019/20 will be at, or very close to, this level. However, in the event of a recession, residents will be under greater financial pressure and this could lead to a lower collection rate. A further 0.5% of income is therefore assumed to be lost in this scenario.

Business Rates

- 5.5 The Council receives only a small proportion of the business rates that it actually collects. In 2020/21, the Government indicated in its Spending Round announcement in September 2019 that it would roll forward the existing arrangements, with an increase in the business rates baseline to reflect inflation.
- 5.6 After 2021, the proportion of business rates retained by the authority will be adjusted to reflect the findings of the Fair Funding Review and the Spending Review. It is very difficult to predict what this will mean in practice. However, for the purposes of revenue projections, a number of assumptions have been made.
- 5.7 The starting point in the government's calculations will be Maidstone's perceived level of need, which in the current four year funding settlement led to the Council being faced with a negative revenue support grant payment of £1.589 million in 2019/20. In the event, this was not levied on the Council, following concerted lobbying by Maidstone and other authorities that faced negative RSG. The amount of negative RSV thus avoided in 2019/20 is being held in reserve to address likely future funding pressures.
- 5.8 The starting point for future business rates income is therefore assumed to be the current baseline share of business rates income, as adjusted for inflation in 2020/21, less £1.589 million. It is not accepted that this would be a fair allocation of business rates income but it is nevertheless prudent to make this assumption for forecasting purposes.
- 5.9 A further factor to be considered is the resetting of the government's business rates baseline in 2021/22. This represents the level above which the Council benefits from a share in business rates growth. It is likely that the government will reset the baseline in order to redistribute resources from those areas that have benefitted most from business rates growth in the years since the current system was introduced in 2013, to those areas that have had lower business rates growth. Accordingly, cumulative business rates growth has been removed from the projections for 2021/22, then is gradually reinstated from 2022/23.
- 5.10 The target collection rate for Business Rates is 98.6%. Current indications are that the actual collection rate for 2019/20 will be closer to 98%. In the event of a recession, businesses will be under greater financial pressure and the number of businesses failures will be higher, leading to a still lower collection rate. A further 2% of income is therefore assumed to be lost in this scenario.

- 5.11 Given these assumptions, the specific assumptions for business rates growth in each scenario are as follows:

Favourable – 2% increase in multiplier plus 2% growth in base

Neutral – 2% increase in multiplier plus 1% growth in base

Adverse – 3% increase in multiplier, 0% growth in base and 2% losses from lower collection rate

Inflation

- 5.12 The most recent Bank of England inflation report recognised an inconsistency between market expectations of inflation, which assume very low interest rates in the near term, and the Bank's own inflation forecasts, which align with its more aggressive assumptions about interest rates. A further potential factor is the impact of any sterling depreciation on input prices, which could push up inflation rates.
- 5.13 For the purpose of forecasting, it is assumed that the government's target rate of inflation is 2% is achieved in the favourable and neutral scenarios. A higher rate of 3% is assumed in the adverse scenario, reflecting the risk of increases in input prices pushing up inflation rates.

Pay inflation

- 5.14 Pay is the Council's single biggest item of expenditure, accounting for around 50% of total costs. Although the Council sets pay rates independently of any national agreements, in practice it has to pay attention to overall public sector and local authority pay settlements, as these affect the labour market in which the Council operates. It will be difficult for the Council to ignore this, so the assumption about pay inflation in all scenarios is that it will be in line with general inflation assumptions. Furthermore, an additional 0.5% has to be allowed for in pay inflation assumptions arising from the annual cost of performance related incremental increases for staff.

Fees and charges

- 5.15 The projections imply that fees and charges will increase in line with overall inflation assumptions, to the extent that the Council is able to increase them. In practice, it is not possible to increase all fees and charges by this amount as they are set by statute. Accordingly, the actual increase in income shown in the projections is 50% of the general inflation assumption in each scenario.
- 5.16 A favourable economic climate could be expected to boost fees and charges income above and beyond the rate of inflation. Conversely, in the event of a recession, as assumed under the adverse scenario, a number of the Council's income streams could suffer. In some cases (eg Planning fees) the Council could eventually cut its costs accordingly, although there would be a time lag. However, this does not apply to all income streams. In particular, Parking income is highly sensitive to the overall economy, and there are few mitigations available if income falls. Accordingly, under the adverse scenario, a 2% year on year loss of income is assumed.

Contract costs

Costs are generally assumed to rise in line with inflation, but a composite rate is applied to take account of higher increases on contracts like waste collection where the growth in the number of households leads to a volume increase as well as an inflation increase.

5.17 Inflation assumptions are summarised as follows.

Table 6: Inflation Assumptions

	Favourable	Neutral	Adverse	Comments
General	2.00%	2.00%	3.00%	2% is the government's target inflation rate but there is a risk of higher inflation if sterling depreciates following Brexit
Employee Costs	2.00%	2.00%	3.00%	Neutral assumption is in line with the most recent pay settlement and government inflation targets
	0.50%	0.50%	0.50%	The annual cost of performance related incremental increases for staff
Contract costs	2.00% - 5.00%	2.00% - 5.00%	2.00% - 8.00%	A composite rate is applied, reflecting different pressures on individual contracts
Fees and charges - price	2.00%	2.00%	3.00%	In line with general inflation assumptions
Fees and charges - volume	2.00%	0.00%	-2.00%	Reflects overall economic conditions

Service Spend

5.18 Strategic Revenue Projections under all scenarios assume that service spend will remain as set out in the previous MTFs, so savings previously agreed by Council will be delivered and no further growth arising from the new Strategic Plan is incorporated. In practice, it is likely that service spending would need to be reduced if the adverse scenario were likely to arise.

5.19 The projections include provision for the revenue cost of the capital programme, comprising interest costs (2.5%) and provision for repayment of borrowing (2%).

Summary of Projections

5.20 A summary of the financial projections under each of the scenarios is set out in section 7.

6. SPENDING PLANS – REVENUE AND CAPITAL

- 6.1 This section sets out current revenue and capital spending plans, so that an assessment can be made as to whether the plans support the Council's strategic priorities, and therefore whether resources are employed appropriately.

Revenue

Table 7: 2018/19 Revenue Outturn and 2019/20 Savings and Growth

Committee	Service	2018/19			2019/20	
		Final adjusted budget	Actual outturn for the year	Variance (-Adverse/ Favourable)	Budget savings	Budget growth
		£000	£000	£000	£000	£000
CHE	Communities & Housing	4,444	4,089	355	119	0
	Environment & Public Realm	4,244	4,539	-295	116	-30
ERL	Heritage, Culture & Leisure	1,852	1,951	-99	167	0
	Economic Development	614	576	38	7	0
S P I	Planning Services	1,291	1,507	-216	60	-24
	Parking & Transportation	-1,939	-1,978	39	271	0
P & R	Property & Investment	-79	-300	221	291	0
	Corporate and Shared Services	9,022	8,911	111	151	-27
	Total	19,449	19,294	154	1,182	-81

Details by service area are set out below.

Communities and Housing

- 6.2 This service area supports the corporate priority 'Housing and Communities'. The Housing Service has been successful in managing an increasing workload over the past couple of years, thanks in part to one-off government grant funding, and to local initiatives such as the purchase of property to provide temporary accommodation. The service remains demand-driven, so whilst the number of families in temporary accommodation appears currently to have stabilised at around 100, this could change. Current budgets however assume that the status quo is maintained.
- 6.3 Our project with EY Xantura, funded via the Business Rates Retention pilot one-off resources, seeks to target homelessness prevention interventions and reduce the risks and incidence of homelessness in the medium term.

- 6.4 The capital budget for 2019/20 includes provision for phase 3 of the temporary accommodation investment programme and ongoing expenditure on the Brunswick Street and Union Street developments, both of which are currently in progress.
- 6.5 In the longer term, the Housing Development and Redevelopment Investment Plan and our plans for Council affordable housing are designed to contribute towards meeting housing need across a range of different tenures.

Environment & Public Realm

- 6.6 These services support the 'clean and green' agenda, as they include street cleaning, grounds maintenance in parks and open spaces, and household waste collection. Waste collection is outsourced and the cost of the service is directly linked to inflation indices. The adverse variance in 2018/19 was owing to a one-off change in accounting treatment of Garden Waste income and has no ongoing implications.
- 6.7 Budgets assume that current service levels are maintained. However, a provision has been included in the MTFS for a potential annual increase in costs of £500,000 when the existing contract with Biffa comes to an end.

Heritage, Culture & Leisure

- 6.8 This service area helps to make Maidstone a 'thriving place'. It includes the museum, leisure services and bereavement services. Leisure services are seeing significant capital investment at Mote Park with the Adventure Zone and the forthcoming Visitor Centre. This forms part of a long term strategy for Mote Park whereby self-sufficiency is achieved by investment in income generating activities, so the Adventure Zone is projected to deliver £114,000 additional income annually which will contribute towards the running costs of the park. However, it is clear that new visitors also create additional spending pressures in Mote Park generally, highlighting the need for careful forecasting when planning future investment.
- 6.9 The Bereavement service continues to be successful in exceeding its income targets. The business case for further investment in the service is therefore strong.

Economic Development

- 6.10 Economic Development likewise supports the priority of making Maidstone a thriving place. The Council has a small ongoing revenue budget for economic development, supplemented by funding from the Business Rates Pool. The service also plays a key role in major capital-funded projects including the Kent Medical Campus Innovation Centre and Maidstone East.

Planning Services

- 6.11 Planning Services provide the essential framework for 'embracing growth and enabling infrastructure'. These services include spatial planning, and specifically the Local Plan review, infrastructure planning, liaison with

developers on major applications, and day-to-day development management and processing of planning applications. The Planning Service is subject to some volatility in income, particularly with major applications, which led to a budget shortfall in 2019/20. This will require careful management. The current MTFS allows for £800,000 to be spent over the next four years on the Local Plan refresh.

- 6.12 There remains a risk of costs in relation to planning appeals, but known likely costs have been provided for in the accounts as at the end of 2018/19.

Parking & Transportation

- 6.13 Parking and Transportation likewise support growth and infrastructure, as well as serving the priority of making Maidstone a thriving place. The Parking Service traditionally out-performed its income budgets, and budgets were increased accordingly. 2018/19 saw a budget surplus, but the margin was smaller than in previous years, reflecting the fact that more income has been built into the base budget. Future years' income will be heavily dependent on performance of the wider economy and specifically on Maidstone Town Centre's success in attracting visitors.

- 6.14 A saving has been achieved by re-commissioning the Park and Ride service.

Property & Investment

- 6.15 This service is responsible for the Council's own property and investments. The Council's commercial property investment strategy both generates a financial return and supports the regeneration agenda by investing in the local economy. In recent years the Council has been able successfully to generate additional income from commercial investments. Further capital investment has been undertaken in 2019/20 and is planned in the future.

Corporate & Shared Services

- 6.16 Corporate services provide the essential support structure to enable all the corporate priorities to be realised. They include central staffing budgets and office accommodation. The Council's future office accommodation needs are under review, with its lease on Maidstone House expiring in 2023. In the meantime, we will seek to maximise value from the space occupied.

- 6.17 Shared Services continue to provide resilience and offer the potential for additional income, eg from lending Internal Audit staff to other authorities and from our debt collection service.

Summary - Revenue

- 6.18 Most service areas are already scheduled to deliver savings in 2020/21 following previous Council decisions. To the extent that savings cannot be delivered, or additional revenue growth is required in order to meet strategic priorities, further savings will need to be identified so as to remain within the constraint of an overall standstill budget.

Capital

6.19 In drawing up the capital programme, there has been a focus on schemes that both meet strategic priorities and are self-funding. Major initiatives include the following.

- The Housing Development and Regeneration Investment Plan provides for the Council to develop housing ourselves, following on from the developments at Brunswick Street and Union Street, thereby addressing the need for new homes in the borough and generating long term revenue returns through developing homes for market rent.
- The Affordable Housing programme envisages the acquisition of up to 200 social rented homes on smaller developments, to be managed by a Registered Provider (RP).
- The Commercial Investment Strategy builds on the Council's existing commercial investment property portfolio and assumes that we will continue to expand the portfolio, subject to opportunities arising that generate the required rate of return and support the priority of making Maidstone a thriving place.
- The Kent Medical Campus Innovation Centre, part-funded by the ERDF, will bring new businesses and jobs into the area.

Table 8: Capital Programme 2019/20 to 2023/24

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	Total £000
Brunswick Street - Net Cost	3,441	-100				3,341
Union Street - Net Cost	2,085	-1,843				242
Indicative Schemes	4,124	5,426	3,750	3,750		17,050
Council Affordable Housing			3,750	3,750	7,500	15,000
Disabled Facilities Grants	1,570	800	800	800	800	4,770
Temporary Accommodation	3,236					3,236
Housing Incentives	1,040	175	175	175	175	1,740
Gypsy Site Improvement Works	42					42
CCTV Upgrade and Relocation	150					150
Commercial Waste	180					180
Street Scene Investment	147	25				172
Flood Action Plan	1,000	63				1,063
Communities, Housing & Environment Total	17,015	4,546	8,475	8,475	8,475	46,986
Improvements to Play Areas	422					422
Crematorium and Cemetery Projects	140	130				270
Mote Park Improvements	374					374
Mote Park Visitor Centre	2,122					2,122

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	Total £000
Mote Park Lake - Dam Works	267	1,650	100			2,017
Other Parks Improvements	100					100
Museum Development Plan	11	125	200	64		401
Economic Regeneration & Leisure Total	3,437	1,905	300	64		5,706
High Street Regeneration	547					547
Asset Management / Corporate Property	1,417	467	175	175	175	2,409
Feasibility Studies	113	50	50	50	50	313
Infrastructure Delivery	1,200	600	600	600	600	3,600
Software / PC Replacement	124	287				411
Digital Projects	20	20	20	20	20	100
Acquisition of Commercial Assets	24,850	2,500	2,500	2,500	2,500	34,850
Kent Medical Campus-Innovation Centre	649	8,250	1,500			10,399
Maidstone East	520					520
Policy & Resources Total	29,440	12,174	4,845	3,345	3,345	53,149
Mall Bus Station Redevelopment	1,540					1,540
Bridges Gyrotory Scheme	121					121
Strategic Planning & Infrastructure Total	1,661					1,661
Sub-Total	51,553	18,625	13,620	11,884	11,820	107,502
Section 106 Contributions / CIL	201	280	63	754	60	1,358
TOTAL	51,754	18,905	13,683	12,638	11,880	108,860

6.20 A review of the schemes in the capital programme will take place during the course of Autumn 2019 and proposals will be considered for new schemes to be added to the capital programme, whilst ensuring that the overall capital programme is sustainable and affordable in terms of its revenue costs.

7. REVENUE PROJECTIONS

7.1 It is inherent in the Medium Term Financial Strategy that the Council matches available resources to strategic objectives, such that income and expenditure are balanced and any budget gap is eliminated. In addition to the legal requirement to set a balanced budget for 2020/21, the Council needs to have credible plans in place to address any budget gap in subsequent years. In the interests of prudence, these plans need to address not only a neutral set of projections but also the potential adverse scenario outlined above.

7.2 Based on the assumptions set out in Section 5, financial projections indicate a revenue budget position as follows under the different scenarios.

Table 9: Projected Budget Gap 2020/21 – 2024/25

	20/21	21/22	22/23	23/24	24/25
	£m	£m	£m	£m	£m
Scenario 1 – Favourable					
Budget gap / (surplus)	-0.2	0.8	1.1	1.4	1.2
Scenario 2 – Neutral					
Budget gap / (surplus)	-0.1	0.9	1.6	2.1	2.2
Scenario 3 – Adverse					
Budget gap	0.4	1.9	3.3	4.6	5.5

7.3 Current spending plans, as set out in the previous section, have been reviewed for feasibility, affordability and consistency with strategic objectives. As the financial projections indicate a broadly balanced position for 2020/21, no specific targets have been set for savings or increased income generation in this year. However, any service pressures, or initiatives with revenue expenditure implications, will have to be funded from within the overall budget envelope, meaning savings or additional income growth to offset the expenditure growth.

7.4 In subsequent years, the projections indicate a likely requirement either to make savings or generate increased income. By planning a build up in reserves that can be released in 2021/22, the MTFS avoids a potential cliff-edge where savings need to be made at short notice.

7.5 Detailed budget proposals are currently being developed, prior to consideration by Service Committees and the wider stakeholder group in January 2020.

7.6 The following table compares the position in the neutral scenario for a 2% Council Tax increase with that for a Council Tax freeze, as requested by Members at the meeting of Policy and Resources Committee on 23 July 2019.

Table 10: Projected Budget Gap with Council Tax freeze

	20/21	21/22	22/23	23/24	24/25
	£m	£m	£m	£m	£m

Neutral Scenario – Council Tax increase 2% per annum					
Budget gap	-0.1	0.9	1.6	2.1	2.2

Neutral Scenario – Council Tax freeze					
Budget gap	0.2	1.6	2.6	3.5	4.0

Assuming all other factors remained unchanged, freezing Council Tax would lead to a budget gap of £200,000 in 2020/21. Over the longer term, it can be seen that not increasing Council Tax in line with inflation increases the budget gap to a level which risks being unmanageable.

8. RISK MANAGEMENT

- 8.1 As indicated in the previous sections, the Council's MTFS is subject to a high degree of risk and certainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
- 8.2 The major risk areas that have been identified as potentially threatening the Medium Term Financial Strategy are as follows.
- Failure to contain expenditure within agreed budgets
 - Fees and Charges fail to deliver sufficient income
 - Commercialisation fails to deliver additional income
 - Planned savings are not delivered
 - Shared services fail to meet budget
 - Council holds insufficient balances
 - Inflation rate predictions in MTFS are inaccurate
 - Adverse impact from changes in local government funding
 - Constraints on council tax increases
 - Capital programme cannot be funded
 - Increased complexity of government regulation
 - Collection targets for Council Tax and Business Rates missed
 - Business Rates pool fails to generate sufficient growth
 - Adverse financial consequences from a disorderly Brexit
- 8.3 It is recognised that this is not an exhaustive list. By reviewing risks on a regular basis, it is expected that any major new risks will be identified and appropriate mitigations developed.
- 8.4 An assessment of the relative impact and likelihood of the risks identified is set out below.

Table 11: Budget Risk Matrix

Likelihood	5					
	4			L	H,N	
	3		M	G, I	B	
	2		E	C	A,D	J
	1		K	F		
		1	2	3	4	5
		Impact				

Black – Top risk

Red – High risk

Amber – Medium risk

Green – Low risk

Blue – Minimal risk

Key

- A. Failure to contain expenditure within agreed budgets
- B. Fees and Charges fail to deliver sufficient income
- C. Commercialisation fails to deliver additional income
- D. Planned savings are not delivered
- E. Shared services fail to meet budget
- F. Council holds insufficient balances
- G. Inflation rate predictions in MTFS are inaccurate
- H. Adverse impact from changes in local government funding
- I. Constraints on council tax increases
- J. Capital programme cannot be funded
- K. Increased complexity of government regulation
- L. Collection targets for Council Tax and Business Rates missed
- M. Business Rates pool fails to generate sufficient growth
- N. Adverse financial impact from a disorderly Brexit

8.5 For all risks shown on the Budget Risk Register, appropriate controls have been identified and their effectiveness is monitored on a regular basis.

9. CONSULTATION

- 9.1 Each year the Council carries out consultation as part of the development of the MTFS. A consultation is currently under way and the results will be taken into account by Members when they consider detailed budget proposals in January 2020.
- 9.2 Consultation will also be carried out in December 2019 – January 2020 on the detailed budget proposals. Individual Service Committees will consider the budget proposals relating to the services within their areas of responsibility. Full details of the proposals will be published and residents' and businesses' views welcomed.

Document History

Date	Description	Details of changes
21.10.19	Draft to Service Committees	

Service	Proposal	20/21	21/22	22/23	23/24	Total
		£000	£000	£000	£000	£000
C C T V	Commissioning review	-25				-25
Voluntary Sector Grants	Phased reduction of grants	-11	-11			-22
C C T V	Cease monitoring of cameras	-155				-155
Depot/Grounds Maintenance	Commercial Income Growth	-50				-50
Community Services	Review of Community Services	-50				-50
Gypsy & Caravan Sites	Transfer of sites to KCC		-25			-25
Total Communities, Housing & Environment		-291	-36	0	0	-327
Festivals & Events	Cease direct delivery of festivals and events	-10				-10
Mote Park Centre	Income from new Café	-40				-40
Economic Development	Business Terrace Phase 4	-20				-20
Museum	Reprofile NNDR saving	-119				-119
Bereavement Services	Income from investment in chapel	-15	-15			-30
Total Economic Regeneration & Leisure		-204	-15	0	0	-219
New commercial investments	Income from new acquisitions	-143	-143	-143		-429
Elections	Spread elections cost over 4 years		-28			-28
Housing & Regeneration	Income from new developments	-542	-598	-400	-200	-1,740
Communications	Review of communications	-30				-30
Elections	Change in legislation for annual canvas 2020	-25				-25
Maidstone House	Rental income from sub-letting space	-20				-20
Maidstone House	General facilities review	-5				-5
Debt recovery	Increased profit share	-25				-25
Internal Audit	Increased income generation	-20				
Asset management	Implement recommendations of Gen2 review	-25	-25			-50
Total Policy & Resources		-835	-794	-543	-200	-2,352
Development Management	Cost reduction following adoption of 2017 Local	-40				-40
Pay & Display Car Parks	5% increase in income	-100				-100
Grants to outside bodies	Phased reduction of grants	-16	-15			-31
Parking Services	Increase income budget	-50	-50	-50		-150
Planning Policy	Offset staff costs with CIL	-15	-15	-15		-45
Planning	Adoption of commercial business practices	-30	-15	-15		-60
Planning	Income generation from PPAs and Pre-application	-15				-15
Building Control	Increase income budget	-15				-15
Total Strategic Planning, Sustainability & Transportation		-281	-95	-80	0	-456
GRAND TOTAL EXISTING SAVINGS		-1,611	-940	-623	-200	-3,374

Negative figures shown above represent a reduction in expenditure budgets, or increased income targets. Positive figures indicate increased expenditure, or a reduction in the income budget.

**REVENUE ESTIMATE 2020/21 TO 2024/25
STRATEGIC REVENUE PROJECTION - NEUTRAL**

2019/20 £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
PROJECTED INCOME						
16,157	COUNCIL TAX	16,728	17,318	17,929	18,562	19,218
17	EMPTY HOMES PREMIUM					
3,208	RETAINED BUSINESS RATES	3,269	1,681	1,715	1,749	1,784
1,129	BUSINESS RATES GROWTH	1,152	0	180	362	546
49	LEVY ACCOUNT SURPLUS					
-85	COLLECTION FUND ADJUSTMENT					
20,475	PROJECTED NET BUDGET	21,148	18,999	19,824	20,673	21,547
20,839	OTHER INCOME - EXISTING	21,048	21,258	21,471	21,685	21,902
0	OTHER INCOME - NEW INVESTMENTS	673	900	310	765	1,484
41,314	TOTAL RESOURCES AVAILABLE	42,869	41,158	41,605	43,124	44,933
PROJECTED EXPENDITURE						
38,853	CURRENT SPEND	41,314	42,869	41,158	41,605	43,124
	INFLATION & CONTRACT INCREASES					
997	PAY, NI & INFLATION INCREASES	999	1,029	1,059	1,090	1,122
40	MAIDSTONE HOUSE RENT INCREASE					
	EXTERNAL BUDGET PRESSURES					
6	PENSION DEFICIT FUNDING	150	150	150		
	LOCAL PRIORITIES					
-400	PLANNING APPEALS					
-100	PLANNING ENFORCEMENT					
	LOCAL PLAN REVIEW			-200		
131	GROWTH TO MEET STRATEGIC PRIORITIES	24				
	ADDITIONAL GROWTH AGREED BY P&R	10	-10			
50	GENERAL GROWTH PROVISION	50	50	50	50	50
-20	ENVIRONMENTAL ENFORCEMENT					
91	OTHER SERVICE PRESSURES					
	PROVISION FOR MAJOR CONTRACTS				500	
78	REVENUE COSTS OF CAPITAL PROGRAMME	1,836	640	634	630	730
1,589	CONTINGENCY FOR FUTURE PRESSURES		-1,589			
41,314	TOTAL PREDICTED REQUIREMENT	44,383	43,139	42,851	43,875	45,026
	SAVINGS REQUIRED	-1,515	-1,982	-1,245	-751	-93
	EXISTING SAVINGS	1,611	940	623	200	0
	NEW / AMENDED SAVINGS PROPOSALS	0	0	0	0	0
	SURPLUS / (DEFICIT)	96	-1,042	-622	-551	-93
	CUMULATIVE SURPLUS / (DEFICIT)	96	-946	-1,568	-2,119	-2,212

**REVENUE ESTIMATE 2020/21 TO 2024/25
STRATEGIC REVENUE PROJECTION - FAVOURABLE**

2019/20 £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
PROJECTED INCOME						
16,157	COUNCIL TAX	16,810	17,489	18,196	18,931	19,696
17	EMPTY HOMES PREMIUM					
3,208	RETAINED BUSINESS RATES	3,269	1,681	1,715	1,749	1,784
1,129	BUSINESS RATES GROWTH	1,152	0	360	728	1,102
49	LEVY ACCOUNT SURPLUS					
-85	COLLECTION FUND ADJUSTMENT					
20,475	PROJECTED NET BUDGET	21,231	19,170	20,271	21,408	22,582
20,839	OTHER INCOME - EXISTING	21,048	21,258	21,471	21,685	21,902
0	OTHER INCOME - NEW INVESTMENTS	673	900	310	765	1,484
41,314	TOTAL RESOURCES AVAILABLE	42,951	41,329	42,052	43,858	45,968
PROJECTED EXPENDITURE						
38,853	CURRENT SPEND	41,314	42,951	41,329	42,052	43,858
INFLATION & CONTRACT INCREASES						
997	PAY, NI & INFLATION INCREASES	999	1,029	1,059	1,090	1,122
40	MAIDSTONE HOUSE RENT INCREASE					
EXTERNAL BUDGET PRESSURES						
6	PENSION DEFICIT FUNDING	150	150	150		
LOCAL PRIORITIES						
-400	PLANNING APPEALS					
-100	PLANNING ENFORCEMENT					
	LOCAL PLAN REVIEW			-200		
131	GROWTH TO MEET STRATEGIC PRIORITIES	24				
	ADDITIONAL GROWTH AGREED BY P&R	10	-10			
50	GENERAL GROWTH PROVISION	50	50	50	50	50
-20	ENVIRONMENTAL ENFORCEMENT					
91	OTHER SERVICE PRESSURES					
	PROVISION FOR MAJOR CONTRACTS				500	
78	REVENUE COSTS OF CAPITAL PROGRAMME	1,836	640	634	630	730
1,589	CONTINGENCY FOR FUTURE PRESSURES		-1,589			
41,314	TOTAL PREDICTED REQUIREMENT	44,383	43,222	43,022	44,322	45,761
	SAVINGS REQUIRED	-1,432	-1,893	-970	-463	207
	EXISTING SAVINGS	1,611	940	623	200	0
	NEW / AMENDED SAVINGS PROPOSALS	0	0	0	0	0
	SURPLUS / (DEFICIT)	179	-953	-347	-263	207
	CUMULATIVE SURPLUS / (DEFICIT)	179	-774	-1,121	-1,385	-1,177

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**REVENUE ESTIMATE 2020/21 TO 2024/25
STRATEGIC REVENUE PROJECTION - ADVERSE**

2019/20 £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
PROJECTED INCOME						
16,157	COUNCIL TAX	16,645	17,148	17,666	18,199	18,749
17	EMPTY HOMES PREMIUM					
3,208	RETAINED BUSINESS RATES	3,237	1,648	1,665	1,682	1,698
1,129	BUSINESS RATES GROWTH	1,140	0	0	0	0
49	LEVY ACCOUNT SURPLUS					
-85	COLLECTION FUND ADJUSTMENT					
20,475	PROJECTED NET BUDGET	21,023	18,796	19,331	19,881	20,447
20,839	OTHER INCOME - EXISTING	21,152	21,469	21,791	22,118	22,450
0	OTHER INCOME - NEW INVESTMENTS	673	900	310	765	1,484
41,314	TOTAL RESOURCES AVAILABLE	42,847	41,166	41,432	42,764	44,381
PROJECTED EXPENDITURE						
38,853	CURRENT SPEND	41,314	42,847	41,166	41,432	42,764
	INFLATION & CONTRACT INCREASES					
997	PAY, NI & INFLATION INCREASES	1,474	1,540	1,609	1,681	1,757
40	MAIDSTONE HOUSE RENT INCREASE					
	EXTERNAL BUDGET PRESSURES					
6	PENSION DEFICIT FUNDING	150	150	150		
	LOCAL PRIORITIES					
-400	PLANNING APPEALS					
-100	PLANNING ENFORCEMENT					
	LOCAL PLAN REVIEW			-200		
131	GROWTH TO MEET STRATEGIC PRIORITIES	24				
	ADDITIONAL GROWTH AGREED BY P&R	10	-10			
50	GENERAL GROWTH PROVISION	50	50	50	50	50
-20	ENVIRONMENTAL ENFORCEMENT					
91	OTHER SERVICE PRESSURES					
	PROVISION FOR MAJOR CONTRACTS				500	
78	REVENUE COSTS OF CAPITAL PROGRAMME	1,836	640	634	630	730
1,589	CONTINGENCY FOR FUTURE PRESSURES		-1,589			
41,314	TOTAL PREDICTED REQUIREMENT	44,858	43,629	43,408	44,293	45,301
	SAVINGS REQUIRED	-2,011	-2,463	-1,976	-1,529	-921
	EXISTING SAVINGS	1,611	940	623	200	0
	NEW / AMENDED SAVINGS PROPOSALS	0	0	0	0	0
	SURPLUS / (DEFICIT)	-400	-1,523	-1,353	-1,329	-921
	CUMULATIVE SURPLUS / (DEFICIT)	-400	-1,923	-3,276	-4,604	-5,525

**REVENUE ESTIMATE 2020/21 TO 2024/25
STRATEGIC REVENUE PROJE+ A52CTION - COUNCIL TAX FREEZE**

2019/20 £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
PROJECTED INCOME						
16,157	COUNCIL TAX	16,400	16,646	16,895	17,149	17,406
17	EMPTY HOMES PREMIUM					
3,208	RETAINED BUSINESS RATES	3,269	1,681	1,715	1,749	1,784
1,129	BUSINESS RATES GROWTH	1,152	0	180	362	546
49	LEVY ACCOUNT SURPLUS					
-85	COLLECTION FUND ADJUSTMENT					
20,475	PROJECTED NET BUDGET	20,820	18,327	18,790	19,260	19,736
20,839	OTHER INCOME - EXISTING	21,048	21,258	21,471	21,685	21,902
0	OTHER INCOME - NEW INVESTMENTS	673	900	310	765	1,484
41,314	TOTAL RESOURCES AVAILABLE	42,541	40,485	40,571	41,711	43,122
PROJECTED EXPENDITURE						
38,853	CURRENT SPEND	41,314	42,541	40,485	40,571	41,711
	INFLATION & CONTRACT INCREASES					
997	PAY, NI & INFLATION INCREASES	999	1,029	1,059	1,090	1,122
40	MAIDSTONE HOUSE RENT INCREASE					
	EXTERNAL BUDGET PRESSURES					
6	PENSION DEFICIT FUNDING	150	150	150		
	LOCAL PRIORITIES					
-400	PLANNING APPEALS					
-100	PLANNING ENFORCEMENT					
	LOCAL PLAN REVIEW			-200		
131	GROWTH TO MEET STRATEGIC PRIORITIES	24				
	ADDITIONAL GROWTH AGREED BY P&R	10	-10			
50	GENERAL GROWTH PROVISION	50	50	50	50	50
-20	ENVIRONMENTAL ENFORCEMENT					
91	OTHER SERVICE PRESSURES					
	PROVISION FOR MAJOR CONTRACTS				500	
78	REVENUE COSTS OF CAPITAL PROGRAMME	1,836	640	634	630	730
1,589	CONTINGENCY FOR FUTURE PRESSURES		-1,589			
41,314	TOTAL PREDICTED REQUIREMENT	44,383	42,811	42,178	42,841	43,613
	SAVINGS REQUIRED	-1,843	-2,326	-1,607	-1,130	-491
	EXISTING SAVINGS	1,611	940	623	200	0
	NEW / AMENDED SAVINGS PROPOSALS	0	0	0	0	0
	SURPLUS / (DEFICIT)	-232	-1,386	-984	-930	-491
	CUMULATIVE SURPLUS / (DEFICIT)	-232	-1,618	-2,602	-3,532	-4,024

Economic Regeneration & Leisure Committee

29 October 2019

2nd Quarter Budget & Performance Monitoring Report 2019/20

Final Decision-Maker	Economic Regeneration & Leisure Committee
Lead Head of Service	Mark Green, Director of Business Improvement
Lead Officer and Report Authors	Chris Hartgrove, Interim Head of Finance Paul Holland, Senior Finance Manager (Client) Claire Harvey, Data Intelligence Officer
Classification	Public
Wards affected	All

Executive Summary

This report sets out the 2019/20 financial and performance position for the services reporting into the Economic Regeneration and Leisure Committee (ERL) as at 30th September 2019 (Quarter 2). The primary focus is on:

- The 2019/20 Revenue and Capital budgets; and
- The 2019/20 Key Performance Indicators (KPIs) that relate to the delivery of the Strategic Plan 2019-2045.

The combined reporting of the financial and performance position enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues in their proper context, reflecting the fact that the financial and performance-related fortunes of the Council are inextricably linked.

Budget Monitoring

With regard to revenue, at the Quarter 2 stage, net expenditure of £1.262 million has been incurred against a profiled budget of £1.311 million, representing an under spend of £49,000. The Committee is also expected to remain within its overall net revenue expenditure budget for the year.

With regard to capital, at the Quarter 2 stage, expenditure of £420,000 has been incurred against a total budget allocation of £2.775 million. At this stage, it is anticipated that there will be slippage of £2.29 million into 2020/21, which relates to projects being undertaken in Mote Park.

Performance Monitoring

For the strategic priority "A Thriving Place", 71% (5 out of 7) of Key Performance Indicators, reportable to the Committee, achieved their Quarter 2 targets.

Purpose of Report

The report enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues as at 30th September 2019.

This report makes the following Recommendations to the Committee:

1. That the Revenue position as at the end of Quarter 2 for 2019/20, including the actions being taken or proposed to improve the position, where significant variances have been identified, be noted.
2. That the Capital position at the end of Quarter 2 be noted; and
3. That the Performance position as at Quarter 2 for 2019/20, including the actions being taken or proposed to improve the position, where significant issues have been identified, be noted.

Timetable

<i>Meeting</i>	<i>Date</i>
Economic Regeneration & Leisure Committee	29th October 2019

2nd Quarter Budget & Performance Monitoring Report 2019/20

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's Medium-Term Financial Strategy which is linked to the Strategic Plan and corporate priorities.</p> <p>The Key Performance Indicators and strategic actions are part of the Council's overarching Strategic Plan 2019-45 and play an important role in the achievement of corporate objectives. They also cover a wide range of services and priority areas.</p>	Director of Finance and Business Improvement (Section 151 Officer)
Cross Cutting Objectives	This report enables any links between performance and financial matters to be identified and addressed at an early stage, thereby reducing the risk of compromising the delivery of the Strategic Plan 2019-2045, including its cross-cutting objectives.	Director of Finance and Business Improvement (Section 151 Officer)
Risk Management	This is addressed in Section 5 of this report.	Director of Finance and Business Improvement (Section 151 Officer)

Issue	Implications	Sign-off
Financial	<p>Financial implications are the focus of this report through high level budget monitoring. Budget monitoring ensures that services can react quickly enough to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.</p> <p>Performance indicators and targets are closely linked to the allocation of resources and determining good value for money. The financial implications of any proposed changes are also identified and taken into account in the Council’s Medium-Term Financial Strategy and associated annual budget setting process. Performance issues are highlighted as part of the budget monitoring reporting process.</p>	Senior Finance Manager (Client)
Staffing	<p>The budget for staffing represents a significant proportion of the direct spend of the Council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.</p> <p>Having a clear set of performance targets enables staff outcomes/objectives to be set and effective action plans to be put in place.</p>	Director of Finance and Business Improvement (Section 151 Officer)
Legal	<p>The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Committee to remain aware of issues and the process to be taken to maintain a balanced budget.</p> <p>There is no statutory duty to report regularly on the Council’s performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. One of the purposes of the Key Performance Indicators is to facilitate the improvement of the economy, efficiency and effectiveness of Council services. Regular reports on Council performance help to demonstrate best value and compliance with the statutory duty.</p>	Team Leader (Corporate Governance), MKLS

Issue	Implications	Sign-off
Privacy and Data Protection	The performance data is held and processed in accordance with the data protection principles contained in the Data Protection Act 2018 and in line with the Data Quality Policy, which sets out the requirement for ensuring data quality. There is a program for undertaking data quality audits of performance indicators.	Team Leader (Corporate Governance), MKLS
Equalities	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change should one be identified.	Equalities and Corporate Policy Officer
Public Health	The performance recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	There are no specific issues arising.	Director of Finance and Business Improvement (Section 151 Officer)
Procurement	Performance Indicators and Strategic Milestones monitor any procurement needed to achieve the outcomes of the Strategic Plan.	Director of Finance and Business Improvement (Section 151 Officer)

2. BACKGROUND AND INTRODUCTION

- 2.1 The Medium-Term Financial Strategy for 2019/20 to 2023/24 - including the budget for 2019/20 - was approved by full Council on 27th February 2019. This report updates the Committee on how its services have performed in the first six months of the financial year with regard to revenue and capital expenditure against approved budgets.
- 2.2 This report also includes an update to the Committee on progress against its Key Performance Indicators (KPIs).
- 2.3 Attached at **Appendix 1**, is a report setting out the revenue and capital spending position at the Quarter 2 stage. Attached at **Appendix 2**, is a report setting out the position for the KPIs for the corresponding period.

3. AVAILABLE OPTIONS

- 3.1 There are no matters for decision in this report. The Committee is asked to note the contents but may choose to take further action depending on the matters reported here.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 In considering the current position on the Revenue budget, the Capital Programme and KPIs at the end of September 2019, the Committee can choose to note this information or could choose to take further action.
- 4.2 The Committee is requested to note the content of the report and agree on any necessary action to be taken in relation to the budget position and/or the KPIs position.
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5. RISK

- 5.1 This report is presented for information only and has no direct risk management implications.
- 5.2 The Council has produced a balanced budget for both revenue and capital income and expenditure for 2019/20. The budget is set against a backdrop of limited resources and a difficult economic climate. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives the Committee the best opportunity to take actions to mitigate such risks.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The KPIs update ("Performance Monitoring") is reported to service committees quarterly: Communities, Housing & Environment Committee; Economic Regeneration & Leisure Committee; and the Strategic Planning & Infrastructure Committee. Each committee will receive a report on the relevant priority action areas. The report is also presented to the Policy & Resources Committee, reporting on the priority areas of "A Thriving Place", "Safe, Clean and Green", "Homes and Communities" and "Embracing Growth and Enabling Infrastructure".
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The Quarter 2 Budget & Performance Monitoring reports are being considered by the relevant Service Committees during October and November 2019, including a full report to the Policy & Resources Committee on 20th November 2019.

- 7.2 Details of the discussions which take place at Service Committees regarding financial and performance management will be reported to Policy and Resources Committee where appropriate.
- 7.3 The Council could choose not to monitor its budget and/or the Strategic Plan and/or make alternative performance management arrangements, such as the frequency of reporting. This is not recommended as it could lead to action not being taken against financial and/or other performance during the year, and the Council failing to deliver its priorities.
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8. REPORT APPENDICES

- **Appendix 1:** Second Quarter Budget Monitoring 2019/20
 - **Appendix 2:** Second Quarter Performance Monitoring 2019/20
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9. BACKGROUND PAPERS

None.

Second Quarter Budget Monitoring 2019/20

Economic Regeneration & Leisure Committee

29th October 2019

Lead Officer: Mark Green

Report Authors: Chris Hartgrove/Paul Holland

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Part B: Second Quarter Capital Budget 2019/20

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Executive Summary

This report provides Members with an overview of progress against the 2019/20 revenue and capital budgets as at 30th September 2019 (i.e. the Quarter 2 cumulative position) for the services falling within the remit of the Economic Regeneration and Leisure Committee (ERL). The analysis also includes both revenue and capital year-end projections (to 31st March 2020) for ERL services, as well as some important context, with consideration given to the Council's overall position.

The headlines for Quarter 2 are as follows:

Part A: Second Quarter Revenue Budget 2019/20

- Overall net expenditure for the services reporting to ERL is £1.262 million, compared to the profiled budget of £1.311 million, representing an under spend of £49,000. ERL is also expected to remain within its overall net revenue expenditure budget for the year, recording a small under spend of £5,000 against its budget of £2.175 million.
- Overall net expenditure for the Council overall is £6.813 million, compared to the profiled budget of £7.553 million, representing an under spend of £0.74 million. The Council is also expected to remain within its overall net revenue expenditure budget of £21.138 million for the year.

Part B: Second Quarter Capital Budget 2019/20

- Capital expenditure for the services reporting to ERL of £420,000 has been incurred against the annual budget of £2.775 million. At this stage, it is anticipated that there will be slippage of £2.29 million.
- Capital expenditure for the Council overall of £4.608 million has been incurred against the annual budget of £51.754 million.

Part A

Second Quarter Revenue Budget 2019/20



A1) Revenue Budget: Council

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

A1.2 The two charts below show the income and expenditure position for each service committee.

Chart 1: MBC Revenue Budget: INCOME BY SERVICE COMMITTEE

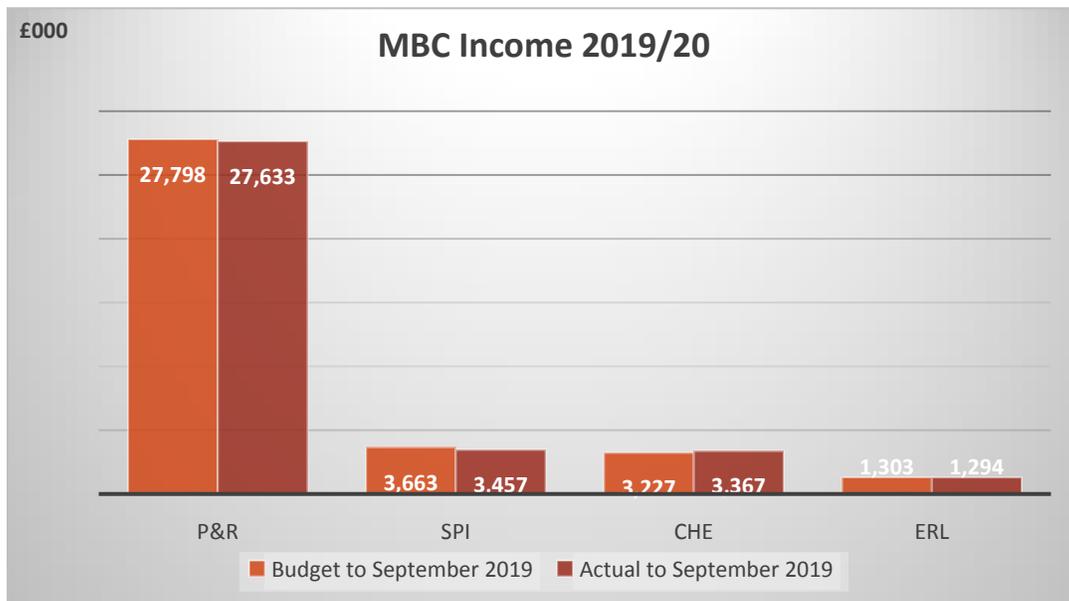
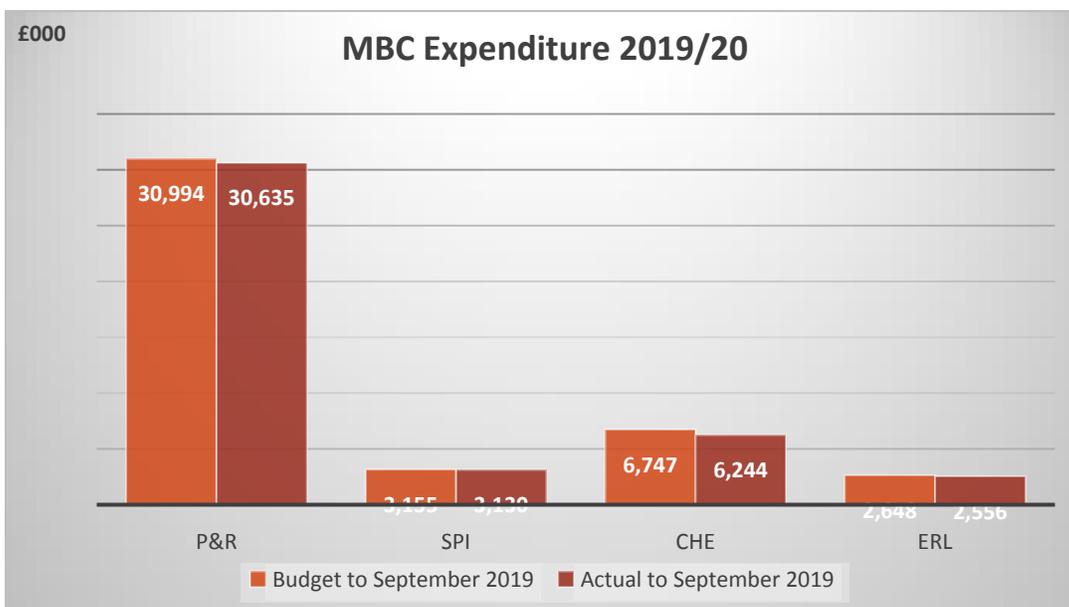


Chart 2: MBC Revenue Budget: EXPENDITURE BY SERVICE COMMITTEE



A2) Revenue Budget: Economic Regeneration & Leisure (ERL)

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

Table 1: ERL Revenue Budget: NET EXPENDITURE

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Budget for Year £000	Budget to 30 June 2019 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000
Cultural Development Arts	17	9	5	4	17	0
Museum	14	9	-20	29	-3	17
Carriage Museum	4	1	1	0	4	0
Museum-Grant Funded Activities	2	1	-21	22	2	0
Museum Cafe	-3	-3	2	-5	-3	0
Hazlitt Arts Centre	279	149	144	5	279	0
Festivals and Events	-26	-23	-41	18	-26	0
Lettable Halls	-3	-2	-6	4	-3	0
Community Halls	76	41	37	4	76	0
Leisure Centre	-147	-90	-103	13	-147	0
Mote Park Adventure Zone	-113	-56	-28	-28	-58	-55
Cobtree Golf Course	-35	-18	0	-18	-35	0
Parks & Open Spaces	962	470	505	-35	1,022	-60
Playground Maintenance & Improvements	144	70	59	12	129	15
Parks Pavilions	25	12	19	-7	25	0
Mote Park	253	129	134	-4	253	0
Mote Park Cafe	-50	-17	-32	15	-50	0
Parks & Open Spaces Leisure Activities	-6	-3	-1	-2	-6	0
Mote Park Leisure Activities	-38	-19	-16	-3	-38	0
Allotments	12	7	5	2	12	0
Tourism	29	15	2	14	29	0
Museum Shop	-19	-10	-7	-3	-19	0
Leisure Services Other Activities	10	9	10	-1	10	0
Cemetery	48	48	37	10	38	10
National Assistance Act	-0	-0	-1	1	-0	0
Crematorium	-808	-263	-203	-60	-829	21
Maintenance of Closed Churchyards	6	3	0	3	6	0
Community Environmental Engagement	101	51	19	31	70	31
Sandling Road Site	17	9	9	0	17	0
Business Support & Enterprise	3	3	3	-0	3	0
Town Centre Management Sponsorship	7	7	7	0	7	0
Business Terrace	75	68	72	-5	75	0
Business Terrace Expansion (Phase 3)	27	14	13	1	27	0
Market	-59	-16	5	-21	-59	0
Economic Dev - Promotion & Marketing	67	40	26	13	67	0
Leisure Services Section	84	54	34	20	64	20
Cultural Services Section	507	255	254	1	507	0
Visitor Economy Section	113	57	55	2	113	0
Bereavement Services Section	205	103	95	7	199	6
Economic Development Section	287	147	106	40	233	54
Market Section	79	39	43	-3	79	0
Head of Economic and Commercial Development	80	40	41	-1	80	0
Salary Slippage	-54	-27	0	-27	0	-54
	2,175	1,311	1,262	49	2,170	5

A2.2 The table shows that, at the Quarter 2 stage, overall net expenditure for the services reporting to ERL is £1.262 million, compared to the profiled budget of £1.311 million, representing an under spend of £49,000. Based on forward projections, ERL is expected to remain within its overall net revenue expenditure budget for the year, recording a small under spend of £5,000 against its budget of £2.175 million.

A3) ERL 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 2 below highlights and provides further detail on the most significant variances i.e. those meeting or exceeding £30,000, either at the end of Quarter 2, or expected to do so by year-end.

Table 2: ERL Variances >£30,000 (@ Quarter 2)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000s		
Mote Park Adventure Zone - the facility is now open. However, the contract awarded allows for an initial rent free period for the first three months and the final contract value was less than forecast.		-28	-55
Parks and Open Spaces - residual undelivered savings of £63,000 in respect of a previous re-structure is the most significant factor in the overspend.		-35	-61
Crematorium – higher than budgeted maintenance costs, partly driven by un-accrued (maintenance) expenditure from 2018/19 (of £18,000) is the reason for the budget pressure at the Quarter 2 stage, although the budget is expected to be met by year end.		-60	+21
Community Environmental Engagement – the variance is caused by a timing difference; the appointment of a temporary Community Engagement Officer (as part of a Business Rates Retention funded initiative) was later than assumed within the budget provision.	+31		+31
Economic Development Section - the variance predominantly relates to salary savings due to two vacant posts.	+40		+54
Salary Slippage – There is a credit budget to allow for the fact that services usually underspend on salaries, owing to temporary vacancies arising from staff turnover. This is currently an adverse variance from the salary slippage budget, but the actual service underspends (such as that for Economic Development above) will be offset against the salary slippage budget at year end and are expected to eliminate the adverse variance.		-27	-54

Part B

Second Quarter Capital Budget 2019/20



B1) Capital Budget: Council

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

B1.2 The 2019/20 element of the Capital Programme has a total budget of £51.754 million. At the Quarter 2 stage, capital expenditure of £4.608 million has been incurred.

B2) Capital Budget: Economic Regeneration & Leisure Committee (ERL)

B2.1 Progress towards the delivery of the 2019/20 ERL element of the Capital Programme at the Quarter 2 stage is presented in Table 3 below. The budget for 2019/20 includes resources brought forward from 2018/19.

B2.2 At the Quarter 2 stage, expenditure of £420,000 has been incurred against a budget of £2.775 million. At this stage, it is anticipated that there will be slippage of £2.29 million (the Committee will be asked to approve/note the carry forward of resources into the next financial year).

Table 3: ERL Capital Programme 2019/20 (@ Quarter 2)

Capital Programme Heading	Estimate 2019/20 £000	Actual to		Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2020/21 £000	Budget Not Required £000
		September 2019 £000	Budget Remaining £000					
Economic Regeneration & Leisure								
Commercial Projects - Mote Park Adventure Zone		378	-378			378		
Mote Park Centre & Estate Services Building	2,496	17	2,479	75	100	192	2,304	
Mote Park Lake - Dam Works	267	1	267	167	100	268	-0	
Museum Development Plan	11	25	-13			25	-13	
Total	2,775	420	2,354	242	200	862	2,290	

B2.3 There are two significant items to highlight in the table above:

- *Mote Park Adventure Zone* – the over spend relates to the additional costs incurred as a result of the sewage leak in the Park that significantly delayed project completion. The costs are the subject of an ongoing legal claim, so the overspend is being temporarily funded until the outcome of the claim is known; and

- *Mote Park & Estates Services Building* – The budgets have now been combined as the construction of this facility will be let as a single contract. At this stage, the timing of the building works has not been determined; the forecast assumes they will not begin until April 2020.

**Second Quarter Performance Monitoring
2019/20**

Key to performance ratings

RAG Rating		Performance Summary	Direction	
	Target not achieved			Performance has improved
	Target slightly missed (within 10%)			Performance has been sustained
	Target met			Performance has declined
	Data Only		N/A	No previous data to compare

RAG Rating	Green	Amber	Red	N/A ¹	Total
KPIs	5	1	1	1	8
Direction	Up	No Change	Down	N/A	Total
Last Year	3		5		8
Last Quarter	4		4		8

A Thriving Place

Performance Indicator	Q2 2019/20				
	Value	Target	Status	Long Trend	Short Trend
Percentage of all available tickets sold at the Hazlitt	50.88%	50%			
Number of visits per month to Visit-Maidstone.com	117,804	113,936			
Footfall in the Town Centre	2,906,564	2,959,104			
Number of students benefiting from the Museum's educational service	1,027	1,450			
Footfall at the Museum and Visitors Information Centre	24,836	19,000			
Number of attendees to informal events	870				
Contacts to the Visitor Information Centre	1,062	829			
Number of users at the Leisure Centre	203,900	201,314			

¹ PIs rated N/A are not included in the summary calculations

A Thriving Place: Performance Summary

Overall, the majority of performance indicators (PIs) relating to 'A Thriving Place' have performed well against target for Quarter 2, with 5 out of the 7 targeted PIs (71%) achieving target. Three of the reportable set show an improvement in performance compared to Quarter 2 in 2018/19 and four show an improvement when compared the previous quarter.

Footfall in the Town Centre has marginally missed the Quarter 2 target. There has been a 4% decline in footfall compared to Quarter 2 last year. However, since recording began in 2015/16, this quarter's out-turn represents a 24% increase in footfall.

While footfall at the Museum has achieved the quarterly target, the number of students benefiting from the Museum's education service has not. This target is profiled to taken into account seasonal variations in students visiting, using the last four years of data. The Quarter 2 out-turn represents a decrease of 28% compared to Quarter 2 in 2018/19. Last year and this year there has been slightly higher than expected numbers in Quarter 1 and it has been suggested by the Museum Manager that schools are planning visits earlier in the year.

The other indicators relating to this priority have achieved target and these show that there is an interest in Maidstone as a place to visit and the attractions offered.