POLICY AND RESOURCES COMMITTEE MEETING

Date: Wednesday 12 February 2020
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Mrs Blackmore, M Burton, Chappell-Tay, Clark, Cox (Chairman), English, Mrs Gooch, Harvey, McKay, Mortimer, Newton, Perry (Vice-Chairman), Purle, Round and Springett

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.

AGENDA Page No.

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 22 January 2020 — 1 - 10
9. Presentation of Petitions (if any)
10. Questions and answer session for members of the public (if any)
11. Questions from Members to the Chairman (if any)
12. Committee Work Programme — 11
13. Reference from the Audit, Governance and Standards Committee - Counterfraud and Corruption Policy — 12 - 25
14. Your Future, Our Priority, Consultation Response — 26 - 50

Issued on Tuesday 4 February 2020

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

MAIDSTONE Borough Council

15. P&R Q3 Budget & Performance Monitoring 19-20 51 - 93

16. Medium Term Financial Strategy and Budget Proposals 2020/21 94 - 231

17. Debt recovery Procedures and Support for Low Income Households 232 - 285

18. Performance Panel Membership and Appointment 286 - 290

NOTE:

IN ACCORDANCE WITH SECTION 17 OF THE LOCAL GOVERNMENT AND HOUSING ACT 1989, ALTERNATIVE ARRANGEMENTS FOR APPOINTMENTS TO COMMITTEES ETC. OUTSIDE THE USUAL POLITICAL BALANCE REQUIREMENTS MAY BE CONSIDERED IN RELATION TO AGENDA ITEM 18.

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. by 5 p.m. 10 February 2020. 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 **Council** please submit a Decision Referral Form, signed by **five** Councillors, to **the Mayor** by: 10 February 2020.

MAIDSTONE BOROUGH COUNCIL

POLICY AND RESOURCES COMMITTEE

MINUTES OF THE MEETING HELD ON WEDNESDAY 22 JANUARY 2020

Present: **Councillors Mrs Blackmore, Chappell-Tay, Cox (Chairman), English, Garland, Mrs Gooch, Joy, McKay, McLoughlin, Mortimer, Newton, Perry, Purle and Springett**

Also Present: **Councillors Brindle, Hinder and J Sams**

115. APOLOGIES FOR ABSENCE

It was noted that apologies for absence were received from Councillors Burton, Clark, Harvey and Round.

116. NOTIFICATION OF SUBSTITUTE MEMBERS

It was noted that the following members were present as substitute members:

- Councillor Garland for Councillor Burton
- Councillor Joy for Councillor Clark
- Councillor McLoughlin for Councillor Round

117. URGENT ITEMS

There were no urgent items.

118. NOTIFICATION OF VISITING MEMBERS

It was noted that:

- Councillors Brindle and B Hinder were present as visiting members for item 14 – Request for Village Green Application; and
- Councillor J Sams was present for item 10 – Questions from Members to the Chairman.

119. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

120. DISCLOSURES OF LOBBYING

Councillors Blackmore and Mortimer stated that they were both lobbied in relation to Item 14 – Request for a Village Green Application.

121. EXEMPT ITEMS

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

122. MINUTES OF THE MEETING HELD ON 20 NOVEMBER 2019

RESOLVED: That the Minutes of the meeting held on 20 November 2019 be agreed as a correct record and signed, subject to the correction of Bishop's Corridor to Bishop's Way under Item 112.

123. PRESENTATION OF PETITIONS

There were no petitions.

124. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

Councillor J Sams asked the following question of the Chairman:

'*Following on from September full council meeting when the leader of the Council said he thought it was a good idea to hold a youth forum, and numerous emails written for progress an update on this with suggested dates in November 2019. Can I now for an assurance that invites will be sent to the secondary schools to facilitate a Borough organised youth forum my suggestion would be Friday March 6th. 4pm at the town Hall. As Greenpeace say, Tick Tock, time is passing!*'

Councillor J Sams asked the following supplementary question:

'*How is that engagement with 16-24-year olds being facilitated?*'

The Chairman responded to both the question and supplementary question. The full response was recorded on the webcast and was made available on the Maidstone Borough Council Website.

To access the webcast recording, please use the below link:
https://www.maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/meetings,-minutes-And-agendas/tier-3-primary-areas/live-webcast

125. QUESTIONS AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were 3 questions from members of the Public.

Question to the Chairman of the Committee from Mr Richard Proctor

'*Your proposals for a Garden Community at Lenham Heath rely heavily on third parties to deliver new infrastructure with substantial investment to 'unlock' this site for 5,000 homes. Do you think this Council is placing too* *much reliance and taking too much of a gamble on this 'housing windfall' at the expense of a more realistic and achievable housing growth approach that that has a far greater chance of being acceptable to the Planning Inspector at examination?'*

The Chairman responded to the question.

Mr Richard Proctor asked the following supplementary question:

'*The current funding budget for the Lenham Heath proposals appear to be forecast at circa £3.32million, it's not unreasonable to expect that that might increase in the next few years after further appraisal, with this being funded or at least underwritten by Council Taxpayers. Is this an appropriate project given the risk of failure and the risk of losing control of the plan process that is so feared by this borough?'*

The Chairman responded to the supplementary question.

Question to the Chairman of Policy and Resources Committee from Ms Kate Hammond

'*Members of this committee were appointed a mere 24 hours before the meeting last May which took a significant decision behind closed doors to proceed with Lenham Heath as the preferred location for a Garden Community. The Leader of the Opposition Group wrote to you raising concern following this meeting about the culture of 'secrecy and subterfuge' in the Council. He followed by asking you to 'come clean' and release a full account of this meeting. Why have you not done this?* '

The Chairman responded to the question. Ms Kate Hammond did not ask a supplementary question.

Question to the Chairman of Policy and Resources Committee from Mr Steve Heeley

'*The 'Heathlands Garden Community' Vision document published in November 2019 proposes a High Speed rail station at Lenham Heath despite our Freedom of Information enquiries concluding that this Council has had no discussions with Network Rail, Southeastern Railways, nor High Speed 1 Ltd to find out whether this is even operationally feasible. On reflection, does the Chairman of this Committee think it was naive to include this new station in what has become more of a utopian vision dreamed up by master planners rather than a realistic and deliverable vision by a responsible local authority?'*

The Chairman responded to the question.

Mr Steve Heeley asked the following supplementary question:

'*Ebbsfleet International cost £100million in 1997 prices and it took over 5 years to build, at today's prices this would cost £183million. Cardiff Parkway Station is due to begin construction this year with an estimated* *cost of £120million and four years to build. Assuming that a new station at Lenham Heath would be in this ballpark, along with the cost of a new motorway junction estimated to be over £100million too – it would be prudent to assume that your proposals would need at least a quarter of a billion pounds of transport investment alone that works out at approximately £50,000 per property assuming that you're going to build 5,000 homes at Lenin Heath. Is this scheme ultimately dead in the water if you can't secure these two critical transport improvements*?'

The Chairman responded to the supplementary question.

To view the full responses from the Chairman of the Committee, please use the below link to access Webcast:
https://www.youtube.com/watch?v=zsPNNWZ1tnI

126. COMMITTEE WORK PROGRAMME

The Director of Finance and Business Improvement spoke on the updates that had been made to the Committee Work Programme, explaining that the risk management update for March was a duplicate of the same issue that was to be presented in February, so it was removed from the February Agenda.

The Director also informed the Committee that there would be four additional reports in the March Committee Meeting including:

- Garden Communities
- Lockmeadow Property Management
- Options for Archbishop's Palace
- Medway Street Barrier

RESOLVED: That the Committee Work Programme is noted.

127. BECOMING A COMPASSIONATE BOROUGH

The Policy and Information Manager introduced her report and the Chief Executive Officer (CEO) of Heart of Kent Hospice, who was in attendance to answer any questions from Members regarding the Compassionate City Status.

The Policy and Information Manager highlighted the following points:

- Applying to Become a Compassionate Borough built on the legacy of Elmer, a Heart of Kent Hospice initiative operating in Maidstone, to raise awareness of dying, death, bereavement and loss across the borough;
- Compassionate status would only be achieved through adopting the Compassionate City Charter of which there were 13 principles;
- These principles would build upon, rather than replace, the existing support networks in place within Maidstone;
- Section 2.7 of the report highlights the places which already have, and those in progress of achieving, Compassionate City Status;

- A Joint Action Plan would need to be delivered by partner organisations across the borough, of which some work has already started, as shown in Appendix 2;
- The project would require support and commitment from across the council, however no extra resources in the form of additional staff would be required, as support will mainly come from the Policy and Information Team through their existing networks and relationships to promote the 13 principles; and
- The 'Next Steps' were outlined in Section 6.

Members were asked to endorse the position and for officers to support the action plan.

In response to questions from Members, the following answers were given:

- Organisations, such as schools, have welcomed greater attention to the issues of death, dying, bereavement and loss, as it forms part of a wider approach to encourage individuals to talk about these issues and their impact within society;
- These discussions have enabled individuals to become aware of the options available to them in advanced care planning, such as Living wills;
- Rather than enforcing the thirteen principles, actions would be taken to actively encourage organisations to meet the requirements of the Charter; and
- Not every locality can achieve all thirteen principles, but a majority should be achieved to retain Compassionate Status.

There were some concerns from the Committee regarding the practicality of adopting Compassionate City Status. Whilst the principles and values that would be formally endorsed were positive values, some members felt that the resources used should go directly into frontline services. It was suggested that it was unrealistic to assume that no additional resources would be needed to support this initiative. The Policy and Information Manager responded that compassion was necessary in being able to deliver better services and recognise the impact of such events on our residents. It was confirmed that implementation of the principles would require the time and energy of officers, but no additional staff would be needed.

The CEO of Heart of Kent Hospice also spoke in reference to these concerns. The CEO gave an example of the work that had been carried out in Schools through the Charity's Elmer initiative. A 120-page learning pack on death, dying and bereavement had been created which could be adapted for use for Compassionate Maidstone. The CEO also mentioned that visiting schools within the Maidstone Area would be a natural next step for this initiative and would help in creating a network.

RESOLVED: That

1. The Council endorse the ambition to become 'Compassionate Maidstone'; and

2. Officers and Members will provide support in the delivery of the action plan leading to the adoption of the 13 principles of the Compassionate City Charter.

128. REQUEST FOR VILLAGE GREEN APPLICATION

The Corporate Property Manager introduced her report in response to a request for Weavering Heath to be registered as a Village Green.

Two members of the public spoke on this issue, Mr Richard Coward and Mr Keith Clark, with their main points summarised below;

- That Weavering Heath is threatened by building developments within the Maidstone area;
- Weavering Heath is not identified as a valid open space within the Local Plan and has been listed as one of four possible sites for a new school;
- Some residents have lost faith in Maidstone Borough Council's planning process;
- The application for Village Green status would be more effective and shorter if submitted by the landowner;
- Over 200 residents signed the petition for Weavering Heath to become a Village Green; and
- Weavering Heath provides protection to local wildlife and a place for individuals to meet through both informal and organised use.

The Committee expressed support for the residents in having petitioned the Council to submit an application of Village Green status for Weavering Heath and felt the Council should support them by applying as landowner to register Weavering Heath as a Village Green.

RESOLVED: That

1. The Committee endorse the petitioners' aspirations for Weavering Heath be endorsed; and

2. The Council applies as landowner to register Weavering Heath as a Village Green as requested by the petitioners.

129. ASSET REVIEW UPDATE

The Corporate Property Manager introduced her report, to update the Committee on the latest work that had been done as part of the Workstream Property Asset Review.

RESOLVED: That the progress made on the effective use of the Council's property assets over the last three months and in response to the Property Asset Review report be noted.

130. FEES & CHARGES 2020/21

The Interim Head of Finance introduced his report, summarising the following:

- Fees and Charges Reports had already been provided to both the Strategic Planning and Infrastructure Committee and the Communities, Housing and Environment Committee for noting;
- The Economic Regeneration and Leisure Committee was to consider the proposals at a Committee Meeting scheduled for the following week;
- Fees and Charges were set out in Appendix 1, with an overall summary in Appendix 2; and
- 95% of the charges within this Committee are statutory and the only increase was for hourly legal rates to match inflation at 1.4%

RESOLVED: That

1. The proposed discretionary fees and charges set out in Appendix 1 are agreed;

2. The externally agreed fees and charges set out in Appendix 1 be noted; and

3. The overall fees and charges position presented in Appendix 2 be noted.

131. MEDIUM TERM FINANCIAL STRATEGY AND BUDGET PROPOSALS.

The Director of Finance and Business Improvement introduced his report, summarising the following points:

- Appendices A and B demonstrated the budget proposals;
- There have been savings within this Committee, which have been used to offset shortfalls arising from the ongoing appointment of a Climate Change Officer (Communities, Housing and Environment Committee) and savings originally envisioned with planning and parking fees that were not achievable (Strategic Planning and Infrastructure Committee); and
- Appendix C detailed the results of the Budget Survey that had been carried out, highlighting that residents were prioritising investment in infrastructure, in the Street Scene and Flood Defences.

In response to a question concerning funding for the Local Plan, the Director of Finance and Business Improvement responded that there has been an annual allocation of £200k from the Revenue Budget towards funding the Local Plan and that this will continue. The funds allocated were used, amongst other things, for the public examinations in relation to the Local Plan. The £500k funding when the current Local Plan was created was not ongoing and originated from the New Homes Bonus.

The Director of Finance and Business Improvement also highlighted that local government funding position for 2021/22 was unknown, and as such the figures presented in the report for 2012/22 onwards were subject to change.

RESOLVED: That

1. The revenue budget proposals for services within the remit of this Committee, as set out in Appendix A, be agreed; and

2. The revenue budget proposals for services within the remit of the other Service Committees, as set out in Appendix B, be noted.

132. MEDIUM TERM FINANCIAL STRATEGY – CAPITAL PROGRAMME

The Director of Finance and Business Improvement introduced his report, making specific reference to the Council's purchase of Lockmeadow and the allocation of £1 million to Biodiversity and Climate Change funding.

In response to questions from Members, the Director of Finance and Business Improvement answered as follows:

- The Council will look for the best value option when borrowing funds;
- The figures presented within the report may change, however the Committee will be expected to approve any changes should this happen; and
- Updates on the five-year programme would be provided to each individual Service Committee.

In response to a question from a Member regarding the planned development to Granada House, the Officers clarified that the results of the pre-construction services agreement are yet to be published. The Committee had previously granted delegated authority to the Director of Finance and Business Improvement to enter into this and Stage 2 (construction phase) agreements, if the scheme was viable.

It was noted that the programme proposed involves prudently borrowing money as and when it will be needed. This involved paying attention to the current markets which the Council officers were doing.

RESOLVED: That

1. The Capital strategy principles as set out in paragraph 2.6 be agreed;

2. The Capital funding projection set out in appendix B to this report be agreed;

3. The Capital programme 2020/21 onwards as set out in Appendix C to this report be agreed; and

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4. It was noted that in agreeing recommendations 2 and 3 above a prudential borrowing limit of £81.418 million is set over the period of the programme which will be recommended to Council as part of the Treasury Management Strategy 2020/21.

133. COUNCIL TAX BASE AND COLLECTION FUND DISTRIBUTION 2020/21

The Interim Head of Finance introduced his report and particular focus was given to the following points:

- The necessary Council Tax calculations were summarised in Table 1;
- The proposed Council Tax Base had increased, reflecting the 1.5% proxy growth rate in the number of domestic properties in Maidstone;
- Individual parish tax bases were shown in Appendix 2; and
- Collection fund distribution represents estimated surplus or deficit available for distribution at the Council Tax Year end, between Maidstone, the County Council, the Police and the Fire Authorities. A surplus of £130,000 between the billing and precepting authorities was summarised in table 3.

RESOLVED: That

1. In accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012:

    - The amount calculated by Maidstone Borough Council as its Council Tax Base for the year 2020/21 shall be 63, 319.8 (as presented in Paragraph 2.7); and
    - The amount calculated by Maidstone Borough Council as the Council Tax Base for each parish area for the year 2020/21 shall be as identified in Appendix 2.

2. The 2019/20 Council Tax projection and proposed distribution summarised in Paragraphs 3.7 to 3.8 (and detailed in Appendix 3) is approved.

134. BUSINESS RATES RETENTION (PILOT) PROJECTS UPDATE

The Interim Head of Finance introduced his report on the Business Rates Retention Pilot, stating the following:

- 13 projects were agreed in 2018/19, with the completed schemes shown in Appendix 1; and
- The success of the pilot scheme led to additional funds being made available and further schemes were agreed in July 2019, leading to a total of 16 schemes.

In response to a question from a Member, Director of Finance and Business Improvement replied that in appraising the Archbishops Palace, the stables may be considered if necessary, but that it was not a primary purpose of the appraisal.

RESOLVED: That

1. The further progress with the 2018/19 BRR pilot projects (Paragraph 2.5, including Appendix 1) be noted; and

2. The progress with the 2019/20 BRR pilot projects (Paragraph 2.14, including Appendix 2) be noted.

135. DURATION OF MEETING

6.30 p.m. to 8.52 p.m.

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Agenda Item 12

2019/20 WORK PROGRAMME

	Committee	Month	Lead	Report Author
Equalities Update	P&R	25-Mar-20	Angela Woodhouse	Orla Sweeney
Archbishop's Palace Options Appraisal	P&R	25-Mar-20	Mark Green	Lucy Stroud
Annual Reports of Outside Bodies and Consideration of Outside Bodies for the Next Municipal Year	P&R	25-Mar-20	Angela Woodhouse	Mike Nash
Lockmeadow Property Management Strategy	P&R	25-Mar-20	Mark Green	Georgia Hawkes
KPIs for 2020-21	P&R	25-Mar-20	Angela Woodhouse	Angela Woodhouse
Risk Management Update	P&R	25-Mar-20	Rich Clarke	Rich Clarke
Garden Communities Update	P&R	25-Mar-20	Alison Broom	Alison Broom
Business Rates Retention Projects - quarterly update	P&R	22-Apr-20	Mark Green	Chris Hartgrove
Property Asset Review - quarterly update	P&R	22-Apr-20	Mark Green	Deborah Turner
Biodiversity and Climate Change Action Plan	P&R	22-Apr-20	Biodiversity and Climate Change	Angela Woodhouse
Asset Management Strategy	P&R	TBC	Mark Green	Georgia Hawkes
Commissioning and Procurement Strategy	P&R	TBC	Mark Green	Georgia Hawkes
Kent Medical Campus Innovation Centre	P&R	TBC	John Foster	Chris Inwood

MAIDSTONE BOROUGH COUNCIL

POLICY AND RESOURCES COMMITTEE

12 FEBRUARY 2020

REPORT OF THE AUDIT GOVERNANCE AND STANDARDS COMMITTEE HELD ON 13 JANUARY 2020

COUNTER FRAUD & CORRUPTION POLICY

Issue for Decision

The Audit, Governance and Standards Committee recommended for approval a refreshed Counter Fraud & Corruption Policy on 15 January 2018 with a provision to review in two years. This report presents that review and largely retains the document as before, bar an addition setting out guidance for people who become involved in an investigation.

Recommendation Made

That the Policy & Resources Committee approve the Counter Fraud & Corruption Policy, subject to the word 'may' being replaced with 'will, unless there are exceptional circumstances' in paragraph 17 of the policy.

Reasons for Recommendation

The Audit Governance and Standards Committee recommended for approval a refreshed Counter Fraud & Corruption Policy on 15 January 2018, modelled around CIPFA's Counter Fraud Code of Practice. In keeping with good practice, that policy proposed a review cycle whereby it would come back to Members for re-consideration every two years.

The current document, attached, largely retains the Policy as approved in 2018 reflecting the continued good practice set out by CIPFA. It has some cosmetic modifications (including addition of further Maidstone BC branding) and minor text clarifications. However, the only modification of note is towards the end of the Policy (paragraphs 45-47) of additional guidance to those who may become involved in investigations.

This addition springs from experience of the audit team conducting investigations in the past two years and incorporates in the standard policy key tenets of guidance that has hitherto been provided individually during investigations.

We recommend approval of the Policy at Appendix 1, subject to the amended wording in paragraph 17 to make it clearer for a presumption of action being taken. The Policy remains consistent with good practice as set out by CIPFA, and the addition of guidance for those subject to investigations will help standardise information previously provided case-by-case and make it available to people more generally.

Alternatives Considered and Why Not Recommended

The Audit, Governance and Standards Committee could have chosen to reject the additions and retain the Policy as approved in January 2018 but this would not take into account the experience of the audit team as set out above.

Background Documents

None

Appendices

Appendix 1: Counter Fraud & Corruption Policy

APPENDIX 1

COUNTER FRAUD AND CORRUPTION POLICY

Counter Fraud & Corruption Policy

Maidstone Borough Council

Policy Owner (Officer): Head of Audit Partnership
Policy Owner (Members): Policy & Resource Committee on recommendation of Audit, Governance & Standards Committee

Preparation Date: January 2020
Next Full Review: January 2022

Introduction

1. All fraud, bribery and corruption (collectively referred to as Economic Crime) is unacceptable The Council will not tolerate any Economic Crime that comes to its attention. Economic Crime diverts resources and limits the capacity of the Council to improve the lives and opportunities for its residents, businesses and visitors.

2. The Council should therefore safeguard its funds and resources against those minded to commit Economic Crime. This includes creating and upholding a culture of high ethical standards, honesty and transparency.

3. This policy aims to:

- Explain how the Council intends to tackle Economic Crime
- Provide guidance to Officers, and
- Ensure Officers can recognise Economic Crime and understand reporting needs.

Policy Statement

4. We seek to ensure we properly protect our resources from fraud, bribery and other economic crime.

5. The Section 151 Officer is responsible for overseeing and providing strategic management and support for work to tackle Economic Crime.

6. Officers must report any suspicions of Economic Crime as soon as possible to ensure proper investigations, minimise losses and maximise the chances of financial recovery. We set out routes for reporting in the Whistleblowing Policy (Appendix D) and summary reporting flow chart (Appendix A).

7. Mid Kent Audit will lead investigations into Economic Crime, calling on the expertise of other partner agencies (including the police) as needed. The decision on involving other agencies rests with the Head of Audit Partnership, after suitable consultation.

8. Under no circumstances should any Officer themselves begin an investigation into suspected or alleged Economic Crime.

9. All Officers must cooperate with investigations into Economic Crime. This includes:

- Providing information and intelligence
- Making time and documentation available to the investigators on request, and
- Not revealing information about open investigations to unauthorised people.

10. We will ensure consistency, fairness and objectivity in all our investigative work.

11. We encourage everyone to report genuine suspicions. We will provide all reasonable protection to those who raise genuine concerns in good faith. However, we will not tolerate malicious allegations and these may result in further action.

12. We will seek all available sanctions against those found to have committed Economic Crime. These include criminal, civil and disciplinary sanctions. We will also aim for repayment of any financial gain from individuals involved in Economic Crime.

Roles and Responsibilities

Members

13. As elected representatives, all Members of the Council have a duty to act in the public interest and do what they can to ensure the Council uses its resources properly.

14. Members therefore work within the Constitution which includes the Code of Member Conduct and Financial Regulations.

15. We encourage Members to use the reporting routes set out in appendices A and D to record any concerns or suspicious activity that comes to their notice.

Officers

16. We expect all officers to be alert to the possibility of Economic Crime and report any suspicious activity. We list possible channels for reporting at appendix D.

17. We also expect officers to apply with apt Code of Conduct and Council policy and procedures. Failing to adhere to policy and procedures may result in disciplinary action.

18. Officers must also properly account for and safeguard the money and assets in their charge.

Partners, suppliers, contractors and consultants

19. We expect all people and organisations working with the Council to be aware of the possibility of Economic Crime and report any genuine concerns or suspicions. We may demand specific adherence to this or similar policies in significant partnership arrangements.

Specific roles and responsibilities

20. Chief Executive: Overall accountability for the effectiveness of the Council's arrangements for tackling Economic Crime.

21. Section 151 Officer: To ensure the Council has adopted a fitting strategy, upholding an effective control environment and an adequately resourced and effective internal audit service to deliver detailed work on tackling Economic Crime.

22. Monitoring Officer: To advise Members and Officers on ethical issues, standards and powers to ensure the Council works within the law and Codes of Practice.

23. Audit, Governance & Standards Committee: To oversee the Council's strategies and policies and consider the effectiveness of arrangements for tackling Economic Crime. The Policy & Resources Committee formally approves the Policy.

24. External Audit: Statutory duty to ensure the Council has acceptable arrangements in place for ensuring economy, efficiency and effectiveness in its use of resources.

25. Head of Audit Partnership: Acts as Head of Counter Fraud in developing and carrying out this policy and providing suitable advice to Officers and Members. Also responsible for overseeing investigation of any reported issues and ensuring the Council deals with all suspected or reported irregularities quickly and suitably.

26. Mid Kent Audit: To consider and recommend action necessary to improve controls arising from irregularities and so reduce the risk of recurrence.

27. Management: To promote staff awareness and ensure prompt reporting of all suspected or reported irregularities. Also to put in place proper means within their services to assess the risk of fraud and other economic crime and to reduce those risks through effective control.

28. Mid Kent Human Resources: Advising with taking forward disciplinary proceedings against employees who have committed an offence. It is not unusual for criminal and disciplinary investigations to overlap. If there is overlap, the Council should seek to investigate separately but with close liaison. This may include sharing information at suitable times.

General Corporate Level Procedures

29. We will ensure there is support for work to tackle Economic Crime and all levels within the Council. We note CIPFA's Code of Practice on managing risk of fraud and corruption (*Fighting Fraud Locally*) and draw three key themes to support our approach.

Acknowledge and inform

- Assess and understand fraud risk
- Committing to tackling economic crime
- Preserving a robust response

Prevent and deter

- Using information and technology
- Improving controls
- Developing and maintaining a strong ethical culture

Pursue and hold to account

- Prioritising recovery and use of sanctions
- Collaboration
- Monitoring and reporting

Assessing and understanding fraud risk

30. We will continue development of this policy and strategy through gaining a clear understanding of the threat, emerging risks, trends and savings when dealing with Economic Crime. We will complete this risk assessment referring to benchmarking and published information (for example, CIPFA's Fraud Survey) at least yearly.

Committing resource

31. The risk assessment will support an annual plan for approval of Members as part of the Internal Audit & Assurance plan. This will include proactive targeting of higher risk topics, raising staff awareness and providing training and support materials.

Preserving a robust response

32. We will ensure all our Officers understand what Economic Crime is and their role in tackling it. This will include following the correct reporting procedures, especially Whistle-Blowing, and making sure suitable secure reporting channels remain available. We will also take seriously and act on reports of suspected Economic Crime.

Using Information and Technology

33. We will seek to make use of the information we hold in assessing risk and prevention and detection of Economic Crime. We may use personal information and data-matching to detect and prevent fraud, and ensure spending of public money in the most cost effective way.

34. We may also share information with others responsible for auditing or managing public funds.

Improving Fraud Controls

35. The most effective method of tackling Economic Crime is prevention. We will work over time to realign resources towards prevention and deterrence. This will include considering fraud risk in designing new systems and in general risk assessments of new and continuing ventures.

36. We will also consider developing best practice in the field, and learning from others. For example, by regular review of CIPFA's Code of Practice and other publications and membership of and engagement with relevant professional bodies.

37. We will also refer matters arising from investigations. Whatever their result, we will consider whether there are lessons for the Council to learn in improving controls.

Developing and Upholding a strong ethical culture

38. The culture and tone of the Council must be one of honesty with zero tolerance towards fraud and corruption. We show this already through codes of conduct for officers and members, but will continue to reinforce the right culture by:

- Raising awareness of Economic Crime with training for new and existing Officers and Members, making use of e-learning packages where fitting.
- Publicising the successes of efforts to tackle Economic Crime so the risk and result of detection are clear to potential offenders.

Prioritising recovery and use of sanctions

39. We will seek to ensure those who have committed Economic Crime are held to account for their actions; crime must not pay. Where we discover economic crime we will consider a full range of sanctions, including civil, disciplinary and criminal action. We will also seek to recoup losses and confiscate assets gained from crime.

40. Criminal prosecutions deter potential offenders and reinforce our lack of tolerance for economic crime. Successful prosecutions need professional investigation to ensure evidence gathering complies with law. Investigative staff must have proper training, suitable skills and access, where necessary, to specialist support to secure effective prosecution.

Collaborating with Others

41. We recognise that organised crime in particular works across boundaries and services. Effective cooperation and working with other agencies (including the Police) will be essential in developing and ensuring the success of our response.

42. This may include, in particular, sharing data and information with partner agencies. Where we do share data, we will do so in line with relevant laws and rules. We note such laws often specifically allow sharing in this circumstance (for example section 29 of the DPA 1998). We will also join regional and national data sharing exercises, such as the National Fraud Initiative, to help improve our work in tackling Economic Crime.

Monitoring and Reporting

43. We will provide regular updates to Senior Management and Members on reported Economic Crime and result of investigations. We will also report progress towards delivery of each year's counter fraud plan.

Further Advice and Support

44. We recognise the primary responsibility for prevention and detection of fraud rests with management. It is essential that Officers report irregularities or suspected irregularities to their line manager or, alternatively, to the Head of Service or Mid Kent Audit. We will provide all reasonable protection to those who raise genuine concerns in good faith.

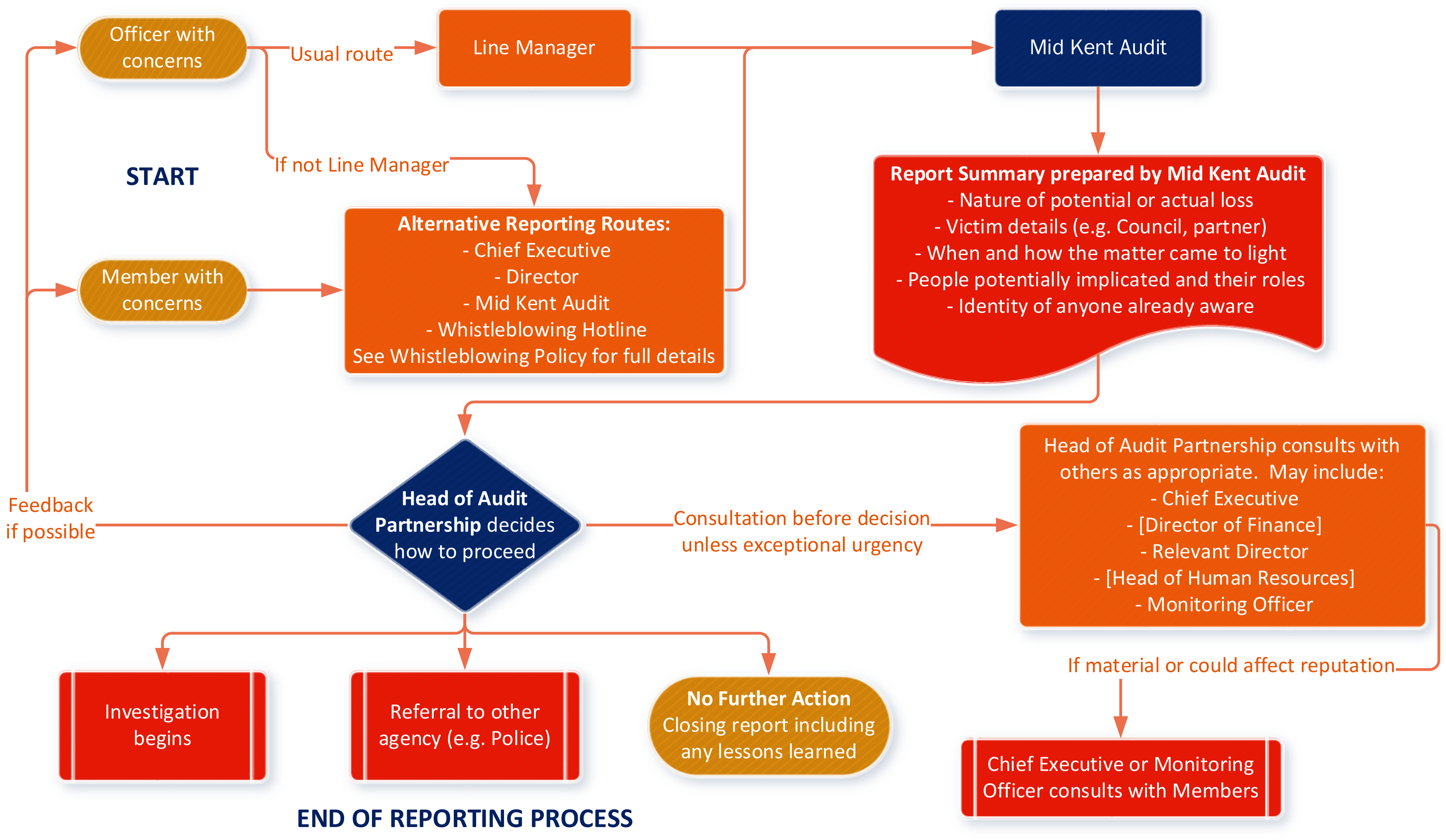
45. Reported suspicions may trigger an investigation, potentially a criminal investigation. We will conduct investigations in line with the Police and Criminal Evidence Act 1984 (PACE) and codes of practice. This includes incorporating the Human Rights Act 1998 in ensuring investigations are fair, proportionate and close within a reasonable time.

46. Nevertheless, we recognise that involvement in an investigation can cause stress and anxiety. People should ensure they seek suitable legal advice, which they can get with the help of Trade Unions or local Citizens Advice Bureau. People can also contact the Employee Assistance Line for general support.

47. This guidance and commitment extends to all involved in any investigation, whether as victim, witness or subject.

48. If you have a matter you wish to discuss, you can contact the Head of Audit Partnership on extension 2056 or rich.clarke@midkent.gov.uk for confidential advice.

Appendix A: Counter Fraud & Corruption – Reporting Process



Appendix B – Economic Crime Offences

Fraud

The Fraud Act 2006 defines three principal ways of committing fraud:

- Fraud by false representation (section 2);
- Fraud by failing to disclose information (section 3), and
- Fraud by abuse of position (section 4).

For fraud to occur, the person's conduct must be dishonest. It must also intend to make a gain, or cause loss (or risk of loss) to someone.

The gain intended does not have to be personal for the individual, but could be for another person (who does not even need to know of the conduct).

It is not necessary for the conduct to succeed to be a crime. Even where the Council detects fraud before suffering loss, the person may have committed a criminal offence.

The Fraud Act also covers behaviour often known by other names, such as deception, forgery, extortion, conspiracy, embezzlement, misappropriation, peculation or false accounting.

Fraud carries a maximum sentence of 10 years imprisonment and an unlimited fine. Offenders may also face resulting action seeking to recover any assets gained because of criminal acts.

Bribery and Corruption

Bribery is giving or offering someone a financial or other advantage aiming to encourage that person to perform their duties improperly or to reward someone for having done so. It also covers asking for, agreeing to receive or accepting the advantage offered.

The Bribery Act 2010 reformed the law of bribery, making offences clearer and helping tackle it proactively. This includes separate offences for offering a bribe (section 1) and accepting a bribe (section 2).

It also introduced a corporate offence, which means the Council (and its individual senior officers) could face exposure to criminal liability for failing to prevent bribery (section 7).

What might form a 'bribe' is much broader than just money. It includes offering, seeking or accepting any advantage which can include gift, services or offers of employment.

Bribery carries a maximum sentence of 10 years imprisonment and an unlimited fine. Offenders may also face resulting action seeking to recover any assets gained because of criminal acts.

Theft

Under the Theft Act 1968, theft is physical misappropriation of any tangible assets. A person is guilty if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it.

Theft carries a maximum sentence of 7 years' imprisonment. Offenders may also face resulting action seeking to recover any assets gained because of criminal acts.

Money Laundering

The Money Laundering Regulations set out that this is how criminals seek to disguise the origins and ownership of the results of their crimes. The intended result is to leave the criminal with money that no one can trace back so the criminal can then use it without suspicion.

Councils are increasingly used by criminals as unwitting parties in money laundering scams. All employees should be aware of the risk of money laundering and follow the procedures set out when they see suspicious transactions.

Economic Crime related to Council Tax and Business Rates

The Council keeps a separate Revenues Compliance team who lead on efforts to prevent and detect Economic Crime in these fields. See separate policies for further information.

Appendix C – Economic Crime Investigation Protocol

[Information about the process of undertaking an investigation, including specifics on the roles of officers in supporting investigation. For example, on safeguarding evidence and submitting to interview. This appendix will not be published in full outside the audit team or with advice from the audit team as it gives details of method].

Appendix D – Whistleblowing Policy & Procedures

[Existing separate policy].

Appendix E – Anti Bribery Policy & Procedures

[Further detail, including specifics on what we regard as 'adequate procedures' to act as a shield against the section 7 Corporate offence. Also will include information on 'facilitation payments' and other euphemisms that might seek to cover offences. Will be developed after further consultation with officers in relevant services].

Appendix F – Anti Money Laundering Policy & Procedures

[Policy and procedures maintained by Finance]

Appendix G – Investigation Liaison Protocols

[Any specific intra-council protocols. One already exists between audit/HR and there's scope for similar between audit/legal and audit/IT. These will be added to this document as they are developed. Could potentially include protocols with third parties, but they are more likely to be case-by-case. Will not be published in full outside the audit team and relevant services as they will give details of method].

POLICY AND RESOURCE COMMITTEE	**12 February 2020**

Your Future, Our Priority – Consultation Response

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Head of Policy, Communications and Governance
Lead Officer and Report Author	Angela Woodhouse, Head of Policy, Communications and Governance
Classification	Public
Wards affected	All

Executive Summary

"Your Future, Our Priority", is Kent County Council's draft 5-year plan. The Plan has been developed following consultation and engagement with key stakeholders including business representatives, young people, residents and the voluntary and community sector. This report provides the Council's response to the draft plan to be submitted during the consultation period. The draft response is at Appendix 1.

Purpose of Report
Decision

This report makes the following recommendations to this Committee:

That the consultation response on "Your Future, Our Priority" is approved for submission to Kent County Council.

Timetable	
Meeting	***Date***
Policy and Resources Committee	12 February 2020

Your Future, Our Priority – Consultation Response

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The four Strategic Plan objectives are: • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place The response to the consultation is focussed on how KCC's objectives align to our own vision and priorities for the Borough. Any gaps have been highlighted in the consultation response	Head of Policy, Communications and Governance
Cross Cutting Objectives	The four cross-cutting objectives are: • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected KCCs five-year plan broadly supports the achievement of the cross cutting objectives	Head of Policy, Communications and Governance
Risk Management	Already covered in the risk section.	Head of Policy, Communications and Governance
Financial	By responding to KCC's five-year plan consultation we can help to ensure that its strategic plan aligns with MBC's. The plan highlights opportunities to collaborate with KCC to lobby and apply for funding, for example the shared UK Prosperity Fund. There are no specific financial implications at this stage.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our	Head of Policy,

	current staffing and welcome the opportunity to work closely with KCC and other partners to achieve our priorities and shared objectives.	Communications and Governance
Legal	Acting on the recommendations is within the Council's powers	
Privacy and Data Protection	There are no data protection implications in responding to the consultation.	Policy and Information Team
Equalities	KCC have carried out an EqIA of the plan and this is available on their website	Policy & Information Manager
Public Health	We recognise that the 5-year plan is seeking a positive impact on population health in Kent.	Head of Policy, Communications and Governance
Crime and Disorder	The 5-year plan identifies priorities for stronger and safer communities	Head of Policy, Communications and Governance
Procurement	No implications from responding to the consultation	Head of Policy, Communications and Governance

2. INTRODUCTION AND BACKGROUND

1.1 Kent County Council has created a new 5-year strategic plan for Kent, "Your Future, Our Priority". The plan shapes what Kent County Council will do, what they will prioritise spending money on and how they will work together with their partners over the next 5 years.

1.2 The plan has been developed following engagement activity with:

- Kent residents
- young people
- businesses
- voluntary and community sector organisations
- their staff
- partners across public services.

1.3 As a result of the engagement activity seven outcomes have been agreed summarised on KCC's website as:

1. **Enterprise and investment**
   Making Kent an ambitious and successful county, with high quality jobs, skilled workers, enterprising businesses and thriving town centres and rural areas.

2. **Securing sustainable infrastructure**
   As Kent grows, working with partners to put in place the infrastructure that communities need, including roads, school places and utilities.

3. **Connected transport and communities**
   Keeping Kent's roads and pavements well maintained and safe, keeping traffic flowing and improving public transport so everyone can get around the county.

4. **A cleaner and greener Kent**
   Keeping our streets, towns and parks tidy and clean, protecting the green areas and coasts that make Kent so special and leading the way on tackling the climate emergency.

5. **Stronger and safer Kent communities**
   Continuing to bring communities together so everyone feels involved and supported and working with partners to make sure everyone feels and stays feeling safe.

6. **Opportunities for children and young people**
   Giving children the best start in life, providing effective early help when families need it and making sure every young person gets the education, skills and experiences they need for a successful future.

7. **Quality health, care and support**
   Helping people to live well, working with partners to improve people's physical and mental health and resilience and providing quality social care when people need it.

1.4 The foreword of the document by KCC Leader, Councillor Roger Gough's provides a summary:

"*Kent is a unique County – with its distinctive geography spanning from the North Downs to the East Coast; rural countryside in the Weald to the urban areas of North Kent; traditional market towns and villages to planned garden communities at Otterpool and Ebbsfleet. We have a proud history from our historic city in Canterbury and Channel ports, to a vibrant, modern economy founded on thriving small and medium sized businesses.*

With a peninsular geography bordering all the opportunities of London and Europe, Kent is an exceptionally diverse county with endless potential. This statement draws together an assessment of Kent's distinctive challenges and opportunities, with the aim of improving the quality of life for all Kent's residents.

Kent County Council has a proud history of providing strategic leadership across the county, with strong working relationships with our local government partners at district, borough, city, town and parish level, all working together to protect Kent's distinctive character and promote a good quality of life. As such, Kent's residents identify with the county as well as their local town, village or neighbourhood. They see that Kent is more than the sum of its parts.

We have improved many outcomes despite a long period of financial challenge, which could not have been achieved without the hard work and dedication of our staff, such as our health visitors, youth workers, community wardens and social care teams who make a visible difference every day for the communities that they serve. However, we recognise there are areas where we can and must do more and we are not complacent about our need to continue to improve over the next 5 years.

We put a strong emphasis on prevention – tackling social and health problems at an early stage. This is not only about the right help for people with complex needs; it also means supporting strong connected communities that reduce isolation and promote a thriving Civil Society across all parts of Kent. Kent is a county of many different local communities that often require local solutions where the County Council is not always part of the answer. We must seek to enable and support Kent charities and community groups to improve their local communities, whilst building stronger social bonds which underpin our quality of life.

Over the last 5 months, we've been listening to what our residents, young people, partners, businesses, staff and Elected Members have told us are the most important issues and concerns facing the county. They want us to work better across the public, private and voluntary sectors to meet the challenges which impact them on a daily basis: the increasing demand for local public services from an aging and changing population, the impact of significant housing growth, and the pressure on our transport infrastructure.

Our relationship to London is critical. We must use our proximity to the capital to our advantage to drive economic development and greater prosperity, not just soak up additional pressures on our county and its public services.

The County Council has a responsibility to set out a clear plan with a strong, positive vision for the county that reflects the people we represent, to partners and to Government. With a shared vision, our voice is stronger, and we can collectively stand up for Kent's best interests nationally. We cannot do this alone – we must work closely with our partners, businesses and the voluntary and community sector to achieve great things for a great county. What an extraordinary privilege it is for all of us to serve it.

We welcome your views on our draft 5 year plan. After the consultation, we will produce a You Said, We Did document to show how your voice has made a difference. Together, over the next 5 years, we want to deliver the priorities that matter most to Kent's residents."

1.5 Consultation is currently open on the plan until 17 February 2020 with all interested parties invited to respond on:

- how well the 7 draft outcomes reflect what is important to your quality of life
- how well the draft objectives will help us to deliver each of these outcomes.

1.6 The response at Appendix 1 is based on our own Strategic Plan and how well KCC's plan aligns to our vision, four priorities, cross cutting objectives and outcomes. KCC's full 5 year plan has not been attached as it is 44 pages, Committee members can find the document here:

https://www.kent.gov.uk/__data/assets/pdf_file/0018/103635/Draft-5-Year-Plan-Public-Consultation-v1_060120.pdf

1.7 Your Future, Our Priority, broadly aligns to the Council's own vision and priorities, as such comments are focussed on gaps, challenges or where we believe clarification is required. The plan emphasises the importance of partnership working to achieve the outcomes set out as emphasised in the Leader's foreword above.

1.8 We have identified areas where we believe Maidstone should be mentioned for example the North Kent Enterprise Zone and Kent Innovation Centre under Outcome 1. We have also identified opportunities for greater collaboration on all outcomes and in particular on securing sustainable infrastructure, asking for clarity on the infrastructure first approach.

1.9 Under Outcome 4, our response provides a challenge to KCC's ambition, requesting quicker action on climate change and a commitment to 2030 in-line with us and other district council's in Kent. Looking at Outcomes 6 and 7 we have asked for a recognition of inclusive growth, the district role in public health and the wider social determinants of health such as housing, opportunities for children and young people and quality health, care and support

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3. AVAILABLE OPTIONS

3.1 The Committee has the following options available to it:

1. Not to respond to the consultation thus missing the opportunity to comment on the strategic plan for Kent

2. Amend the consultation response attached and submit as amended

3. Approve the consultation response as attached at Appendix 1

4. Produce a new response, this would be difficult to draft within the timescale and probably require delegation to the Chief Executive in consultation with the Chair and Vice Chair for sign-off.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The Committee is asked to approve the consultation response at Appendix 1 with such amendments as it deems appropriate. This is an opportunity to influence KCC at a strategic level through input into a consultation exercise, not responding would mean missing this opportunity.

5. RISK

5.1 The purpose of this report is to outline the Council's response to KCC's draft 5-year Strategic Plan. The plan has been assessed against our own Strategic Plan to identify any gaps and these have been highlighted in our response. The response takes into account our risk appetite.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 The purpose of this report is to provide Maidstone Borough Council's response to KCC's Draft 5-year Strategic Plan.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The response will be submitted online via KCC's consultation portal. Consultation closes on the 17th of February. Responses to comments received will be published in a "you said, we did" document.

8. REPORT APPENDICES

Appendix 1: Draft Consultation Response

9. BACKGROUND PAPERS

"Your Future, Our Priority" – KCC's Draft 5 Year Plan:

https://www.kent.gov.uk/__data/assets/pdf_file/0018/103635/Draft-5-Year-Plan-Public-Consultation-v1_060120.pdf

KCC's Five Year Plan

Consultation Questionnaire

How to get involved and have your say

The 5 Year Plan is the flagship strategy for Kent County Council. It unites the Council with clear outcomes and objectives.

The 5 Year Plan has been brought together by working with and listening to our residents, young people, local businesses, the voluntary and community sector and staff. We've reflected what we heard during our engagement process in this draft consultation document. We are keen to hear your thoughts as we further develop this draft during formal consultation.

The consultation will run from **6th January to 17th February 2020.**

You can respond online or request a paper copy of the draft 5-year plan and/or questionnaire. To request paper copies and a prepaid return envelope please contact us on PSRPolicy@kent.gov.uk or call us on 03000 416788.

You can write to us at: Strategy, Policy, Relationships and Corporate Assurance, Rm. 2.70, Sessions House, Maidstone, ME14 1XQ.

What happens after the consultation?

Following the end of the consultation we will bring together a 'You Said, We Did' report which will include an analysis of the engagement and consultation feedback and KCC's response to this. This will be published on the consultation website. This report will be presented to our Corporate Management Team, our Cabinet and County Council in February and March 2020 as part of the approval process.

We will also be bringing together a shorter summary document of this 5-year plan.

Alternative formats

If you require any of the consultation material in an alternative format or language please email alternativeformats@kent.gov.uk or call 03000 421553 (text relay service number: 18001 03000 421553). This number goes to an answering machine, which is monitored during office hours.

Your privacy

Kent County Council collects and processes personal information in order to provide a range of public services. Kent County Council respects the privacy of individuals and endeavours to ensure personal information is collected fairly, lawfully, and in compliance with the General Data Protection Regulation. Read the full Privacy Notice on kent.gov.uk.

Section 1: About You

Q1. Please tell us in what capacity you are completing this questionnaire:
*Please select the option that most closely represents how you will be responding to this consultation. Please select **one** box.*

	As a Kent resident
	As a KCC employee (Kent resident)
	As a KCC employee (non-Kent resident)
	As a representative of a local community group or residents' association
	On behalf of an educational establishment, such as a school or college
x	On behalf of a Parish / Town / Borough / District Council in an official capacity
	As a Parish / District or County Councillor
	As a Kent business owner
	On behalf of a charity, voluntary or community sector organisation (VCS)
	As resident from somewhere else, such as Medway
	Other

If Other, please specify:

Q1a. If you are responding on behalf of an organisation (business, community group, residents' association, council or any other organisation), please tell us the name of your organisation here:

Maidstone Borough Council

KCC's Five Year Plan

Consultation Questionnaire

Q2. Please tell us the first part of your postcode (this will be 3 or 4 characters): **ME15**

Please do not reveal your whole postcode. We use this to help us to analyse our data. It will not be used to identify who you are.

Q3. How did you find out about this consultation? *Select **all** that apply*

	Facebook
	Twitter
	Instagram
	Linked In
	From a friend or relative
	Kent.gov.uk website
	Kent library or Gateway
	Local KCC County Councillor
	District Council/Councillor
	Newspaper
x	An email from KCC
	A Voluntary or Community sector organisation
	Other

If Other, please specify:

Section 2: Document Title

Q4. '*Your Future, Our Priority'* is the draft title for this document, do you think this is a good title?

*Please select **one** box.*

x	Yes
	No

Q4a. If you have answered 'No' to Q4, please give any thoughts or suggestions in the box below.

Section 3: Draft Outcomes

We want to improve quality of life in Kent. Working with residents, businesses, young people and the voluntary and community sector we have brought together the following draft outcomes. Please see pages 9 to 42 of the draft 5 year plan.

	Enterprise and investment
	Securing sustainable infrastructure
	Connected transport and communities
	A cleaner and greener Kent
	Stronger and safer Kent communities
	Opportunities for children and young people
	Quality health, care and support

Q5. Do the draft outcomes reflect what is important to your quality of life?
*Please select **one** box.*

x	Yes
	Partly
	No
	Don’t know

Please provide any comments:

We feel the outcomes and vision closely align to our aspirations and ambition for Maidstone Borough:

“A vibrant, prosperous, urban and rural community at the heart of Kent where everyone can realise their potential”

This vision is underpinned by our 4 strategic priorities:

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

And our cross cutting objectives:

- Heritage is respected
- Health inequalities are addressed and reduced
- Deprivation is reduced and social mobility is improved
- Biodiversity and Environmental Sustainability is respected

The foreword from the Leader in your five-year plan is very positive about working with partners and in particular District Councils.

We have recognised that partnership working and collaboration is crucial to the achievement of our own ambitions and would emphasise that this is beyond local government and involves many partners and stakeholders especially the health sector and the business and voluntary sectors.

The importance of all stakeholders and partners needs to be recognised throughout the document within each of the objectives.

We welcome the statements throughout the Plan that you will collaborate positively with district and borough councils preparing and delivering Local Plans. In particular we note and welcome the intention "to play our part in making a success of the new **Garden Towns and Communities** by supporting district and borough councils to achieve their Local Plan ambitions to match housing growth with quality employment opportunities, supporting infrastructure as well as being carbon neutral. These are complex new developments, so we will do all we can to collaborate with district and borough councils in the planning process. "

We believe there are a number of ways that KCC can constructively contribute including:

- Providing timely Information about infrastructure requirements
- Providing informed feedback on the implications of different spatial options
- Working positively with local planning authorities to identify solutions when infrastructure capacity is insufficient
- Provide expertise in the specialist areas including transport, ecology, minerals and waste , education, and archaeology

<u>Section 4: The Objectives</u>

In order to deliver these outcomes, we have suggested some draft objectives. Some of these objectives we seek to achieve in the next few years, others are longer term.

We've also included work we can do with our partners and things we will ask from the government.

Outcome 1: Enterprise and investment

Please see pages 13 and 14 of the consultation document.

Q6. Do you think that the draft objectives will help us deliver outcome 1 Enterprise and investment? *Please select* ***one*** *box.*

	Yes, the draft objectives will deliver the outcome
x	In part, the draft objectives listed will help to meet the outcome (please list anything missing below)
	No, the draft objectives listed will not meet the outcome (please give us more detail below)
	Don't know

Please provide any comments below:

In our Strategic Plan we have recognised that Maidstone is a Borough that is open for business, attractive to visitors and is an enjoyable and prosperous place to live for our residents. Maidstone as the Business Capital of Kent is seeking to continue to grow our economy with high employment, good local jobs and thriving businesses and we look forward to working with you to achieve the objectives you have set out.

Our adopted Economic Development Strategy has the following 5 key priorities which all align with the proposed plan**:**

1. Retaining and attracting investment
2. Stimulating entrepreneurship
3. Enhancing the town centre
4. Meeting the skills needs
5. Improving the infrastructure.

In particular we fully support the desire to have a defined collective lobbying position for devolution and the UK shared prosperity fund. We would like to see more recognition of the vital role of District Councils in delivering the objectives for Enterprise and Investment and some clarity in the document on a mechanism for achieving the objectives involving district councils for example a KCC/District Agreement/Partnership or Committee.

We would like to see the North Kent Enterprise Zone and the Kent innovation Centre to paragraph 3 on page 11 along with the other examples of innovation.

Outcome 2: Securing sustainable infrastructure

Please see pages 17 to 19 of the consultation document.

Q7. Do you think that the draft objectives will help us deliver outcome 2 Securing sustainable infrastructure? *Please select **one** box.*

	Yes, the objectives listed will meet the outcome
x	In part, the objectives listed will help to meet the outcome (please list anything missing below)
	No, the objectives listed will not meet the outcome (please give us more detail below)
	Don’t know

Please provide any comments below:

The acknowledgement of the vital importance of KCC working collaboratively and constructively with local authorities to help secure the right infrastructure for a growing county aligns with our Strategic Plan focus on working with partners to plan, fund and deliver infrastructure and the outcome of having sufficient infrastructure planned to meet the demands of growth.

We strongly welcome your intention to act to secure funding for, and the delivery of, significant infrastructure to support the growth planned for the county and Maidstone borough in particular. We understand the intention to find creative ways to forward-fund key pieces of infrastructure so that they can be delivered in advance of development. We have some concerns that the headline of ‘championing an infrastructure first approach to housing growth’ could be misleading as the Government has not given local planning authorities the power to require this of developers. Without moderation or additional explanation, this part of the plan could falsely raise expectations.

In terms of maximising developer contributions, we apply both Section 106 and Community Infrastructure Levy on new development, where appropriate. We would wish to continue to work closely with you in regularly updating our Infrastructure Delivery Plan, as this is the key document setting out infrastructure requirements for the borough to support the level of growth contained in the Local Plan. By ensuring the accuracy of the IDP across all infrastructure types (including predicted costings, funding sources, priority and timescales of delivery), we will be best placed to ensure that maximum developer contributions are secured and allocated towards priority infrastructure in the borough.

Any Kent wide approach to infrastructure first would need to be led by the development required in each area, for example Maidstone has a larger housing requirement so would need investment in infrastructure to match. Previously infrastructure has been prioritised in some areas of the county at the expense of those receiving development when county wide infrastructure plans have been in place. We ask that infrastructure plans match the growth required and address historical lack of investment where growth has already taken place. We ask for clarity and collaboration on the development of the Infrastructure Proposition, in particular reference to brown field sites where viability challenges are inhibiting re-use alongside the garden community propositions from East Kent and look forward to working with you on this.

With regard to ensuring high quality design we welcome the approach of protecting biodiversity and creating quality green spaces, however, there needs to be an agreed and shared evidence base for this to support Local Plans and Planning Policy.

We are pleased to see the recognition of digital infrastructure to support our communities both in terms of economy and community connectivity.

Outcome 3: Connected transport and communities

Please see pages 22 to 24 of the consultation document.

Q8. Do you think that the draft objectives will help us deliver outcome 3 Connected transport and communities? *Please select **one** box.*

	Yes, the objectives listed will meet the outcome
x	In part, the objectives listed will help to meet the outcome (please list anything missing below)
	No, the objectives listed will not meet the outcome (please give us more detail below)
	Don't know

Please provide any comments below:

We endorse the collaborative approach to transport planning and in particular the recent, useful joint-working between KCC and MBC for the Maidstone Local Plan Review. This has included the appointment of a shared staff resource and pragmatic work to bring forward transport and air quality modelling. Looking forward, the MBC-KCC joint working should continue with:

- Expert collaboration to deliver robust transport modelling;
- Working together to identify transport solutions where capacity problems are revealed;
- Effective promotion of alternative transport modes to provide realistic choice to the borough's residents; and
- Collaboration on preparing and implementing an Integrated Transport Strategy and Local Cycling & Walking Implementation Plan
- Joint lobbying on Thameslink services

Transport issues will require locally led and designed solutions and we would like this to feature more strongly in your strategy.

In terms of transport infrastructure, we would like to see a focus on smoothing out demand on the highway network so as to minimise excessive peak time congestion. For example, smaller catchment areas, more staggered opening and closing times for schools across the borough and or staggered holidays too, or improved walk, bus or train to school options. The reality is that there is more than adequate capacity on the network for the majority of the time, and so KCC could dedicate more resource to the exploration of creative and subtle solutions working with partners to tackle congestion. We would also like to see more on park and ride and modal shift in relation to future transport planning.

Air quality is also a key concern. Whilst the draft strategy includes actions for electric vehicles in your own fleet we also believe there should be an action on electric vehicles on our public transport network and in particular buses and infrastructure to support wider use of electric vehicles by the general public.

Outcome 4: A cleaner and greener Kent

Please see pages 27 and 28 of the consultation document.

Q9. Do you think that the draft objectives will help us deliver outcome 4 A cleaner and greener Kent? *Please select **one** box.*

	Yes, the objectives listed will meet the outcome
x	In part, the objectives listed will help to meet the outcome (please list anything missing below)
	No, the objectives listed will not meet the outcome (please give us more detail below)
	Don't know

Please provide any comments below:

In our Strategic Plan we have highlighted the importance of taking action against those who do not respect our public spaces, and we seek to ensure that Maidstone is an environmentally attractive and sustainable borough. This mirrors your ambition to protect the environment for future generations and to improve the quality of Kent's public realm through strengthening local partnerships. In working towards net zero carbon emissions by 2050, both authorities have formally recognised the Climate Emergency and we support the shared commitment to progress towards net zero emissions in the shortest possible time. We would ask that you lead the way on tackling the climate change emergency by matching our time horizon of 2030 in line with the majority of Kent district council ambitions.

With regard to the proposed objective to 'develop and approve a tree policy', further clarification may be useful in understanding where this policy would sit and how local authorities might be expected to utilise and/or incorporate such a policy e.g. through their Local Plan. Thought will need to be given to which trees in which locations and this will need to be undertaken with others including district councils, businesses and land owners.

What specific actions are proposed to protect the trees, wetland, marshland, wildlife habitats already in place and established?

Outcome 5: Stronger and safer Kent communities

Please see pages 31 and 32 of the consultation document.

Q10. Do you think that the draft objectives will help us deliver outcome 5 Stronger and safer Kent communities? *Please select **one** box.*

	Yes, the objectives listed will meet the outcome
X	In part, the objectives listed will help to meet the outcome (please list anything missing below)
	No, the objectives listed will not meet the outcome (please give us more detail below)
	Don't know

Please provide any comments below:

Our Strategic Plan notes that Maidstone is a safe place to live and we want our residents to feel safe. Over the next five years we will place particular importance on improving community safety by working with our partners to make people less vulnerable to crime. We welcome the commitment to invest in community wardens, and work with partners to better support rural areas.

The document needs to include references to the district Community Safety Plans and the Police and Crime Commissioners priorities. We would like to see a commitment to continue to fund domestic abuse supported accommodation and we would welcome the opportunity to be involved in the Civil Society Strategy.

Through the Local Plan Review, we as a district council can promote community safety through good development design and planned provision of community facilities and services. We therefore encourage you to develop and deliver the Rural Strategy in order to support rural communities with the challenges they face and to identify where, through the Local Plan, we may be able to support the delivery of the Strategy.

Outcome 6: Opportunities for children and young people

Please see pages 36 and 37 of the consultation document.

Q11. Do you think that the draft objectives will help us deliver outcome 6 Opportunities for children and young people? *Please select* ***one*** *box.*

	Yes, the objectives listed will meet the outcome
X	In part, the objectives listed will help to meet the outcome (please list anything missing below)
	No, the objectives listed will not meet the outcome (please give us more detail below)
	Don't know

Please provide any comments below:

Our vision for Maidstone encompasses that our borough is a place where everyone can achieve their potential. To this end our strategic plan is focused on ensuring we have safe and desirable homes that enable good health and wellbeing for our communities. We want to improve the quality of community services and facilities including for health care and community activities.

One of our desired outcomes for 2045 is to have community facilities and services in the right place at the right time to support communities, this includes facilities and services for young people. Infrastructure such as sure start centres who can support children and families have been very important previously.

We agree that "improving children's health and wellbeing begins by giving every child the best start in life to support children and young people to achieve the best outcomes possible." Housing as one of the social determinants of health is an area we are focussed on improving, to ensure people can reach their potential. Poor quality housing and homelessness impacts negatively on the ability of young people to reach full educational attainment as well as impacting on their health and wellbeing. This needs to be part of the conversation on giving young people the best start in life.

Financial Inclusion and Inclusive growth projects in Maidstone are there to create opportunities for those children from disadvantaged backgrounds to reach their potential.

There is a lack of engagement with young people with the public sector and public services and this needs to be addressed to ensure services are fit for young people and fit for purpose.

Outcome 7: Quality health, care and support

Please see pages 40 to 42 of the consultation document.

Q12. Do you think that the draft objectives will help us deliver outcome 7 Quality health, care and support? *Please select **one** box.*

	Yes, the objectives listed will meet the outcome
X	In part, the objectives listed will help to meet the outcome in part (please list anything missing below)
	No, the objectives listed will not meet the outcome (please give us more detail below)
	Don't know

Please provide any comments below:

Maidstone has a cross cutting objective to address and reduce health inequalities in the Borough as well as an ambition to ensure existing housing is safe, desirable and promotes good health and wellbeing.. Poor housing is associated with poor health which in turn can lead to poor outcomes for adults and children including homelessness, we all need to work together to tackle this.

There are a number of stakeholders involved in the successful delivery of this outcome including health partners, district councils and others. District councils have been working on health projects and with the public health service for several years the continuation of this work is not clear in the actions and ambitions.

We note the "starting well, living well and ageing well interventions" proposed however the existing supported accommodation funding has not been mentioned and this is important for both prevention and ensuring residents can stay in their own homes.

We note the section on mental health and emotional wellbeing and the promotion on mental wellbeing as a priority however, improvements are required to mental health services and these need acknowledging.

Section 5: Overall

We have completed an initial Equality Impact Assessment (EqIA) on the draft 5 year plan. An EqIA is a tool to assess the impact any service change, policy or strategies would have on age, disability, sex, gender identity, race, religion or belief, sexual orientation, pregnancy and maternity, marriage and civil partnership and carers' responsibilities. The EqIA is available online at www.kent.gov.uk/5yearplan or on request.

Q13. If you have any comments about equalities and/or the Equality Impact Assessment, please provide them below.

Q14. If you have any additional comments on any area of the draft 5 year plan, please let us know them here.

Policy & Resources Committee	**12 February 2020**

3rd Quarter Budget & Performance Monitoring Report 2019/20

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service	Mark Green, Director of Business Improvement
Lead Officer and Report Authors	Ellie Dunnet, Head of Finance Paul Holland, Senior Finance Manager (Client) Clare Harvey, Data Intelligence Officer
Classification	Public
Wards affected	All

Executive Summary

This report sets out the 2019/20 overall financial and performance position for the Council, including the services reporting directly into the Policy and Resources Committee (PRC), as at 31st December 2019 (Quarter 3). 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 3 stage, the Council has incurred net expenditure of £12.10 million against a profiled budget of £12.211 million, representing an under spend of £111,000. For the services reporting directly to PRC, net expenditure of £6.462 million has been incurred against a profiled budget of £6.377 million, representing a small overspend of £84,000.

A year-end revenue surplus of £39,000 is forecast for the Council overall, with a major contributory factor to this being a projected year-end surplus of £152,000 for those services reporting directly into PRC.

With regard to capital, at the Quarter 3 stage, the Council has incurred overall expenditure of £28.754 million against a *revised* budget allocation within the Capital Programme of £42.647 million. It is anticipated that there will be slippage of £11.364 million at year end. Expenditure for services reporting directly to PRE of £21.041 million has been incurred against a *revised* budget of £28.720 million. It is anticipated that there will be slippage of £7.10 million.

Performance Monitoring

All three KPIs on the Strategic Scorecard achieved their Quarter 3 target.

Purpose of Report
The report enables the Committee to consider the financial position and any performance issues at the end of December 2019.

This report makes the following recommendations to the Committee:

1. That the Revenue position at the end of the Quarter 3 and the actions being taken or proposed to improve the position, where significant variances have been identified, be noted (***Appendix 1***).

2. That the Capital position at the end of Quarter 3 be noted (***Appendix 1***).

3. That the Summary of Performance for Quarter 3 for Key Performance Indicators is noted (***Appendix 2***).

4. That the uncollectable Non-Domestic Rates (NDR) listed on ***Appendix 3*** be approved for write-off.

Timetable	
Meeting	***Date***
Policy & Resources Committee	12 February 2020

3rd Quarter Budget & Performance Monitoring Report 2019/20

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	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. 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.	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 2019-20, 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	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. 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.	Senior Finance Manager (Client)
Staffing	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. Having a clear set of performance targets enables staff outcomes/objectives to be set and effective action plans to be put in place.	Director of Finance and Business Improvement (Section 151 Officer)
Legal	The Council has a statutory obligation to maintain a balanced budget and this monitoring process enables the committee to remain aware of issues and the process to be taken to maintain a balanced budget for the year. 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.	Team Leader (Corporate Governance), MKLS

Issue	Implications	Sign-off
Privacy and Data Protection	The performance data will be 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	No impact 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	Performance recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	No specific issues arise.	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. INTRODUCTION AND BACKGROUND

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 Policy and Resources Committee (PRC) on how Council services have performed in the first nine months of the financial year with regard to revenue and capital expenditure against approved budgets.

2.2 This report also includes an update to PRC on progress against the Council's Key Performance Indicators (KPIs).

2.3 Attached at ***Appendix 1,*** is a report setting out the revenue and capital spending position at the Quarter 3 stage. Attached at ***Appendix 2,*** is a report setting out the position for the KPIs for the corresponding period. And attached at ***Appendix 3***, is a list of uncollectable Business Rates ("NDR") proposed for write-off.

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 the KPIs at the end of December 2019, the Committee can choose to note this information or it 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 or the KPIs report.

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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. This 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 KPI Update is reported quarterly to the service committees; Communities Housing and Environment Committee, Strategic Planning & Infrastructure Committee and Economic Regeneration & Leisure Committee. Each Committee will receive a report on the relevant priority action areas. The full set of KPIs are presented to the Committee, based 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 3 Performance and Budget Monitoring reports are being considered by the relevant service committees during January and February 2020, including this full report to P&R on 12th February 2020.

7.2 Details of the discussions which have taken place at service committees regarding budget and performance management will be reported to this Committee where appropriate.

7.3 The Council could choose not to monitor the Strategic Plan and/or make alternative performance management arrangements, such as reporting frequency. This is not recommended as it could lead to action not being taken against performance during the year, and the Council failing to deliver its priorities.

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8. REPORT APPENDICES

- Appendix 1: Third Quarter Budget Monitoring 2019/20
- Appendix 2: Third Quarter Key Performance Indicators 2019/20
- Appendix 3: Non-Domestic Rates (NDR): Proposed Write-Offs Q3 2019/20

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9. BACKGROUND PAPERS

None.

Appendix 1

Third Quarter Budget Monitoring 2019/20

Policy & Resources Committee
12th February 2020
Lead Officer: Mark Green
Report Authors: Ellie Dunnet/Paul Holland

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Executive Summary

This report provides members of the Policy & Resources Committee (PRC) with an overview of progress against the 2019/20 revenue and capital budgets as at 31st December 2019 (i.e. the Quarter 3 cumulative position) for the Council overall, including those services reporting directly into the PRC.

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

The headlines for Quarter 3 are as follows:

Part A: Third Quarter Revenue Budget 2019/20

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

Part B: Third Quarter Capital Budget 2019/20

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

Part C: Local Tax Collection 2019/20

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

Part D: Reserves & Balances 2019/20

- At the Quarter 3 stage, the balance on the General Fund reserve is expected to decrease to £8.858 million by 31st March 2020, which is above the minimum contingency balance of £2.0 million adopted by the Council.

Part E: Treasury Management 2019/20

- The Council held short-term Investments of £12.060 million and had £7.0 million in outstanding Borrowing, as at 31st December 2019.

Part F: Maidstone Property Holdings Ltd. (MPH)

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

Part A

Third Quarter Revenue Budget 2019/20

A1) Revenue Budget: Council

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

A1.2 Charts 1 and 2 below show the income and expenditure position for each service committee.

Chart 1: Revenue Budget Performance: INCOME BY SERVICE COMMITTEE

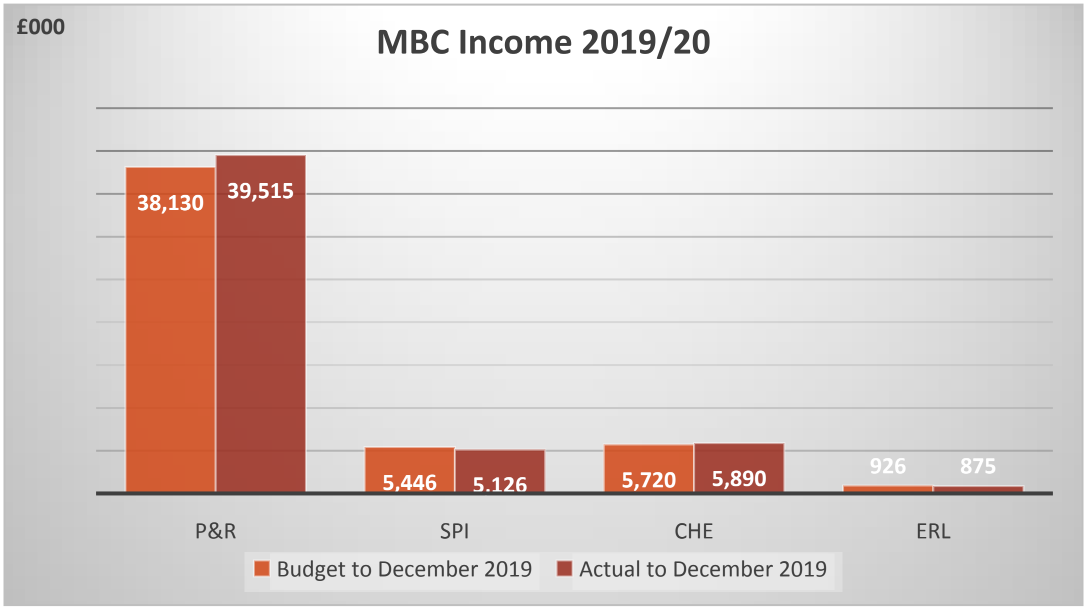
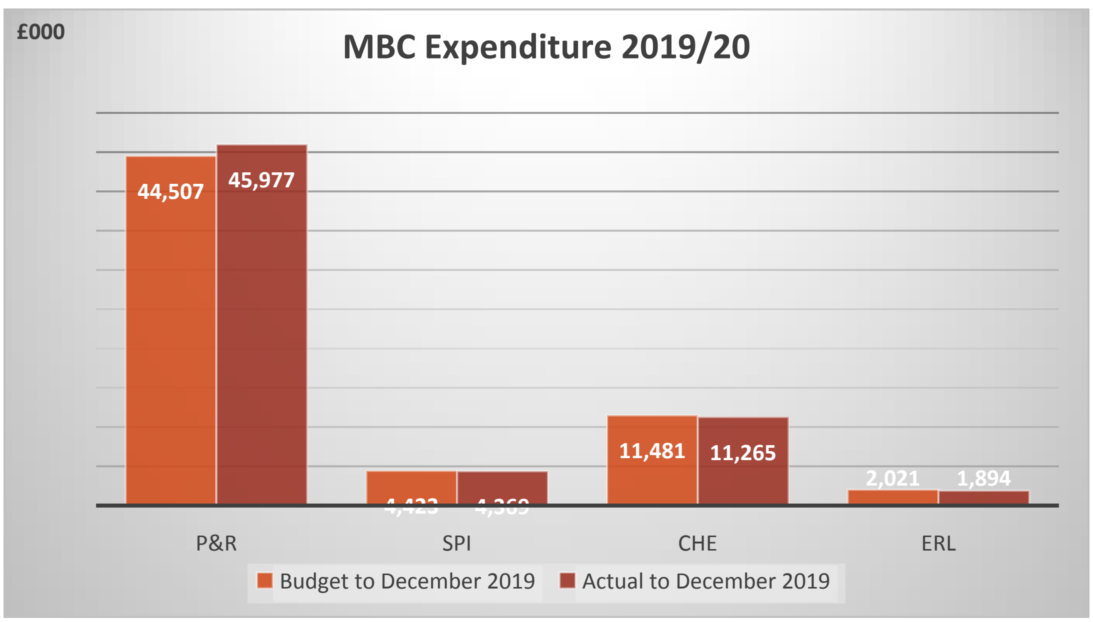


Chart 2: Revenue Budget Performance: EXPENDITURE BY SERVICE COMMITTEE



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

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

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

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

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

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

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

A2) Revenue Budget: Policy & Resources (PRC)

A2.1 Table 4 below provides a detailed summary on the budgeted net expenditure position for the services reporting directly into PRC at the end of Quarter 3. The financial figures are presented on an 'accruals' basis (e.g. expenditure for goods and services received, but not yet paid for, is included).

Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 3rd Quarter 2019/20)

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

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

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

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

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

A3.2 Table 5 below highlights and provides further detail on the most significant variances (i.e. those meeting or exceeding £30,000, either at the end of Quarter 3, or expected to do so by year-end) for those services reporting directly into PRC.

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

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

Table 5 cont.	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Policy & Resources Committee		£000s	
Interest & Investment Income – due to the reduced borrowing forecast for the year and slippage in the Capital Programme, combined with slightly higher interest rates than originally assumed, additional income is being generated so far this year.	+86		+90
Sundry Corporate Properties – the original budget assumed that income would be generated from the purchase of further commercial properties, but there have been none to date this year, so the income target is unlikely to be realised (Note – Lockmeadow is being accounted for separately – see below).		-198	-270
Lockmeadow – The service charges budget for this site has been under pressure for some time. Following a review by the Corporate Property Manager, including discussions/negotiations with the managing agent, it has been identified that the Council is/will be (in future) liable for higher service charges under the terms of the lease than assumed in the current budget.		-62	-75
Lockmeadow Complex (NEW) – A large surplus is anticipated in this newly created cost centre following the recent acquisition of the Lockmeadow complex due to the addition of a number of tenant rental streams.		-15	+250
MBC HR Services Section – variance primarily due to salary savings due to vacancies	+23		+30
Salary Slippage – This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. There is currently an adverse variance, which is expected to be offset by service underspends by the year end.		-151	-201
Museum Buildings – Following a revaluation of the site, the Business Rates liability for the Museum has increased significantly beyond the current budget provision.		-23	-30
IT Operational Services – An over spend of £49,000 is anticipated on this cost centre due to delays in the delivery of a savings target, originally assumed at £100,000 (£48,000 remaining to be delivered).		-30	-49

Table 5 cont.	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Policy & Resources Committee	**£000s**		
Debt Recovery Service – Net expenditure in the first half of the financial year has been lower than budgeted mainly due to the combined impact of higher than expected income and reduced employee costs due to staff vacancies, both in Quarter 1. Two additional staff have now been appointed, which is expected to eliminate the variance by the year end.	+33		0

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

A4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances (i.e. those meeting or exceeding £30,000, either at the end of Quarter 3, or expected to do so by year-end) for other Council services.

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

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

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	**£000's**		
On-Street Parking – Higher than budgeted income is being driven by higher than expected (On-Street) parking space turnover.	+66		+80
Residents Parking – A number of Tribunal cases have been lost where the adjudicator has ruled that the wrong contravention code has been used within resident parking bays. Consequently processes have been adapted, entailing a lower contravention code (leading to a lower penalty charge), which is depressing income from this source. PCN volumes for Residents Parking infringements are also down slightly compared to last year.		-46	-65
Pay & Display Car Parks – Income levels from Pay & Display car parks are not meeting expectations.		-111	-174
Off-Street Parking Enforcement – although overall PCN volumes are comparable to last year, a slightly greater proportion have been issued for Off-Street infringements than the budget assumes, which is offset by a slightly lower proportion issued for Residents Parking infringements (as noted above).	+104		+126
Development Management Section – Budget pressures are being experienced on Salaries and Wages (£28,000) and Professional Services (£14,000) due to the use of additional consultancy resources required to address shortfalls in capacity.		-49	-49
Mid-Kent Planning Support – The current variance has arisen due to a number of posts that are being held vacant.	+72		+72
Salary Slippage – This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. There is currently an adverse variance, which is expected to be offset by service underspends by the year end.		-53	-71

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

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

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

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

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

A5) Virements

A5.1 In accordance with the Council's commitment to transparency and recognized good practice, "virements" (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the Policy & Resources Committee on a quarterly basis.

A5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.

A5.3 The virements made in Quarter 3 are presented in Table 9 below.

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

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

Part B

Third Quarter Capital Budget 2019/20

B1) Capital Budget: Council

B1.1 The overall five-year Capital Programme for 2019/20 to 2023/24 was approved by the Council on 27th February 2019. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding does continue to be available from the New Homes Bonus (NHB).

B1.2 The *revised* 2019/20 element of the Capital Programme has a total budget of £42.647 million. At the Quarter 3 stage, capital expenditure of £28.754 million has been incurred. It is anticipated that there will be slippage of £11.364 million at year end.

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

B2.1 Progress towards the delivery of the 2019/20 PRC element of the Capital Programme at the Quarter 3 stage is presented in Table 10 below. The budget for 2019/20 includes resources brought forward from 2018/19.

B2.2 At the Quarter 3 stage, expenditure of £21.041 million has been incurred against a revised budget of £28.720 million for PRC. It is anticipated that there will be slippage of £7.10 million at year end (the Committee will be asked to approve/note the carry forward of resources into the next financial year).

Table 10: Capital Expenditure (@ 3rd Quarter 2019/20)

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

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

Policy and Resources Committee

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

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

- *Acquisition of Commercial Assets* – Following the acquisition of Lockmeadow for £19.7 million in Quarter 3, the remainder of the budget (£5.137 million) will be rolled forward to 2020/21.

Communities, Housing and Environment Committee

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

- *Indicative Schemes* – The budget included provision for the purchase of a property initially valued at £1.2 million. However that purchase is no longer proceeding, with the funds now earmarked for another scheme. In addition, updated cash flow projections for the Springfield Mill project anticipate slippage of £1.077 million into 2020/21 (from a budget provision of £2.924 million); and

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

Strategic Planning and Infrastructure Committee

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

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

Part C

Third Quarter Local Tax Collection 2019/20

C1) Collection Fund

C1.1 The Council is increasingly reliant on income generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.

C1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.

C2) Collection Rates

C2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target for the year, and the actual amount collected at the Quarter 3 stage.

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

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

C2.2 Collection rates for Council Tax and Business Rates for Quarter 3 were close to target with both just marginally below original expectations.

C2.3 With regard to Council Tax, local benchmarking with other Kent authorities has identified that the majority of billing authorities are experiencing similar reductions in collection rates. Further intelligence also suggest that the picture in Kent mirrors the national position.

C2.4 Business Rates is always subject to volatility, often as a result of Valuation Office Agency (VOA) instructions.

C2.5 Billing and recovery timetables have progressed as planned so far in 2019/20.

<u>Write-offs: Business Rates</u>

C2.6 The Committee is asked to approve the write-off of £292,430.84 in uncollectable Business Rates (detailed in ***Appendix 3***). It should be noted that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.

C2.7 The Council takes a systematic approach to the collection and recovery of Business Rates, including a number of progressive steps ranging from a 'first reminder' for non-payment through to seeking a committal to prison in the most aggravated cases.

C2.8 However, throughout the process, the Council actively encourages contact from any business experiencing difficulty with a view to negotiating a payment arrangement.

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

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

C3) Business Rates Retention (BRR)

C3.1 Following the Council's successful participation in the 2018/19 (100%) BRR Pilot, along with all other authorities in Kent and Medway, the Council has reverted to participating in the original (50%) Kent BRR Pool for 2019/20.

C3.2 As at 31st December 2019 (Quarter 3), the overall growth in Business Rates measured against the Council's baseline was £2.487 million (original forecast £2.284 million), with a projected overall Pooling benefit of £1.144 million achieved. This included an allocation of £0.343 million to Kent County Council, with the balance – of £0.801 million – accruing to Maidstone (original forecast £0.735 million), as summarised in the table below.

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

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

Excludes Kent County Council allocation of £343,095

Part D

Reserves & Balances 2019/20

D1) Reserves & Balances

D1.1 The combined total of the General Fund balance and Earmarked Reserves as at 31st March 2019 was £15.1 million. The makeup of the balance, and the movements in 2019/20 up until the end of Quarter 3 are presented in Table 13 below. The year-end forecast assumes an overall reduction of £2.0 million (reducing from £15.1 million to £13.1 million).

D1.2 The projected closing balance assumes – after an in-year net reduction of £0.370 million – a minimum balance of £2.0 million will be maintained in the General Fund balance (as agreed by full Council in February 2019).

Table 13: Reserves & Balances (3rd Quarter 2019/20)

	1 April 2019	31st December 2019	31 March 2020 (forecast)
		£000	
General Fund			
Unallocated balance	9,228	8,819	8,858
Sub-total	**9,228**	**8,819**	**8,858**
Earmarked Reserves			
New Homes Bonus funding for capital projects	0	1,940	0
Local Plan	200	200	145
Neighbourhood Plans	64	64	64
Planning Appeals	300	300	220
Civil Parking Enforcement	419	419	159
Housing Prevention & Temporary Accommodation	700	700	512
Business Rates Growth Fund	3,682	3,546	2,674
Other	462	462	462
Sub-total	**5,827**	**7,632**	**4,236**
Total General Fund balances	**15,055**	**16,451**	**13,094**

Part E

Treasury Management 2019/20

E1) Introduction

E1.1 The Council has adopted – and incorporated into its Financial Regulations – the "Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code)".

E1.2 The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. In February 2019 the Council approved a Treasury Management Strategy for 2019/20 that was based on the CIPFA Code. That Strategy requires that the Policy and Resources Committee should formally be informed of Treasury Management activities quarterly as part of the budget monitoring process.

E2) Economic Headlines

E2.1 During Quarter 3 (ending 31st December 2019), the Council's advisors (Link Asset Services) reported:

- *UK growth* – risen by 0.4% compared to Quarter 2
- *CPI Inflation* – fell to 1.5% in October and November 2019 and is forecast to remain between 1.5% and 2% over the next two years
- *Wage Inflation* – fallen back slightly from the highs of June 2019 from 3.9% down to 3.5%
- *Employment* – Growth in employment picked up again to 24,000. However, this is still well below the 2018 average, although the unemployment rate remained at 3.8 percent, its lowest rate since 1975; and
- *Bank Rate* – there have been no rises since the increase from 0.5% to 0.75% in August 2018 and it appears unlikely there will be any further movements until the uncertainties over Brexit are fully resolved.

E3) Council Investments

E3.1 The Council held total investments of £12.060 million as at 31st December 2019. Most investments are held in short-term cash in notice accounts and Money Market Funds to enable access to funds when required to support the Capital Programme.

Table 14: Short-Term Investments (3rd Quarter 2019/20)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credt Limits	
						Suggested Term	Maximum Deposit
London Borough of Croydon	Fixed Term Deposit	2,000,000	01/05/2018	01/05/2020	1.05%	5 Years	£5,000,000
Svenska Handelbanken	Call Account	1,290,000			0.60%	12 Months	£3,000,000
Goldman Sachs International Bank	Notice Account Deposit	2,000,000			0.90%	6 months	£3,000,000
Lloyds Bank Plc	Notice Account Deposit	3,000,000			0.95%	12 Months	£3,000,000
HSBC Bank Plc	Notice Account Deposit	3,000,000			0.90%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	0			0.73%	2 Years	£8,000,000
Federated Investers LLP	Money Market Fund	770,000			0.74%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	0			0.67%	2 Years	£8,000,000
		12,060,000					

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

E4) Council Borrowing

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

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

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

Part F

Third Quarter Maidstone Property Holdings 2019/20

Maidstone
Property Holdings Ltd

F1) Maidstone Property Holdings Ltd. (MPH)

F1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a 'vehicle' for letting residential properties on assured short-hold tenancies. The company currently holds two properties, one of which consists of 20 flats on a 22-year lease from the Council, with the other consisting of 14 apartments on assured short-hold tenancies.

F1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (to the Policy and Resources Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.

F1.3 The MPH financial year-end was changed to 31st March, in order to align with the Council's financial reporting period.

F1.4 Since the Quarter 2 update, two new Directors have been appointed to the company (Georgia Hawkes and Claudette Valmond) and the audited Annual Accounts and Confirmation Statement were submitted to Companies House in September 2019.

F1.5 On 18th December 2019, full Council accepted the Policy and Resources Committee recommendations and formally adopted the new Articles of Association, Operational Agreement, Services Agreement and Business Plan. The Services Agreement and Operational Agreement have subsequently been signed and sealed, and the amended Articles of Association submitted to Companies House.

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

F2.1 Net rental income from April 2019 to December 2019 (i.e. 2019/20 Quarter 3 cumulative) totaled £127,891, which compares to £59,847 over the same period in 2018/19 (i.e. an increase of 114%). Net rental income represents rent charged to tenants, less costs recharged by the managing agent. As at 31st December 2019, there were no rent arrears or vacancies in either building.

F2.2 The Council receives income from the company through charges made for services provided, and the property lease. For the 2018/19 financial year these charges totaled £76,107. After the corresponding charges have been taken into account this year, it is anticipated that the company will end 2019/20 in a break-even position.

F2.3 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.

Appendix 2

Third Quarter Key Performance Indicators 2019/20

Policy & Resources Committee
12th February 2020
Lead Officer: Mark Green
Report Author: Clare Harvey

Strategic Scorecard

Performance Indicator	Q3 2019/20				
	Value	Target	Status	Long Trend	Short Trend
The percentage of land and highways with acceptable levels of litter	98.34%	98.00%			
Percentage of successful relief duty outcomes	69.29%	60%		N/A	
Percentage of successful prevention duty outcomes	67.5%	60%		N/A	

Q3 Targets Not Achieved

Performance Indicator	Q3 2019/20				
	Value	Target	Status	Long Trend	Short Trend
Number of visits per month to Visit-Maidstone.com *('A Thriving Place')*	70,136	80,858			
Footfall in the Town Centre *('A Thriving Place')*	2,840,806	3,314,196			
Contacts to the Visitor Information Centre *('A Thriving Place')*	467	829			

Key to performance ratings

RAG Rating	
	Target not achieved
	Target slightly missed (within 10%)
	Target met
	Data Only

Direction	
	Performance has improved
	Performance has been sustained
	Performance has declined
N/A	No previous data to compare

Overall Summary of Performance

A Thriving Place

Overall, there has been mixed performance amongst the Performance Indicators (PIs) relating to 'A Thriving Place'. Out of seven targetable PIs that are reportable for Q3, three PIs achieved the target, one slightly missed its target (within 10%), and three PIs did not achieve the quarterly target. The PIs which achieved their targets were 'Percentage of all available tickets sold at the Hazlitt' (achieved 77.63%, against target of 50%), 'Number of students benefiting from the museums educational service' and 'Footfall at the museum and Visitors Information Centre'.

'Number of students benefiting from the museums educational service' exceeded target for the quarter with 2,640 students engaging with the museum against target 2,060 and 'Footfall at the museum and Visitors Information Centre' surpassed its target of 13,000 visitors with a recorded footfall of 17,127.

The 'Number of visits per month to Visit-Maidstone.com' did not achieve the quarterly target. Here, 86.7% of the target was achieved. The Q3 out-turn is a 40.5% (117,804) decrease compared to the last quarter (Q2 2019/20). Compared to Q3 last year (2018/19), there has been a 15.1% decline in performance. There have been 20% less referrals from the Visit Kent website this quarter; similar figures can be seen from comparable sites across the country. The drop in visits to the website overall, reflects the current drop in visits to attractions and destinations on a national level.

'Footfall in the Town Centre' did not achieve its target for Q3 2019/20 with 85.7% of the target being achieved. Since Q2, the figure has decreased by 2.3%, and since last year (Q3 2019/20) there has been a 10.2% fall. Research undertaken by the Economic Development team has shown that these decreasing figures can be linked to national trends demonstrating that High Street Shopping has become less popular over time; relative to other areas, Maidstone has been affected less by these trends.

'Contacts to the Visitor Information Centre' did not achieve its target for Q3. 56.3% of the target was achieved. Over the last quarter, there has been a 56.0% decline in visitors seen, although compared with last year (Q3 2018/19) there has been a 2.6% rise. The target set for this quarter has been profiled to take into account seasonality which can affect the number of visitors to the Visitor Information Centre. However, reports from the Visitors Information Centre suggest that this autumn/winter season has been particularly quiet.

Safe, Clean and Green

Overall, the Key Performance Indicators (KPIs) relating to 'Safe, Clean and Green' performed well with four of the six targeted KPIs achieving their targets this Quarter (Q3 2019/20). Both the 'The percentage of land and highways with acceptable levels of detritus' and 'Percentage of fly-tips cleared or assessed within 2 working days' PIs achieved their quarterly target, seeing their performance improving since last year, but declining since Q2. For 'The percentage of land and highways with acceptable levels of litter', performance has been sustained since last quarter, and since last year. Performance has declined since Q2 and last year for the 'Percentage of fly tips resulting in enforcement action' PI. One PI slightly missed its target (within 10%) (see below for further details). In addition, although the 'Percentage of unauthorised encampments on Council-owned land removed within 5 working days' PI was given a status of 'N/A', this was done as no unauthorised encampments on Council-owned land occurred in Q3.

The PI that slightly missed its target (within 10%) this quarter was 'Percentage of household waste sent for reuse, recycling and composting'. During Q3, Biffa, the waste services contractor for the Council, has had issues with vehicle breakdown and non-completion of collections. In some instances there has been a requirement to collect side waste on the subsequent collection, so the decrease in waste is not attributed to missed collections. Once the data for December 2019 has been received, the outturn for Q3 will be updated. 'The percentage of land and highways with acceptable levels of litter' achieved its quarterly target. Improvements to mobile technology being used by operatives, ongoing improvements to the cleansing schedules and improved reactional times to reports from the public have helped fulfil this. Performance for this PI has been sustained since Q2 and last year.

Homes and Communities

All four of the targetable quarterly KPIs associated with 'Homes & Communities' were achieved in the quarter. For the PIs where historical information is available, three saw an improvement since last year, and three have shown an improvement since last quarter. The 'Number of households housed through housing register' and 'Number of households prevented or relieved from becoming homeless' PIs saw improvements across both time periods.

The 'Percentage of successful relief duty outcomes' PI has performed well since last quarter when this figure was lower at 60%, and has also achieved its quarterly target in Q3.

Embracing Growth and Enabling Infrastructure

All three targetable PIs relating to Embracing Growth and Enabling Infrastructure achieved their Q3 target. One of these PIs (‘Number of affordable homes delivered (gross)’) has seen its performance improve since last year, while there is no data for Q3 2018/19 to assess the direction of travel of performance for the other two PIs (new for 2019/20). Since Q2, performance is mixed, with one PI showing improved performance, one showing sustained performance and one where performance has declined (‘Percentage of priority 2 enforcement cases dealt with in time’). The affordable homes programme has performed well this quarter. The quarterly target was exceeded, and the annual target met as a result of some schemes being signed off earlier than expected and over-delivery by regional providers of the affordable requirement.

Appendix 3

Non-Domestic Rates (NDR): Proposed Write-Offs Q3 2019/20

Business Name	Property Address	A/C ref	Fin. Year	O/S debt	Costs	Total to be written off	Reason for write off	Action Taken
Redacted	R/O 41 Union Street, Maidstone, Kent, ME14 1ED	3019795	2015/16	£2,171.63			Bankrupt	Made bankrupt 05.11.2018, ceased trading June 2017 but still responsible for property.
			2016/17	£4,017.20	£200.00			
			2017/18	£2,955.57	£200.00			
			2018/19	£4,091.90	£200.00	**£13,836.30**		
Traxcell Limited	79-85 Week Street, Maidstone, ME14 1QX	3295674	2018/19	£12,061.62	£200.00	**£12,261.62**	ceased trading/dissolved	7 day letter issued, ceased trading. Registered office address is a block of flats but no flat number. Dissolved 18.06.19
Placeflow Ltd	13 & 14 WREN INDUSTRIAL ESTATE	3024267	2017/18	£8,280.00	£200.00			Debt was with Enforcement Agents. Company went into Liquidation 12.11.2018. No funds available for a distribution to unsecured creditors.
	COLDRED ROAD		2018/19	£4,415.35	£200.00	**£13,095.35**	Liquidation	
	MAIDSTONE, KENT ME15 9YT							
Remixx Limited t/a Madhouse	304-306 (Unit 307-310) Dukes Walk, Chequers Centre, ME15 6AS	329510X	2018/19	£53,888.84	£200.00		Ceased trading/dissolved	Company liable from 01.09.18, only advised by landlord in December . Debts passed to MKES, returned as company ceased tranding and proposal to strike off on Companies House.
			2019/20	£17,093.39	£100.00	**£71,282.23**		
Mugg & Bean Restaurants Ltd	Wimpy, 5 Gabriels Hill, Maidstone, ME15 6HL	3273196	2016/17	£14,136.00			Liquidation	Arrears Listing, debt was under recovery arrangements which were defaulted - company in liquidation 06.07.17, no dividends issued and company now dissolved
			2017/18	£2,673.69		**£16,809.69**		
Newark Trading Limited	369-370 (unit 370-371) Dukes Walk, Chequers Centre, ME15 6AS	3264111	2015/16	£19,218.92	£200.00	**£19,418.92**	Ceased tranding/dissolved	Debt had been returned from Enfocement Agent as unable to contact/no assets. Reviewed from arrears listing and company was dissolved 22.11.2016
SPENCER HOMEWARE LTD	205/206 (UNIT 205/205A)	3302425	2018/19	£15,157.39		**£15,157.39**	Ceased trading/dissolved	Only advised of lease agreement by landlord in Oct 19, backdated liability. Company was dissolved 20.08.19.
	WATER LANE, CHEQUERS CENTRE							
	MAIDSTONE ME15 6AR							
Top Shop / Top Man Properties Limited	19-21 Fremlin Walk, Maidstone, Kent, ME14 1QG	3165560	2019/2020	£91,845.00	£0.00	**£91,845.00**	CVA	CVA Proposals received - no dividends will be paid to Rating Authorities
Redacted	35-37 LOWER STONE STREET	3084654	2014/15	£13,146.05	£200.00		absconded	Debt has been with Enforcement Agents, returned as unable to contact. Tracing undertaken - debtor has retired and returned to China.
	MAIDSTONE ME15 6LH		2015/16	£13,557.50	£200.00			
			2016/17	£11,420.79	£200.00	**£38,724.34**		
				Total		**£292,430.84**		

Policy and Resources Committee	**12 February 2020**

Medium Term Financial Strategy and Budget Proposals 2020/21

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

Executive Summary

This report represents the final stage in this Committee's consideration of the budget for 2020/21. It brings together revenue and capital budget proposals for 2020/21, including a proposed level of Council Tax, so that a balanced budget may be recommended to Council on 26th February 2020. The budget proposals are consistent with the Medium Term Financial Strategy agreed by Council on 18th December 2019, which envisaged a standstill budget in 2020/21 with updating to allow for inflation and a corresponding increase in Council Tax. It should be noted that the position for 2021/22 and subsequent years remains unclear, pending the introduction of a new local government funding regime.

The budget proposals have been considered by Service Committees and their comments have been reflected in the latest Strategic Revenue Projection attached to this report. A number of further minor adjustments have been made to the Strategic Revenue Projection and are described in the report. The report also deals with the proposed capital programme 2020/21 to 2024/25 and the Council's level of reserves.

This report makes the following recommendations to this Committee:

It is recommended that the Committee:

1. Notes the outcomes of consideration of budget proposals by the Service Committees;
2. Agrees the updated Strategic Revenue Projection set out in Appendix A;
3. Agrees the Budget Savings Proposals set out in Appendix B;
4. Agrees the Revised Estimates for 2019/20 and the Budget Estimates for 2020/21 set out in Appendix C for recommendation to Council;
5. Agrees the Capital Programme set out at Appendix D for recommendation to Council;

6. Agrees the Treasury Management Strategy, Investment Strategy and Capital Strategy set out in Appendix E for recommendation to Council;
7. Agrees a £5.13 increase in Band D Council Tax for 2020/21 for recommendation to Council;
8. Agrees that the tax base for Linton Parish Council calculated in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012 for the year 2020/21 be amended from 93.5 to 254.5 (see paragraph 2.18).
9. Agrees the updated Medium Term Financial Strategy set out in Appendix G;
10. Recommends to Council the appropriate matters for decision to set a balanced budget for 2020/21 and the necessary level of Council Tax in accordance with the Local Government Finance Act 1992 and the Localism Act 2011 including the decisions made above.

Timetable	
Meeting	***Date***
Policy and Resources Committee	12 February 2020
Council	26 February 2020

Medium Term Financial Strategy and Budget Proposals

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 and the budget support the cross-cutting objectives in the same way that they support 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	Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The Medium Term Financial Strategy demonstrates the Council's commitment to fulfilling it's duties under the Act. The Council is required to set a council tax by the 11 March in any year and has a statutory obligation to set a balanced budget. The budget requirements and basic amount of Council Tax must be calculated in accordance with the requirements of sections 31A and 31B to the Local Government Finance Act	Legal Services

	1992 (as amended by sections 73-79 of the Localism Act 2011). The Council is required to determine whether the basic amount of council tax is excessive as prescribed in regulations - section 52ZB of the 1992 Act as inserted under Schedule 5 to the Localism Act 2011. The Council is required to hold a referendum of all registered electors in the borough if the prescribed requirements regarding whether the increase is excessive are met. Approval of the budget is a matter reserved for full Council upon recommendation by Policy and Resources Committee on budget and policy matters.	
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 assessment will be undertaken. Should an impact be identified appropriate mitigations with be sought.	Equalities and Corporate Policy Officer
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 This section sets out revenue and capital budget proposals for 2020/21 as follows:

- Background
- Local Government Finance Settlement 2020/21
- Feedback from Service Committees on budget proposals
- Updates to Strategic Revenue Projection
- Revenue Estimates
- Capital Programme
- Balances / Earmarked Reserves

Background

2.2 At its meeting on 18 December 2019, Council agreed an updated Medium Term Financial Strategy (MTFS) for the next five years. The MTFS sets out in financial terms how the Council's Strategic Plan will be delivered, given the resources available.

2.3 The MTFS builds on the previous year's MTFS, which was developed in parallel with the Council's new Strategic Plan. There were relatively few new developments to be incorporated in the updated MTFS, given the recent adoption of a Strategic Plan and the delay in the introduction of a new local government funding regime from 2020/21 to 2021/22. This meant that, broadly speaking, the Council could set a 'stand-still' budget for 2020/21. Members have agreed the principle of maintaining the level of Council Tax in real terms, which would be consistent with this approach.

2.3 The financial projections underlying the MTFS were prepared under three different scenarios – adverse, neutral and favourable. All three scenarios assumed that budget proposals for future years which have already been agreed by Council would be delivered, and that Council Tax is increased by 2% in 2020/21.

2.5 The MTFS 'neutral' revenue projections indicated that a broadly balanced position could be achieved for 2020/21, so no specific targets were set for savings or increased income generation in this year. Service pressures, or new initiatives with revenue expenditure implications, would be funded from within the overall budget envelope.

2.8 In subsequent years, the projections indicate a likely requirement either to make savings or generate increased income. The exact size of the budget gap depends on the new local government funding regime. Early indications of the implications for Maidstone are expected in Spring 2020. Officers will start developing appropriate plans as soon as these become available and will report to Members at the earliest available opportunity.

Local Government Finance Settlement 2020/21

2.9 The Provisional Local Government Finance Settlement for 2020/21 was announced on 20 December 2019. Given the major changes in funding arrangements expected next year, there were no significant new announcements for 2020/21. The details confirmed the key assumptions incorporated in the MTFS:

- Retained business rates income will be £3.260 million (the MTFS projection was £3.269 million)
- New Homes Bonus has been retained for another year, giving £4.472 million to help fund our capital programme
- The Council Tax referendum limit will be 2%
- There will be no negative Revenue Support Grant.

Feedback from Service Committees on Budget Proposals

2.10 Strategic Planning and Infrastructure Committee (7 January 2020)

The Committee expressed concerns about the adequacy of the budget for the Local Plan Review. It recommended that Policy and Resources Committee retain the budget of £200,000 per year, which had been due to expire at the end of the current Local Plan Review process. The Committee also asked for more detail as to whether the budget is sufficient for the ongoing requirements of the Local Plan Review. With this additional recommendation, the budget proposals were agreed for submission to the Policy and Resources Committee.

2.11 Communities, Housing and Environment Committee (14 January 2020)

Concerns were raised about the capital budget proposal for the provision of water fountains. The Head of Environment & Public Realm explained that the provision of water fountains was included within the Waste Strategy as part of an investment in infrastructure to reduce waste. It was agreed that a report on the water fountains would be made available for Members at the next Committee meeting. The budget proposals were agreed for submission to the Policy and Resources Committee.

2.12 Policy and Resources Committee (22 January 2020)

Budget proposals for services within the remit of the Committee were agreed.

2.13 Economic Regeneration and Leisure Committee (28 January 2020)

The Committee expressed interest in opening the Town Hall for functions and events in order to increase income for the Council. It recommended that the Democracy & General Purposes Committee consider options for promoting the Town Hall at weekends to increase income for the Council. The budget proposals were agreed for submission to the Policy and Resources Committee.

2.14 Conclusion

The only substantive change recommended following consideration of the budget proposals by the Service Committees was the recommendation of the Strategic Planning and Infrastructure Committee that £200,000 per annum for work on the Local Plan Review be built into the budget on a permanent basis. The Strategic Revenue Projection in Appendix A has been amended accordingly, so if Policy and Resources Committee agree the recommendations at the beginning of this report, this proposal would be adopted. There is no impact on 2020/21 as £200,000 was already included in that year's budget projection.

Updates to Strategic Revenue Projection

Council Tax

2.15 Policy and Resources Committee agreed at its meeting on 22 January 2020 that the Council Tax Base for 2020/21 will be 63,319.80. This is slightly more than the increase in the Council Tax Base assumed in the MTFS. Although the number of new homes is broadly in line with projections, the deduction from the Council Tax Base for Council Tax Support has reduced slightly, because the number of claimants is projected to fall. The agreed Council Tax Base will yield total Council Tax income of £16,817,106 if Band D Council Tax is increased by 2% (£5.13), as set out in the agreed Medium Term Financial Strategy. This is £89,000 more than in the original Strategic Revenue Projection in the MTFS.

2.16 Taking into account expected increases in precepts from other organisations, the overall level of Band D Council Tax will be as follows:

	% change from last year	
Kent County Council	2.0	£1,232.64
Kent County Council Social Care Precept	2.0	£118.62
Kent Police and Crime Commissioner	5.2	£203.15
Kent Fire and Rescue Service	2.0	£79.29
Maidstone Borough Council	2.0	£260.46
ANNUAL CHARGE FOR 2020/21	**3.7**	**£1,899.29**

2.17 Subsequent to this Committee approving the tax base for 2020/21 for the borough council and each parish area at its meeting on 22 January 2020, officers have identified an error in the tax base of 93.5 calculated for Linton parish and agreed by the committee. The tax base for 2020/21 when calculated correctly should be 254.5.

2.18 In order to correct this error, members of this committee are asked to agree the revised parish tax base (Appendix H) which incorporates the corrected tax base for Linton. This error does not have any impact on the overall tax base for the borough and consequently does not affect the forecast council tax income included in the budget projections for next year. Officers have also checked the other calculations included in this appendix and are satisfied that this error is isolated to Linton parish only. Internal quality control procedures will be reviewed to ensure that this error does not recur in future years.

Business Rates

2.19 The Business Rates income estimate for 2020/21 is based on the recently completed NNDR1 return that has to be provided to the Department of Housing Communities and Local Government each January.

2.20 The Business Rates baseline, ie the notional amount of business rates due to the Council, after payments to preceptors and the government's tariff, excluding any growth, is £3.260 million, as set out in the Provisional Local Government Finance Settlement.

2.21 The NNDR1 return indicates that there will be further business rates growth in addition to this. Maidstone's share of this growth amounts to £1.21 million, which is £58,000 more than assumed in the MTFS. The increase arises from further growth in the underlying rateable value of business property in Maidstone.

2.22 Kent County Council and ten of the Kent districts continue to pool their business rates growth, which has the effect of reducing the levy on business rates growth that would otherwise be payable to central government. As previously agreed by Council, Maidstone's 30% share of the saving on the levy is ringfenced for investment in the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. Neither of these amounts are reflected in the Strategic Revenue Projection, as they have been earmarked for specific purposes.

2.23 Both Council Tax and Business Rates income are accounted for through the Collection Fund. Any surplus or deficit at the end of the year on the Collection Fund is distributed between the Council, preceptors and central government as required by statute. The outturn for the Collection Fund will be reported to this Committee alongside the General Fund outturn for 2019/20 at its meeting in June 2020 and its allocation agreed at that time.

Fees and Charges

2.24 The level of fees and charges made by each Service Area were considered by Service Committees at their meetings in January 2020. The combined effect of changes in fees and charges has been incorporated in the budget proposals in Appendix B.

Inflation

2.25 The core inflation assumption in the MTFS is 2%. Although CPI inflation is currently running at less than this amount, 2% remains the government's inflation target, and creates an expectation about inflation which is reflected in particular in pay demands and hence wage inflation. Payroll is the Council's single biggest area of expenditure, so is a major determinant of the inflation pressures overall for the Council.

2.26 The Council's inflation assumptions are applied to service budgets on a line-by-line basis when drawing up the budget. The draft inflation allowance included in the MTFS Strategic Revenue Projection is calculated on costs across the board, so when detailed budgets are finalised there is always an adjustment, which has led this year to the projected allowance for inflation in the Strategic Revenue Projection increasing by £13,000.

Revenue costs of capital programme

2.27 An allowance is made in the Strategic Revenue Projection for the revenue costs of the capital programme, ie financing costs and Minimum Revenue Provision. Having reviewed the capital programme, as updated and approved by Policy and Resources Committee at its meeting on 22 January, the 2020/21 revenue costs of the capital programme in the Strategic Revenue Projection have increased by £34,000.

Summary

2.28 In summary, the impact of the above changes to the Strategic Revenue Projection for 2020/21, as compared with the position shown in the Medium Term Financial Strategy as adopted by Council on 18 December 2019, is as follows:

	£000
Projected budget surplus for 2020/21 as per MTFS	96
Net effect of amended and new budget proposals as reported to Service Committees in January	-89
Projected budget surplus for 2020/21 as reported to Policy and Resources Committee 22 January 2020	7
Add:	
Higher than projected increase in Council Tax base	89
Higher than projected business rates growth	59
Less:	
Government recalculation of business rates baseline	-9
Increase in inflation allowance	-24
Revenue effects of updating capital programme	-34
Updated budget surplus for 2020/21	87

The Strategic Revenue Projection at Appendix A assumes that the surplus of £87,000 will be carried forward to 2021/22, thus reducing the projected deficit that year.

Revenue Estimates

2.29 Attached at Appendix C is a summary of the revenue budget for 2020/21, based on the assumptions above. The summary shows the Original Estimate 2019/20 as approved by Council in February 2019; the Revised Estimate 2019/20 calculated as part of the budget development work completed this year; and the Estimate for 2020/21 based upon the details set out in this report. The Estimate for 2020/21 is analysed between gross expenditure, income and net expenditure, so that Members may see clearly how income generated by the Council contributes towards expenditure budgets.

2.30 Appendix C presents the Committee with the budget structured in line with the relevant Service Committees and separately structured in line with the strategic priorities set out in the Strategic Plan.

2.31 The Revised Estimate 2019/20 shown in Appendix C totals £20,561,640. This figure is net of all income with the exception of the use of balances and the council tax requirement.

2.32 The Estimate for 2020/21 shown in Appendix C totals £21,200,230. This incorporates all the items discussed above. The figure is net of all income with the exception of Council Tax and Business Rates income. It excludes precepts.

Capital Programme

2.33 A draft Capital Programme was reported to Committee at its meeting on 22 January 2020. The Capital Programme totals £108 million over five years and includes a number of major schemes intended to achieve the Council's long term strategic objectives. Details are set out in Appendix D.

2.34 The Council has the power to borrow to finance capital expenditure subject to the guidance set out in the Prudential Code. In 2012 the Council approved in principle the use of prudential borrowing. It borrowed for the first time in November 2019 when completing the purchase of the Lockmeadow Leisure Complex. The proposals set out in this report indicate a need for up to £82.418 million additional prudential borrowing over the life of the programme. The revenue costs of this borrowing are reflected in the Strategic Revenue Projections.

2.35 The arrangements for funding the capital programme are set out in the Treasury Management Strategy, Investment Strategy and Capital Strategy, which were considered by the Audit Governance & Standards Committee at its meeting on 13 January 2020. The Audit Governance & Standards Committee was made aware of the potential for prudential borrowing arising from approval of the recommendations in this report. It agreed the Treasury Management Strategy, Investment Strategy and Capital Strategy, subject to any amendments arising from consideration of the Capital Programme by Policy and Resources Committee. The updated Treasury Management Strategy, Investment Strategy and Capital Strategy are accordingly included as Appendix E.

Balances / Earmarked Reserves

2.36 Attached at Appendix F is a statement of general fund balances and details of earmarked reserves. The earmarked reserves incorporate a capital reserve that includes all of the retained New Homes Bonus and other revenue support to the capital programme available from previous years.

2.37 General fund balances are estimated to be £12.3 million by 31 March 2021. In considering the level of reserves that should be maintained Committee should make two decisions:

a) The first is an absolute minimum below which the Committee cannot approve the use of balances without agreement by the Council. This figure is currently set at £2,000,000. It is recommended that Committee propose to Council that the minimum level of balances be maintained at £2,000,000.

b) The second is an operational minimum set for daily use of balances by the Policy & Resources Committee. In the past this has been set £300,000 above the Council set minimum. This makes £2,300,000 and it is recommended that Committee approve the principle that the minimum level of balances for daily use should be £300,000 above the Council set minimum.

It can be seen that the level of reserves is comfortably in excess of the minimum levels described.

Medium Term Financial Strategy

2.38 Attached as Appendix G is the Medium Term Financial Strategy, updated to reflect the latest position as described in this report.

2.39 The financial projection that complements the Medium Term Financial Strategy is the Strategic Revenue Projection given at Appendix A. The financial projection considers the need for growth and savings over the period of the Medium Term Financial Strategy and incorporates assumptions about inflation and changes in local and national initiatives.

2.40 The financial projection that complements the Capital Medium Term Financial Strategy Statement is the capital programme given at Appendix E.

2.41 The Strategy may require amendment following Committee's consideration of this report or following consideration by Council on 26th February 2020. The final versions will be published as part of the budget documents on the Council's website following the Council meeting.

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3 AVAILABLE OPTIONS

3.11 **Option 1:** To not recommend a budget or recommend a budget that is not balanced to Council.

3.12 The Council is statutorily required to set a balanced budget in time for the new financial year and in time for council tax billing to be achieved. If the Committee were to decide not to recommend a budget or recommend a budget that was not balanced Council would not be able to accept the proposal. A budget would need to be set and this would happen without the information or guidance from this Committee's work over the past year.

3.13 **Option 2:** The Committee could amend the budget set out in this report but would need to take care that the final recommendation to Council is a balanced budget.

3.14 The Director of Finance and Business Improvement (section 151 Officer) must provide confirmation to Council that "the budget calculations are based upon robust estimates and that the level of reserves is sufficient for the purposes of the budget exercise". Care must be taken in amending the budget set out in this report so that the Director of Finance and Business Improvement is able to make the necessary confirmation.

3.15 **Option 3:** the Committee recommend the budget set out in this report, including the proposed council tax charge.

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4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.11 Option 3 is the preferred option.

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5 RISKS

5.11 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 of its meetings.

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6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.11 Policy and Resources Committee received an initial report on the MTFS at its meeting on 23 July 2019 and has subsequently received further reports on the development of the budget for 2020/21. Council agreed the MTFS at its meeting on 18 December 2019.

6.12 A Residents' Survey was carried out in Autumn 2019 to obtain their views on the issues to be considered when setting a budget. The findings were reported to Service Committees in January 2020 and formed part of their consideration of the budget proposals.

6.13 Detailed budget proposals were considered by individual Service Committees. The outcomes of this consultation are set out in this report at paragraphs 2.10 to 2.14.

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7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The timetable for setting the budget for 2020/21 is set out below.

Date	***Meeting***	***Action***
12 February 2020	Policy and Resources Committee	Agree 2020/21 budget proposals for recommendation to Council
26 February 2020	Council	Approve 2020/21 budget

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8 REPORT APPENDICES

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

- Appendix A: Strategic Revenue Projection 2020/21 to 2024/25
- Appendix B: Budget Savings Proposals 2020/21
- Appendix C: Revised Estimates for 2019/20 and Draft Budget Estimates for 2020/21
- Appendix D: Capital Programme 2020/21 to 2024/25
- Appendix E: Updated Treasury Management Strategy, Investment Strategy and Capital Strategy
- Appendix F: Statement of General Fund Balances and Earmarked Reserves
- Appendix G: Updated Medium Term Financial Strategy 2020/21 to 2024/25
- Appendix H: Parish Tax Bases 2020/21 (Amended)

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9 BACKGROUND PAPERS

There are no background papers.

APPENDIX A

REVENUE ESTIMATE 2020/21 TO 2024/25
STRATEGIC REVENUE PROJECTION

2019/20 £000		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
	PROJECTED INCOME					
16,157	COUNCIL TAX	16,817	17,411	18,025	18,662	19,320
17	EMPTY HOMES PREMIUM					
3,208	RETAINED BUSINESS RATES	3,260	1,672	1,705	1,739	1,774
1,129	BUSINESS RATES GROWTH	1,210	0	180	362	546
49	LEVY ACCOUNT SURPLUS					
-85	COLLECTION FUND ADJUSTMENT					
20,475	**PROJECTED NET BUDGET**	**21,287**	**19,083**	**19,911**	**20,763**	**21,640**
20,839	OTHER INCOME - EXISTING	21,037	21,247	21,460	21,674	21,891
0	OTHER INCOME - NEW INVESTMENTS	673	887	298	1,145	1,949
41,314	**TOTAL RESOURCES AVAILABLE**	**42,996**	**41,217**	**41,668**	**43,582**	**45,480**
	PROJECTED EXPENDITURE					
38,853	**CURRENT SPEND**	41,314	42,996	41,217	41,668	43,582
	INFLATION & CONTRACT INCREASES					
997	PAY, NI & INFLATION INCREASES	1,013	1,009	1,039	1,069	1,100
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					
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	1,870	893	646	562	583
1,589	CONTINGENCY FOR FUTURE PRESSURES		-1,589			
41,314	**TOTAL PREDICTED REQUIREMENT**	**44,431**	**43,500**	**43,102**	**43,849**	**45,315**
	SAVINGS REQUIRED	**-1,435**	**-2,283**	**-1,434**	**-266**	**164**
	EXISTING SAVINGS	**1,611**	**940**	**623**	**200**	**0**
	NEW AND AMENDED SAVINGS / (GROWTH)	**-89**	**-50**	**-20**	**0**	**0**
	SURPLUS / (DEFICIT)	**87**	**-1,393**	**-831**	**-66**	**164**
	CUMULATIVE SURPLUS / (DEFICIT)	**87**	**-1,306**	**-2,137**	**-2,203**	**-2,039**

Revenue Budget Proposals 2020/21 - 2024/25

Service	Proposal	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
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					**-20**
Asset management	Implement recommendations of Gen2 review	-25	-25				**-50**
Total Existing Savings		**-835**	**-794**	**-543**	**-200**	**0**	**-2,372**

Service	Proposal	20/21 £000	21/22	22/23	23/24	24/25	Total
New commercial investments	Lockmeadow acquisition	-1,096					**-1,096**
New commercial investments	Income from other new acquisitions				143	143	**286**
Housing & Regeneration	Reprofiling of income from new developments	423	122	400	-140	-355	**450**
Income from New Investments		**-673**	**122**	**400**	**3**	**-212**	**-360**

Service	Proposal	20/21 £000	21/22	22/23	23/24	24/25	Total
Maidstone House	Additional rental income	-80					**-80**
Mid Kent Services	Reduction in MKS-wide spend	-42					**-42**
ICT	Review of licence agreements	-11					**-11**
Human Resources	Release of contingency not required	-7					**-7**
Elections	Changes to electoral registration process have not delivered expected savings	25					**25**
Total Amendments and New Savings		**-115**	**0**	**0**	**0**	**0**	**-115**

OVERALL CHANGE IN BUDGET (£000)	**-1,623**	**-672**	**-143**	**-197**	**-212**	**-2,847**

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 Budget Proposals 2020/21 - 2024/25

Service	Proposal	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
C C T V	Commissioning review	-25				0	**-25**
Voluntary Sector Grants	Phased reduction of grants	-11	-11				**-22**
C C T V	Cease monitoring of cameras	-155				0	**-155**
Depot/Grounds Maintenance	Commercial Income Growth	-50				0	**-50**
Community Services	Review of Community Services	-50				0	**-50**
Gypsy & Caravan Sites	Transfer of sites to KCC		-25			0	**-25**
Total Existing Savings		**-291**	**-36**	**0**	**0**	**0**	**-327**

Service	Proposal	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
CCTV	Ongoing costs of CCTV service	30					**30**
Licensing	Legal contingency not required	-30					**-30**
Climate Change	Permanent appointment of a climate change officer	30	30				**60**
Total Amendments and New Savings		**30**	**30**	**0**	**0**	**0**	**60**

OVERALL CHANGE IN BUDGET (£000)	**-261**	**-6**	**0**	**0**	**0**	**-267**

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 Budget Proposals 2020/21 - 2024/25

Service	Proposal	20/21	21/22	22/23	23/24	24/25	Total
		£000					
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**
Total Existing Savings		**-189**	**0**	**0**	**0**	**0**	**-189**

Service	Proposal	20/21	21/22	22/23	23/24	24/25	Total
		£000					
Mote Park Centre	New Café construction deferred	40	-40				**0**
Museum	NNDR saving currently subject to appeal	119	-119				
	Shortfall funded from service reserves	-159	159				**0**
							0
							0
							0
							0
							0
							0
Total Amendments and New Savings		**0**	**0**	**0**	**0**	**0**	**0**

OVERALL CHANGE IN BUDGET (£000)	**-189**	**0**	**0**	**0**	**0**	**-189**

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.

Strategic Planning and Infrastructure Committee
Revenue Budget Proposals 2020/21 - 2024/25

Appendix B

Service	Proposal	20/21	21/22	22/23	23/24	24/25	Total
		£000					
Development Management	Cost reduction following adoption of 2017 Local Plan	-40				0	**-40**
Pay & Display Car Parks	5% increase in income	-100				0	**-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	-30	-15	-15		0	**-60**
Planning	Income generation from PPAs and Pre-application fees	-15				0	**-15**
Building Control	Increase income budget	-15				0	**-15**
Total Existing Savings		**-281**	**-95**	**-80**	**0**	**0**	**-456**

Service	Proposal	20/21	21/22	22/23	23/24	24/25	Total
		£000					
Planning Support	Reduction in management costs	-21					**-21**
Planning Fees	Re-appraisal of Income Budget	100					**100**
Local Plan Review	Retain ongoing annual budget			200			
Parking Services	Re-appraisal of scope for increased charges	95	20	20			**135**
Total Amendments and New Savings		**174**	**20**	**220**	**0**	**0**	**214**

OVERALL CHANGE IN BUDGET (£000)	**-107**	**-75**	**140**	**0**	**0**	**-242**

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.

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2019/20 AND ESTIMATE 2020/21

COMMITTEE SUMMARY

Cost Centre/Service	Original Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Policy & Resources	6,399,330	6,983,680	6,344,300
Strategic Planning & Infrastructure	-1,499,240	-1,235,770	-1,325,730
Communities, Housing & Environment	8,511,490	8,436,980	8,505,380
Economic Regeneration & Leisure	1,023,380	1,219,770	938,690
	14,434,960	**15,404,660**	**14,462,640**
Invest to Save Contributions	10,000	10,000	10,000
Transfers to Earmarked Reserves	6,030,180	5,146,980	6,727,590
Net Revenue Expenditure	**20,475,140**	**20,561,640**	**21,200,230**

SUMMARY ESTIMATE 2020/21 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Policy & Resources					
Contingency	183,420	63,970	250,000		250,000
Unapportionable Central Overheads	1,783,370	1,783,370	1,419,050		1,419,050
Non Service Related Government Grants	-3,880,840	-3,729,760	0	-4,472,240	-4,472,240
Appropriation Account	978,880	1,275,060	1,030,360		1,030,360
Balances, Pensions & Appropriations Total	-935,170	-607,360	2,699,410	-4,472,240	-1,772,830
Council Tax Collection	-370,600	52,740	91,020	-37,170	53,850
Council Tax Collection - Non Pooled	57,780	-365,560	58,940	-423,340	-364,400
Council Tax Benefits Administration	-152,120	-152,120		-152,120	-152,120
NNDR Collection	-244,910	-880	2,650	-1,170	1,480
NNDR Collection - Non Pooled	-72,160	-149,200	15,020	-249,230	-234,210
MBC- BID	0	0	17,250	-16,920	330
Registration Of Electors	47,790	47,790	51,340	-2,340	49,000
Elections	163,910	162,890	168,910	-430	168,480
External Interest Payable	310,310	310,310	2,061,790		2,061,790
Interest & Investment Income	-100,000	-100,000		-100,000	-100,000
Central Services to the Public Total	-360,000	-194,030	2,466,920	-982,720	1,484,200
Palace Gatehouse	-5,300	-8,300	2,000	-10,300	-8,300
Archbishops Palace	-98,390	-97,740	44,300	-141,280	-96,980
Parkwood Industrial Estate	-309,850	-311,250	11,970	-323,050	-311,080
Industrial Starter Units	-28,950	-29,540	23,570	-52,710	-29,140
Parkwood Equilibrium Units	-72,050	-76,560	43,390	-262,250	-218,860
Sundry Corporate Properties	-344,860	-362,180	36,480	-422,340	-385,860
Parks Dwellings	-43,420	22,090	22,230	0	22,230
Chillington House	-25,200	0	0	0	0
Phoenix Park Units	-234,320	-216,560	37,590	-253,480	-215,890
Granada House - Commercial	-107,770	-109,540	11,280	-120,530	-109,250
MPH Residential Properties	-187,700	-161,590	4,150	-284,240	-280,090
Heronden Road Units	-153,170	-151,570	13,960	-165,120	-151,160
Boxmend Industrial Estate	-102,830	-101,100	17,410	-118,090	-100,680
Lockmeadow	-67,850	-75,950	76,570	-148,870	-72,300
Lockmeadow Complex	0	0	57,430	-1,153,430	-1,096,000
Lenworth House	3,770	0	0		0
Commercial Investments Total	-1,777,890	-1,679,790	402,330	-3,455,690	-3,053,360
Performance & Development	7,480	7,480	7,630		7,630
Corporate Projects	40,450	89,450	6,820		6,820
Press & Public Relations	35,450	30,530	31,130	0	31,130
Corporate Management	92,380	92,380	94,230		94,230
Corporate Management Total	175,760	219,840	139,810	0	139,810
Democratic Services Section	165,270	180,220	190,430	-1,800	188,630
Mayoral & Civic Services Section	109,550	109,960	114,550		114,550
Chief Executive	176,790	176,680	184,960		184,960
Communications Section	199,870	204,240	186,650	-370	186,280
Policy & Information Section	222,100	249,150	270,550	0	270,550
Head of Policy and Communications	109,290	111,250	114,310		114,310
Registration Services Section	137,300	134,530	141,570		141,570
Director of Finance & Business Improvement	139,180	139,260	145,850		145,850
Accountancy Section	716,060	704,430	757,560	-21,720	735,840
Director of Regeneration & Place	137,630	138,240	145,910	-1,090	144,820
Procurement Section	134,310	129,810	153,980	-13,100	140,880
Property & Projects Section	400,480	399,680	426,170	-6,030	420,140
Facilities & Corporate Support Section	266,140	232,300	244,230		244,230
Improvement Section	322,470	335,180	369,980	-25,000	344,980
Executive Support Section	164,330	144,760	172,710		172,710
Head of Commissioning and Business Improvement	101,470	98,970	103,230		103,230
Customer Services Section	638,860	643,020	667,710	0	667,710
Salary Slippage	-247,100	-200,910	-261,000		-261,000
Corporate Support Services Total	3,894,000	3,930,770	4,129,350	-69,110	4,060,240
Civic Occasions	42,310	41,330	42,060		42,060
Members Allowances	379,970	379,970	389,300		389,300
Members Facilities	40,520	28,520	29,060		29,060
Democratic Representation Total	462,800	449,820	460,420	0	460,420
Emergency Centre	33,140	25,090	25,590		25,590
Emergency Planning Total	33,140	25,090	25,590	0	25,590
Housing Benefits Administration	-389,520	-357,890	14,280	-371,890	-357,610
Housing Benefit Administration Total	-389,520	-357,890	14,280	-371,890	-357,610
Upper Medway Internal Drainage Board	115,400	115,400	120,070		120,070
Levies Total	115,400	115,400	120,070	0	120,070
Town Hall	98,630	98,090	101,500	-1,500	100,000
South Maidstone Depot	140,600	164,940	152,800		152,800

SUMMARY ESTIMATE 2020/21 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
The Link	101,660	91,410	345,400	-243,890	101,510
Maidstone House	1,146,970	1,140,440	1,285,950	-225,440	1,060,510
Museum Buildings	298,160	267,490	274,190	-1,110	273,080
Office Accommodation Total	1,786,020	1,762,370	2,159,840	-471,940	1,687,900
Rent Allowances	-161,160	-146,790	37,400,740	-37,547,530	-146,790
Non HRA Rent Rebates	-6,710	-8,490	840,370	-848,860	-8,490
Discretionary Housing Payments	1,680	1,450	300,700	-299,250	1,450
Rent Rebates Total	-166,190	-153,830	38,541,810	-38,695,640	-153,830
Mid Kent Improvement Partnership	750	80	0	0	0
Revenues Section	475,240	471,940	833,940	-331,820	502,120
Benefits Section	448,340	457,340	761,930	-278,980	482,950
Fraud Section	42,330	45,790	239,170	-209,240	29,930
Mid Kent Audit Partnership	211,440	211,710	723,440	-510,750	212,690
Legal Services Section	511,140	503,140	571,250	-69,000	502,250
Mid Kent ICT Services	535,890	535,790	1,580,240	-964,520	615,720
GIS Section	108,890	109,150	192,610	-77,080	115,530
Director of Mid Kent Services	42,770	42,770	139,210	-92,800	46,410
Mid Kent HR Services Section	386,970	380,410	664,530	-263,640	400,890
MBC HR Services Section	178,080	94,010	182,180	-2,060	180,120
Head of Revenues & Benefits	65,070	67,600	111,780	-39,280	72,500
Revenues & Benefits Business Support	153,920	109,060	357,560	-246,740	110,820
Dartford HR Services Section	-17,600	-19,130	51,970	-71,700	-19,730
IT Support for Revenues and Benefits	0	31,030	65,720	-26,610	39,110
I.T. Operational Services	326,900	531,920	532,560		532,560
Central Telephones	14,620	14,620	14,910		14,910
Mid Kent ICT Software	197,860	0	0	0	0
Shared Services Total	3,682,610	3,587,230	7,023,000	-3,184,220	3,838,780
Apprentices Programme	48,460	48,500	49,910	0	49,910
Internal Printing	-32,820	-6,070	51,680	-56,920	-5,240
Debt Recovery Service	-10,170	-13,090	1,112,310	-1,147,960	-35,650
Debt Recovery MBC Profit Share	-127,100	-143,280		-144,100	-144,100
Trading Accounts Total	-121,630	-113,940	1,213,900	-1,348,980	-135,080
Policy & Resources	**6,399,330**	**6,983,680**	**59,396,730**	**-53,052,430**	**6,344,300**

POLICY & RESOURCES COMMITTEE

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	1,028,180	1,152,170	1,057,870
Allowances	369,920	369,920	379,050
Benefits	44,030,190	38,541,810	38,541,810
Employee Direct	8,991,410	9,158,730	9,476,000
Employee Other	1,948,390	2,259,100	1,517,600
Equipment & Furniture	1,156,300	891,640	897,700
Fees & Charges	-1,049,300	-1,167,810	-1,209,370
General Insurances	15,820	17,810	18,020
Grants & Contributions Paid	425,210	424,400	2,178,100
Grants & Contributions Received	-52,198,610	-46,923,500	-47,047,500
Income Other	-1,182,970	-1,146,580	-1,142,160
Information & Communications	4,310	4,310	4,390
Leasing & Capital Charges	978,880	1,275,060	1,030,360
Premises Other	1,499,940	1,595,650	1,627,760
Printing & Stationery	149,210	153,430	137,920
Professional Services	381,680	504,850	416,420
Rent	-2,292,090	-2,170,670	-3,653,400
Repairs & Maintenance	593,630	536,150	534,170
Security & Protection	38,590	39,630	39,350
Subsistence & Training	172,930	120,450	175,370
Supplies & Services Other	690,350	745,010	754,010
Utilities	467,850	436,130	447,210
Vehicle & Transport	179,510	165,990	163,620
Policy & Resources	**6,399,330**	**6,983,680**	**6,344,300**

SUMMARY ESTIMATE 2020/21 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Strategic Planning & Infrastructure					
Building Regulations Chargeable	-324,890	-324,890	7,100	-391,850	-384,750
Building Control	-1,030	-1,030	2,090	-3,080	-990
Street Naming & Numbering	-69,000	-69,000		-81,500	-81,500
Building Control Total	-394,920	-394,920	9,190	-476,430	-467,240
Land Charges	-297,460	-297,010	39,160	-335,550	-296,390
Central Services to the Public Total	-297,460	-297,010	39,160	-335,550	-296,390
Development Management Section	912,110	1,045,370	937,330		937,330
Spatial Policy Planning Section	499,020	550,690	557,970	-20,000	537,970
Head of Planning and Development	106,420	106,360	111,380		111,380
Development Management Enforcement Sec	174,220	201,360	185,030		185,030
Building Surveying Section	374,880	375,590	443,720		443,720
Heritage Landscape and Design Section	184,000	212,130	207,560		207,560
Parking Services Section	333,970	326,720	470,670	-127,220	343,450
Salary Slippage	-81,570	-70,750	-90,200		-90,200
Corporate Support Services Total	2,503,050	2,747,470	2,823,460	-147,220	2,676,240
Development Management Advice	-67,380	-210,970	85,600	-251,160	-165,560
Development Management Appeals	124,240	124,240	86,730		86,730
Development Management Majors	-695,610	-684,620	20,940	-590,960	-570,020
Development Management - Other	-836,820	-836,820	6,210	-717,720	-711,510
Development Management Enforcement	67,130	67,130	68,470		68,470
Development Control Total	-1,408,440	-1,541,040	267,950	-1,559,840	-1,291,890
Environment Improvements	17,460	24,880	24,880	0	24,880
Name Plates & Notices	18,310	18,310	18,680		18,680
Network & Traffic Management Total	35,770	43,190	43,560	0	43,560
On Street Parking	-350,820	-361,020	410,600	-813,540	-402,940
Residents Parking	-259,240	-253,190	96,460	-347,750	-251,290
Pay & Display Car Parks	-1,913,310	-1,895,960	555,880	-2,418,380	-1,862,500
Non Paying Car Parks	10,910	11,210	11,450	-10	11,440
Off Street Parking - Enforcement	-69,600	-82,610	109,750	-190,220	-80,470
Mote Park Pay & Display	-174,270	-189,260	32,770	-221,380	-188,610
Sandling Road Car Park	2,870	3,140	156,090	-152,530	3,560
Parking Services Total	-2,753,460	-2,767,690	1,373,000	-4,143,810	-2,770,810
Planning Policy	196,320	305,810	200,250	0	200,250
Neighbourhood Planning	0	25,000	0		0
Conservation	-11,470	-11,470	4,210	-15,600	-11,390
Planning Policy Total	184,850	319,340	204,460	-15,600	188,860
Park & Ride	179,980	189,600	165,920	0	165,920
Socially Desirable Buses	32,590	32,590			0
Other Transport Services	-10,260	-10,260	26,370	-36,110	-9,740
Public Transport Total	202,310	211,930	192,290	-36,110	156,180
Mid Kent Planning Support Service	397,320	397,690	618,470	-223,900	394,570
Mid Kent Local Land Charges Section	31,740	45,270	145,970	-104,780	41,190
Shared Services Total	429,060	442,960	764,440	-328,680	435,760
Strategic Planning & Infrastructure	**-1,499,240**	**-1,235,770**	**5,717,510**	**-7,043,240**	**-1,325,730**

STRATEGIC PLANNING & INFRASTRUCTURE COMMITTEE

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	602,330	579,330	587,980
Employee Direct	3,094,820	3,223,670	3,285,220
Employee Other	121,280	204,000	97,100
Equipment & Furniture	78,160	88,290	90,070
Fees & Charges	-6,464,740	-6,639,240	-6,427,580
General Insurances	11,470	12,190	12,210
Grants & Contributions Paid	50,030	64,870	40,270
Grants & Contributions Received	-455,420	-491,200	-465,690
Income Other	-83,880	-142,390	-142,800
Information & Communications	190	190	190
Premises Other	293,170	314,510	320,810
Printing & Stationery	29,930	29,930	30,510
Professional Services	547,540	716,750	566,350
Rent	-7,170	-7,170	-7,170
Repairs & Maintenance	201,780	227,960	218,860
Security & Protection	73,870	54,140	35,350
Subsistence & Training	2,630	13,000	2,670
Supplies & Services Other	301,940	297,390	325,250
Utilities	15,790	15,790	16,120
Vehicle & Transport	87,040	202,220	88,550
Strategic Planning & Infrastructure	**-1,499,240**	**-1,235,770**	**-1,325,730**

SUMMARY ESTIMATE 2020/21 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Communities, Housing & Environment					
Cemetery	43,430	49,540	193,750	-139,380	54,370
National Assistance Act	-480	-480	2,120	-2,560	-440
Crematorium	-786,430	-810,400	498,120	-1,317,780	-819,660
Bereavement Services Total	-743,480	-761,340	693,990	-1,459,720	-765,730
Grants	184,270	184,270	176,950		176,950
Delegated Grants	2,100	2,100	2,140		2,140
Parish Services	127,320	127,320	129,880		129,880
Member's Community Grant	60,000	60,000	0		0
Central Services to the Public Total	373,690	373,690	308,970	0	308,970
Community Environmental Engagement	0	420	440		440
Social Inclusion	0	3,570	0		0
Community Development Total	0	3,990	440	0	440
Community Safety	44,150	45,190	46,140	0	46,140
PCC Grant - Building Safer Communities	0	0	31,250	-31,250	0
C C T V	208,130	207,300	57,020	0	57,020
Community Safety Total	252,280	252,490	134,410	-31,250	103,160
Head of Environment and Public Realm	97,660	97,770	106,950		106,950
Bereavement Services Section	180,630	205,520	217,070	0	217,070
Community Partnerships & Resilience Section	502,430	478,930	450,120		450,120
Licensing Section	108,490	110,080	113,430		113,430
Environmental Protection Section	246,420	260,640	267,160		267,160
Food and Safety Section	255,370	255,370	261,750		261,750
Depot Services Section	691,140	750,050	833,620	-42,040	791,580
Head of Housing & Community Services	106,750	107,290	111,720		111,720
Homechoice Section	206,140	204,190	263,560	-49,740	213,820
Housing & Inclusion Section	517,530	515,590	757,280	-206,330	550,950
Housing & Health Section	252,770	254,760	492,050	-225,890	266,160
Housing Management	246,800	252,950	298,950	0	298,950
Homelessness Outreach	0	6,370	4,020	0	4,020
Salary Slippage	-98,820	-121,350	-150,200		-150,200
Corporate Support Services Total	3,313,310	3,378,160	4,027,480	-524,000	3,503,480
Drainage	31,740	31,740	32,380		32,380
Flood Defences & Land Drainage Total	31,740	31,740	32,380	0	32,380
Homeless Temporary Accommodation	576,830	532,130	869,500	-320,470	549,030
Predictive Analysis & Preventing Homelessness			510		510
Homelessness Prevention	261,760	261,760	267,000	0	267,000
Aylesbury House	2,540	7,830	53,150	-69,140	-15,990
Magnolia House	-18,280	-26,700	23,520	-49,760	-26,240
St Martins House	0	0	17,280	-17,280	0
Marsham Street	34,950	32,640	138,830	-104,220	34,610
Sundry Temporary Accomm (TA) Properties	-34,370	-37,830	13,510	-50,930	-37,420
Pelican Court (Leased TA Property)	0	0	0	0	0
2 Bed Property - Temporary Accommodation	-66,160	-52,870	48,930	-104,960	-56,030
3 Bed Property - Temporary Accommodation	-65,590	-52,780	53,440	-100,100	-46,660
4 bed Property - Temporary Accommodation	-17,640	-5,010	13,130	-19,400	-6,270
1 Bed Property- Temporary Accommodation	140	-2,250	3,750	-5,920	-2,170
Melville Road Supported Accommodation	0	-8,500	53,810	-61,250	-7,440
Homelessness Total	674,180	648,420	1,556,360	-903,430	652,930
Housing Register & Allocations	10,400	10,400	10,610		10,610
Housing Advice Total	10,400	10,400	10,610	0	10,610
General Fund Residential Properties	0	-102,760	19,340	-121,460	-102,120
Strategic Housing Role	14,040	14,040	14,320	0	14,320
Housing Strategy Total	14,040	-88,720	33,660	-121,460	-87,800
Parks & Open Spaces	889,480	958,530	1,040,370	-48,600	991,770
Playground Maintenance & Improvements	144,080	144,160	148,870		148,870
Parks Pavilions	25,000	39,490	39,730	-10	39,720
Mote Park	208,440	259,920	286,450	-15,970	270,480
Parks & Open Spaces Leisure Activities	0	-5,830		-5,830	-5,830
Mote Park Leisure Activities	0	-38,310		-38,310	-38,310
Allotments	11,990	12,090	12,900		12,900
Leisure Services Other Activities	5,420	10,420	0		0
Open Spaces Total	1,284,410	1,380,470	1,528,320	-108,720	1,419,600
Marden Caravan Site (Stilebridge Lane)	19,100	19,070	49,570	-30,340	19,230
Ulcombe Caravan Site (Water Lane)	6,980	6,940	46,560	-40,000	6,560
Other Council Properties Total	26,080	26,010	96,130	-70,340	25,790
Private Sector Renewal	-47,270	-47,270	2,780	-50,000	-47,220
HMO Licensing	-20,380	-20,380		-20,380	-20,380
Private Sector Housing Renewal Total	-67,650	-67,650	2,780	-70,380	-67,600
Public Health - Misc Services	0	2,380	0	0	0
Public Health Total	0	2,380	0	0	0
Recycling Collection	712,570	712,570	2,125,630	-1,315,680	809,950
Recycling Total	712,570	712,570	2,125,630	-1,315,680	809,950
Licences	-5,260	-6,300	23,150	-28,890	-5,740
Licensing Statutory	-66,000	-66,000	77,200	-141,320	-64,120
Licensing Non Chargeable	7,530	7,530	7,720		7,720
Dog Control	28,565	28,600	32,970	-3,900	29,070
Health Improvement Programme	9,160	9,160	9,340		9,340
Pollution Control - General	26,160	45,060	21,390	-9,360	12,030

SUMMARY ESTIMATE 2020/21 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Contaminated Land	40	40	1,060	-1,000	60
Waste Crime	8,900	280	104,350	-98,080	6,270
Food Hygiene	9,280	2,280	12,140	-3,350	8,790
Sampling	3,440	3,440	3,510		3,510
Occupational Health & Safety	24,760	24,760	16,750	-6,370	10,380
Infectious Disease Control	1,030	1,070	1,070		1,070
Noise Control	1,200	1,200	1,210		1,210
Pest Control	-12,200	-11,840	160	-12,000	-11,840
Public Conveniences	160,470	203,280	199,710		199,710
Licensing - Hackney & Private Hire	-64,380	-64,380	76,360	-139,020	-62,660
Regulatory Services Total	132,695	178,180	588,090	-443,290	144,800
Street Cleansing	1,186,410	1,130,670	1,185,680	-20,390	1,165,290
Street Cleansing Total	1,186,410	1,130,670	1,185,680	-20,390	1,165,290
Commercial Waste Services	-64,230	-64,040	167,030	-228,170	-61,140
Trade Waste Total	-64,230	-64,040	167,030	-228,170	-61,140
Fleet Workshop & Management	274,955	257,900	259,670		259,670
MBS Support Crew	-61,200	-65,220	112,280	-175,250	-62,970
Grounds Maintenance - Commercial	-21,790	-86,200	155,940	-290,970	-135,030
Trading Accounts Total	191,965	106,480	527,890	-466,220	61,670
Household Waste Collection	1,183,080	1,183,080	1,403,260	-154,680	1,248,580
Waste Collection Total	1,183,080	1,183,080	1,403,260	-154,680	1,248,580
Communities, Housing & Environment	**8,511,490**	**8,436,980**	**14,423,110**	**-5,917,730**	**8,505,380**

COMMUNITIES, HOUSING & ENVIRONMENT COMMITTEE

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	4,244,030	4,392,740	4,358,510
Employee Direct	5,142,720	5,614,580	5,531,150
Employee Other	60,300	243,610	145,590
Equipment & Furniture	391,960	426,020	382,190
Fees & Charges	-2,839,190	-2,909,400	-2,913,810
General Insurances	13,670	12,500	11,640
Grants & Contributions Paid	349,480	401,900	345,100
Grants & Contributions Received	-304,990	-1,627,710	-563,210
Income Other	-1,292,570	-1,431,460	-1,396,540
Information & Communications	46,020	47,560	48,510
Premises Other	387,800	475,020	409,360
Printing & Stationery	13,050	15,560	15,850
Professional Services	1,161,980	1,235,700	1,127,410
Rent	-796,260	-1,103,070	-1,044,170
Repairs & Maintenance	430,400	660,270	673,820
Security & Protection	46,680	90,920	87,790
Subsistence & Training	200	43,170	200
Supplies & Services Other	794,050	1,199,850	667,980
Utilities	162,180	176,370	156,280
Vehicle & Transport	499,980	472,850	461,730
Communities, Housing & Environment	**8,511,490**	**8,436,980**	**8,505,380**

SUMMARY ESTIMATE 2020/21 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Economic Regeneration & Leisure					
Sandling Road Site	17,220	22,920	23,810		23,810
Business Support & Enterprise	0	3,970	0		0
Town Centre Management Sponsorship	0	6,750	0		0
Business Terrace	76,730	73,790	172,370	-95,010	77,360
Business Terrace Expansion (Phase 3)	900	28,500	203,370	-216,830	-13,460
Business Support Total	94,850	135,930	399,550	-311,840	87,710
Leisure Services Section	30,800	63,550	96,260	-44,520	51,740
Cultural Services Section	522,170	506,610	501,040		501,040
Visitor Economy Section	111,240	113,080	116,710		116,710
Economic Development Section	279,170	271,350	293,420	-13,630	279,790
Market Section	79,290	77,210	81,570		81,570
Head of Regeneration & Economic Development	80,220	86,110	95,260	-1,310	93,950
Salary Slippage	-54,010	-26,050	-31,510		-31,510
Corporate Support Services Total	1,048,880	1,091,860	1,152,750	-59,460	1,093,290
Cultural Development Arts	13,720	15,250	12,020		12,020
Museum	-35,580	13,020	109,330	-97,840	11,490
Carriage Museum	3,690	3,410	5,310	-1,600	3,710
Museum-Grant Funded Activities	0	2,180	30	0	30
Museum Cafe	-2,760	-3,540	0	0	0
Hazlitt Arts Centre	279,460	277,400	283,860		283,860
Festivals and Events	-20,980	-25,980	19,430	-50,030	-30,600
Culture & Heritage Total	237,550	281,740	429,980	-149,470	280,510
Market	-68,060	-56,440	109,640	-168,090	-58,450
Economic Dev - Promotion & Marketing	1,510	25,070	4,600	-177,500	-172,900
Economic Development Total	-66,550	-31,370	114,240	-345,590	-231,350
Mote Park Adventure Zone	-112,550	-106,660	7,340	-114,000	-106,660
Mote Park Cafe	-49,570	-52,260	8,310	-60,490	-52,180
Maintenance of Closed Churchyards	5,700	2,700	2,700		2,700
Open Spaces Total	-156,420	-156,220	18,350	-174,490	-156,140
Lettable Halls	-3,070	-3,700	7,350	-10,900	-3,550
Community Halls	76,030	72,620	91,950	-16,710	75,240
Leisure Centre	-180,050	-148,050	19,480	-200,000	-180,520
Cobtree Golf Course	-35,000	-35,000		-35,000	-35,000
Recreation & Sport Total	-142,090	-114,130	118,780	-262,610	-143,830
Tourism	26,270	31,070	42,540	-15,450	27,090
Museum Shop	-19,110	-19,110	26,940	-45,530	-18,590
Tourism Total	7,160	11,960	69,480	-60,980	8,500
Economic Regeneration & Leisure	**1,023,380**	**1,219,770**	**2,303,130**	**-1,364,440**	**938,690**

ECONOMIC REGENERATION & LESIURE COMMITTEE

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	261,970	264,360	270,620
Employee Direct	1,112,080	1,176,160	1,134,160
Employee Other	20,460	20,610	20,540
Equipment & Furniture	36,370	27,250	29,810
Fees & Charges	-357,600	-477,140	-502,250
General Insurances	31,710	37,390	37,680
Grants & Contributions Paid	15,910	21,100	17,490
Grants & Contributions Received	0	-111,220	0
Income Other	-705,330	-640,380	-797,280
Information & Communications	38,510	52,530	39,270
Premises Other	254,830	321,810	329,580
Printing & Stationery	6,090	6,690	6,610
Professional Services	62,830	64,680	25,290
Rent	-64,910	-64,910	-64,910
Repairs & Maintenance	112,770	134,430	131,050
Subsistence & Training	800	12,650	810
Supplies & Services Other	116,580	292,860	180,100
Utilities	61,420	59,180	60,400
Vehicle & Transport	18,890	21,720	19,720
Economic Regeneration & Leisure	**1,023,380**	**1,219,770**	**938,690**

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2019/20 AND ESTIMATE 2020/21

PRIORITY SUMMARY

Cost Centre/Service	**Original Estimate 2019/20 £**	**Revised Estimate 2019/20 £**	**Estimate 2020/21 £**
Safe, Clean and Green	6,203,140	6,257,420	6,330,550
Homes and Communities	1,997,660	2,002,460	1,918,940
Thriving Place	1,239,230	1,412,460	1,126,340
Embracing Growth and Enabling Infrastructure	-1,417,670	-1,164,600	-1,235,090
Central and Democratic	6,412,600	6,896,920	6,321,900
	14,434,960	**15,404,660**	**14,462,640**
Invest to Save Contributions	10,000	10,000	10,000
Transfers to Earmarked Reserves	6,030,180	5,146,980	6,727,590
Net Revenue Expenditure	**20,475,140**	**20,561,640**	**21,200,230**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2019/20	Revised Estimate 2019/20	Estimate 2020/21 (Expenditure)	Estimate 2020/21 (Income)	Estimate 2020/21
Safe, Clean and Green	£	£	£	£	£
Mote Park Adventure Zone	-112,550	-106,660	7,340	-114,000	-106,660
Parks & Open Spaces	889,480	958,530	1,040,370	-48,600	991,770
Playground Maintenance & Improvements	144,080	144,160	148,870		148,870
Parks Pavilions	25,000	39,490	39,730	-10	39,720
Mote Park	208,440	259,920	286,450	-15,970	270,480
Mote Park Cafe	-49,570	-52,260	8,310	-60,490	-52,180
Parks & Open Spaces Leisure Activities	0	-5,830		-5,830	-5,830
Mote Park Leisure Activities	0	-38,310		-38,310	-38,310
Allotments	11,990	12,090	12,900	0	12,900
Cemetery	43,430	49,540	193,750	-139,380	54,370
National Assistance Act	-480	-480	2,120	-2,560	-440
Crematorium	-786,430	-810,400	498,120	-1,317,780	-819,660
Maintenance of Closed Churchyards	5,700	2,700	2,700		2,700
Community Safety	44,150	45,190	46,140	0	46,140
PCC Grant - Building Safer Communities	0	0	31,250	-31,250	0
C C T V	208,130	207,300	57,020	0	57,020
Drainage	31,740	31,740	32,380		32,380
Licences	-5,260	-6,300	23,150	-28,890	-5,740
Licensing Statutory	-66,000	-66,000	77,200	-141,320	-64,120
Licensing Non Chargeable	7,530	7,530	7,720		7,720
Dog Control	28,565	28,600	32,970	-3,900	29,070
Health Improvement Programme	9,160	9,160	9,340		9,340
Pollution Control - General	26,160	45,060	21,390	-9,360	12,030
Contaminated Land	40	40	1,060	-1,000	60
Waste Crime	8,900	280	104,350	-98,080	6,270
Food Hygiene	9,280	2,280	12,140	-3,350	8,790
Sampling	3,440	3,440	3,510		3,510
Occupational Health & Safety	24,760	24,760	16,750	-6,370	10,380
Infectious Disease Control	1,030	1,070	1,070		1,070
Noise Control	1,200	1,200	1,210		1,210
Pest Control	-12,200	-11,840	160	-12,000	-11,840
Public Conveniences	160,470	203,280	199,710		199,710
Licensing - Hackney & Private Hire	-64,380	-64,380	76,360	-139,020	-62,660
Street Cleansing	1,186,410	1,130,670	1,185,680	-20,390	1,165,290
Household Waste Collection	1,183,080	1,183,080	1,403,260	-154,680	1,248,580
Commercial Waste Services	-64,230	-64,040	167,030	-228,170	-61,140
Recycling Collection	712,570	712,570	2,125,630	-1,315,680	809,950
Medway Conservancy	115,400	115,400	120,070		120,070
Head of Environment and Public Realm	97,660	97,770	106,950		106,950
Bereavement Services Section	180,630	205,520	217,070		217,070
Community Partnerships & Resilience Section	502,430	478,930	450,120		450,120
Licensing Section	108,490	110,080	113,430		113,430
Environmental Protection Section	246,420	260,640	267,160		267,160
Food and Safety Section	255,370	255,370	261,750		261,750
Depot Services Section	691,140	750,050	833,620	-42,040	791,580
Fleet Workshop & Management	274,955	257,900	259,670		259,670
MBS Support Crew	-61,200	-65,220	112,280	-175,250	-62,970
Grounds Maintenance - Commercial	-21,790	-86,200	155,940	-290,970	-135,030
Safe, Clean and Green	**6,203,140**	**6,257,420**	**10,775,200**	**-4,444,650**	**6,330,550**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	4,212,180	4,348,670	4,341,570
Employee Direct	3,844,790	3,688,980	3,856,050
Employee Other	34,650	171,720	110,750
Equipment & Furniture	387,110	410,130	369,210
Fees & Charges	-2,750,610	-2,820,820	-2,823,090
General Insurances	14,550	18,540	17,170
Grants & Contributions Paid	26,060	77,720	26,210
Grants & Contributions Received	-30,640	-64,260	-31,250
Income Other	-1,531,990	-1,541,840	-1,537,370
Information & Communications	29,880	31,420	32,050
Premises Other	268,090	257,110	261,030
Printing & Stationery	12,900	15,410	15,700
Professional Services	224,680	228,010	233,030
Rent	-57,660	-52,940	-52,940
Repairs & Maintenance	270,030	416,650	421,360
Security & Protection	46,680	32,150	32,790
Subsistence & Training	200	26,320	200
Supplies & Services Other	484,470	349,190	397,240
Utilities	242,730	236,820	234,110
Vehicle & Transport	475,040	428,440	426,730
Safe, Clean & Green	**6,203,140**	**6,257,420**	**6,330,550**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Cost Centre/Service Homes & Communities	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Social Inclusion	0	3,570	0		0
Public Health - Misc Services	0	2,380	0	0	0
Grants	184,270	184,270	176,950		176,950
Delegated Grants	2,100	2,100	2,140		2,140
Parish Services	127,320	127,320	129,880		129,880
Member's Community Grant	60,000	60,000	0		0
Parks Dwellings	-43,420	22,090	22,230	0	22,230
Chillington House	-25,200	0	0	0	0
MPH Residential Properties	-187,700	-161,590	4,150	-284,240	-280,090
General Fund Residential Properties	0	-102,760	19,340	-121,460	-102,120
Strategic Housing Role	14,040	14,040	14,320	0	14,320
Housing Register & Allocations	10,400	10,400	10,610		10,610
Private Sector Renewal	-47,270	-47,270	2,780	-50,000	-47,220
HMO Licensing	-20,380	-20,380		-20,380	-20,380
Homeless Temporary Accommodation	576,830	532,130	869,500	-320,470	549,030
Homelessness Prevention	261,760	261,760	267,000	0	267,000
Predictive Analysis & Preventing Homelessness			510		510
Aylesbury House	2,540	7,830	53,150	-69,140	-15,990
Magnolia House	-18,280	-26,700	23,520	-49,760	-26,240
St Martins House	0	0	17,280	-17,280	0
Marsham Street	34,950	32,640	138,830	-104,220	34,610
Sundry Temporary Accomm (TA) Properties	-34,370	-37,830	13,510	-50,930	-37,420
2 Bed Property - Temporary Accommodation	-66,160	-52,870	48,930	-104,960	-56,030
3 Bed Property - Temporary Accommodation	-65,590	-52,780	53,440	-100,100	-46,660
4 bed Property - Temporary Accommodation	-17,640	-5,010	13,130	-19,400	-6,270
1 Bed Property- Temporary Accommodation	140	-2,250	3,750	-5,920	-2,170
Melville Road Supported Accommodation	0	-8,500	53,810	-61,250	-7,440
Marden Caravan Site (Stilebridge Lane)	19,100	19,070	49,570	-30,340	19,230
Ulcombe Caravan Site (Water Lane)	6,980	6,940	46,560	-40,000	6,560
Homechoice Section	206,140	204,190	263,560	-49,740	213,820
Housing & Inclusion Section	517,530	515,590	757,280	-206,330	550,950
Housing & Health Section	252,770	254,760	492,050	-225,890	266,160
Housing Management	246,800	252,950	298,950	0	298,950
Homelessness Outreach	0	6,370	4,020	0	4,020
Homes & Communities	**1,997,660**	**2,002,460**	**3,850,750**	**-1,931,810**	**1,918,940**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	31,850	44,070	16,940
Employee Direct	1,370,020	1,945,840	1,719,310
Employee Other	24,880	70,220	33,080
Equipment & Furniture	8,440	15,790	12,880
Fees & Charges	-88,580	-88,580	-90,720
General Insurances	120	150	660
Grants & Contributions Paid	323,000	323,760	318,460
Grants & Contributions Received	-274,350	-1,563,450	-531,960
Income Other	-26,700	-33,510	-3,060
Information & Communications	16,140	16,140	16,460
Premises Other	129,010	224,690	155,420
Printing & Stationery	150	150	150
Professional Services	937,300	1,007,690	894,380
Rent	-1,046,410	-1,246,240	-1,306,070
Repairs & Maintenance	211,880	273,770	282,730
Security & Protection	0	58,770	55,000
Subsistence & Training	0	16,250	0
Supplies & Services Other	318,770	840,710	270,210
Utilities	40,430	55,060	43,360
Vehicle & Transport	21,710	41,180	31,710
Homes & Communities	**1,997,660**	**2,002,460**	**1,918,940**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Cost Centre/Service **Thriving Place**	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Cultural Development Arts	13,720	15,250	12,020		12,020
Museum	-35,580	13,020	109,330	-97,840	11,490
Carriage Museum	3,690	3,410	5,310	-1,600	3,710
Museum-Grant Funded Activities	0	2,180	30	0	30
Museum Cafe	-2,760	-3,540	0	0	0
Hazlitt Arts Centre	279,460	277,400	283,860		283,860
Festivals and Events	-20,980	-25,980	19,430	-50,030	-30,600
Lettable Halls	-3,070	-3,700	7,350	-10,900	-3,550
Community Halls	76,030	72,620	91,950	-16,710	75,240
Leisure Centre	-180,050	-148,050	19,480	-200,000	-180,520
Cobtree Golf Course	-35,000	-35,000		-35,000	-35,000
Tourism	26,270	31,070	42,540	-15,450	27,090
Museum Shop	-19,110	-19,110	26,940	-45,530	-18,590
Leisure Services Other Activities	5,420	10,420	0		0
Sandling Road Site	17,220	22,920	23,810		23,810
Business Support & Enterprise	0	3,970	0		0
Town Centre Management Sponsorship	0	6,750	0		0
Business Terrace	76,730	73,790	172,370	-95,010	77,360
Business Terrace Expansion (Phase 3)	900	28,500	203,370	-216,830	-13,460
Market	-68,060	-56,440	109,640	-168,090	-58,450
Economic Dev - Promotion & Marketing	1,510	25,070	4,600	-177,500	-172,900
Leisure Services Section	30,800	63,550	96,260	-44,520	51,740
Cultural Services Section	522,170	506,610	501,040		501,040
Visitor Economy Section	111,240	113,080	116,710		116,710
Economic Development Section	279,170	271,350	293,420	-13,630	279,790
Market Section	79,290	77,210	81,570		81,570
Head of Regeneration and Economic Development	80,220	86,110	95,260	-1,310	93,950
Thriving Places	**1,239,230**	**1,412,460**	**2,316,290**	**-1,189,950**	**1,126,340**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Subjective Analysis	**Original Approved Estimate 2019/20 £**	**Revised Estimate 2019/20 £**	**Estimate 2020/21 £**
Agency & Contractor	261,970	264,360	270,620
Employee Direct	1,091,700	1,202,210	1,165,670
Employee Other	19,900	20,610	20,540
Equipment & Furniture	32,680	27,250	29,810
Fees & Charges	-357,600	-477,140	-502,250
General Insurances	30,680	31,140	31,430
Grants & Contributions Paid	15,910	21,100	17,490
Grants & Contributions Received	0	-111,220	0
Income Other	-462,850	-496,490	-653,390
Information & Communications	38,510	52,530	39,270
Premises Other	249,670	318,610	326,300
Printing & Stationery	6,090	6,690	6,610
Professional Services	62,830	64,680	25,290
Rent	-34,310	-34,310	-34,310
Repairs & Maintenance	98,550	125,610	122,230
Subsistence & Training	800	12,650	810
Supplies & Services Other	106,870	302,290	180,100
Utilities	58,940	60,170	60,400
Vehicle & Transport	18,890	21,720	19,720
Thriving Place	**1,239,230**	**1,412,460**	**1,126,340**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Cost Centre/Service Embracing Growth & Enabling Infrastructure	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 (Expenditure) £	Estimate 2020/21 (Income) £	Estimate 2020/21 £
Building Regulations Chargeable	-324,890	-324,890	7,100	-391,850	-384,750
Building Control	-1,030	-1,030	2,090	-3,080	-990
Street Naming & Numbering	-69,000	-69,000		-81,500	-81,500
Development Management Advice	-67,380	-210,970	85,600	-251,160	-165,560
Development Management Appeals	124,240	124,240	86,730		86,730
Development Management Majors	-695,610	-684,620	20,940	-590,960	-570,020
Development Management - Other	-836,820	-836,820	6,210	-717,720	-711,510
Development Management Enforcement	67,130	67,130	68,470		68,470
Planning Policy	196,320	305,810	200,250	0	200,250
Neighbourhood Planning	0	25,000	0		0
Conservation	-11,470	-11,470	4,210	-15,600	-11,390
Town Centre Opportunity Area Project	0	0	0		0
Community Environmental Engagement	0	420	440		440
Land Charges	-297,460	-297,010	39,160	-335,550	-296,390
Environment Improvements	17,460	24,880	24,880	0	24,880
Name Plates & Notices	18,310	18,310	18,680		18,680
Arterial Route Improvements	0	0	0		0
On Street Parking	-350,820	-361,020	410,600	-813,540	-402,940
Residents Parking	-259,240	-253,190	96,460	-347,750	-251,290
Pay & Display Car Parks	-1,913,310	-1,895,960	555,880	-2,418,380	-1,862,500
Non Paying Car Parks	10,910	11,210	11,450	-10	11,440
Off Street Parking - Enforcement	-69,600	-82,610	109,750	-190,220	-80,470
Mote Park Pay & Display	-174,270	-189,260	32,770	-221,380	-188,610
Sandling Road Car Park	2,870	3,140	156,090	-152,530	3,560
Park & Ride	179,980	189,600	165,920	0	165,920
Socially Desirable Buses	32,590	32,590	0		0
Other Transport Services	-10,260	-10,260	26,370	-36,110	-9,740
Development Management Section	912,110	1,045,370	937,330		937,330
Spatial Policy Planning Section	499,020	550,690	557,970	-20,000	537,970
Head of Planning and Development	106,420	106,360	111,380		111,380
Development Management Enforcement Section	174,220	201,360	185,030		185,030
Building Surveying Section	374,880	375,590	443,720		443,720
Mid Kent Planning Support Service	397,320	397,690	618,470	-223,900	394,570
Heritage Landscape and Design Section	184,000	212,130	207,560		207,560
Mid Kent Local Land Charges Section	31,740	45,270	145,970	-104,780	41,190
Parking Services Section	333,970	326,720	470,670	-127,220	343,450
Embracing Growth & Enabling Infrastructure	**-1,417,670**	**-1,164,600**	**5,808,150**	**-7,043,240**	**-1,235,090**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	602,330	579,330	587,980
Employee Direct	3,176,390	3,294,420	3,375,420
Employee Other	121,280	204,390	97,510
Equipment & Furniture	78,160	88,290	90,070
Fees & Charges	-6,464,740	-6,639,240	-6,427,580
General Insurances	11,470	12,220	12,240
Grants & Contributions Paid	50,030	64,870	40,270
Grants & Contributions Receive	-455,420	-491,200	-465,690
Income Other	-83,880	-142,390	-142,800
Information & Communication	190	190	190
Premises Other	293,170	314,510	320,810
Printing & Stationery	29,930	29,930	30,510
Professional Services	547,540	716,750	566,350
Rent	-7,170	-7,170	-7,170
Repairs & Maintenance	201,780	227,960	218,860
Security & Protection	73,870	54,140	35,350
Subsistence & Training	2,630	13,000	2,670
Supplies & Services Other	301,940	297,390	325,250
Utilities	15,790	15,790	16,120
Vehicle & Transport	87,040	202,220	88,550
Embracing Growth	**-1,417,670**	**-1,164,600**	**-1,235,090**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2019/20	Revised Estimate 2019/20	Estimate 2020/21 (Expenditure)	Estimate 2020/21 (Income)	Estimate 2020/21
Central & Democratic	£	£	£	£	£
Civic Occasions	42,310	41,330	42,060		42,060
Members Allowances	379,970	379,970	389,300		389,300
Members Facilities	40,520	28,520	29,060		29,060
Contingency	183,420	63,970	250,000		250,000
Performance & Development	7,480	7,480	7,630		7,630
Corporate Projects	40,450	89,450	6,820		6,820
Press & Public Relations	35,450	30,530	31,130	0	31,130
Corporate Management	92,380	92,380	94,230		94,230
Mid Kent Improvement Partnership	750	80	0	0	0
Unapportionable Central Overheads	1,783,370	1,783,370	1,419,050		1,419,050
Council Tax Collection	-370,600	52,740	91,020	-37,170	53,850
Council Tax Collection - Non Pooled	57,780	-365,560	58,940	-423,340	-364,400
Council Tax Benefits Administration	-152,120	-152,120		-152,120	-152,120
NNDR Collection	-244,910	-880	2,650	-1,170	1,480
NNDR Collection - Non Pooled	-72,160	-149,200	15,020	-249,230	-234,210
MBC- BID	0	0	17,250	-16,920	330
Registration Of Electors	47,790	47,790	51,340	-2,340	49,000
Elections	163,910	162,890	168,910	-430	168,480
European Elections	0	0	0	0	0
Emergency Centre	33,140	25,090	25,590		25,590
External Interest Payable	310,310	310,310	2,061,790		2,061,790
Interest & Investment Income	-100,000	-100,000		-100,000	-100,000
Palace Gatehouse	-5,300	-8,300	2,000	-10,300	-8,300
Archbishops Palace	-98,390	-97,740	44,300	-141,280	-96,980
Parkwood Industrial Estate	-309,850	-311,250	11,970	-323,050	-311,080
Industrial Starter Units	-28,950	-29,540	23,570	-52,710	-29,140
Parkwood Equilibrium Units	-72,050	-76,560	43,390	-262,250	-218,860
Sundry Corporate Properties	-344,860	-362,180	36,480	-422,340	-385,860
Phoenix Park Units	-234,320	-216,560	37,590	-253,480	-215,890
Granada House - Commercial	-107,770	-109,540	11,280	-120,530	-109,250
Heronden Road Units	-153,170	-151,570	13,960	-165,120	-151,160
Boxmend Industrial Estate	-102,830	-101,100	17,410	-118,090	-100,680
Lockmeadow	-67,850	-75,950	76,570	-148,870	-72,300
NEW Lockmeadow Complex	0	0	57,430	-1,153,430	-1,096,000
Lenworth House	3,770	0	0		0
Non Service Related Government Grants	-3,880,840	-3,729,760	0	-4,472,240	-4,472,240
Rent Allowances	-161,160	-146,790	37,400,740	-37,547,530	-146,790
Non HRA Rent Rebates	-6,710	-8,490	840,370	-848,860	-8,490
Discretionary Housing Payments	1,680	1,450	300,700	-299,250	1,450
Housing Benefits Administration	-389,520	-357,890	14,280	-371,890	-357,610
Democratic Services Section	165,270	180,220	190,430	-1,800	188,630
Mayoral & Civic Services Section	109,550	109,960	114,550		114,550
Chief Executive	176,790	176,680	184,960		184,960
Communications Section	199,870	204,240	186,650	-370	186,280
Policy & Information Section	222,100	249,150	270,550	0	270,550
Head of Policy and Communications	109,290	111,250	114,310		114,310
Revenues Section	475,240	471,940	833,940	-331,820	502,120
Registration Services Section	137,300	134,530	141,570		141,570
Head of Housing & Community Services	106,750	107,290	111,720		111,720
Benefits Section	448,340	457,340	761,930	-278,980	482,950
Fraud Section	42,330	45,790	239,170	-209,240	29,930
Mid Kent Audit Partnership	211,440	211,710	723,440	-510,750	212,690
Director of Finance & Business Improvement	139,180	139,260	145,850		145,850
Accountancy Section	716,060	704,430	757,560	-21,720	735,840
Legal Services Section	511,140	503,140	571,250	-69,000	502,250
Director of Regeneration & Place	137,630	138,240	145,910	-1,090	144,820
Procurement Section	134,310	129,810	153,980	-13,100	140,880
Property & Projects Section	400,480	399,680	426,170	-6,030	420,140
Facilities & Corporate Support Section	266,140	232,300	244,230		244,230
Improvement Section	322,470	335,180	369,980	-25,000	344,980
Executive Support Section	164,330	144,760	172,710		172,710
Head of Commissioning and Business Improvement	101,470	98,970	103,230		103,230
Mid Kent ICT Services	535,890	535,790	1,580,240	-964,520	615,720
GIS Section	108,890	109,150	192,610	-77,080	115,530
Customer Services Section	638,860	643,020	667,710	0	667,710
Director of Mid Kent Services	42,770	42,770	139,210	-92,800	46,410
Mid Kent HR Services Section	386,970	380,410	664,530	-263,640	400,890
MBC HR Services Section	178,080	94,010	182,180	-2,060	180,120
Head of Revenues & Benefits	65,070	67,600	111,780	-39,280	72,500
Revenues & Benefits Business Support	153,920	109,060	357,560	-246,740	110,820
Dartford HR Services Section	-17,600	-19,130	51,970	-71,700	-19,730
IT Support for Revenues and Benefits	0	31,030	65,720	-26,610	39,110
Salary Slippage 1PR	-247,100	-200,910	-261,000		-261,000

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2019/20	Revised Estimate 2019/20	Estimate 2020/21 (Expenditure)	Estimate 2020/21 (Income)	Estimate 2020/21
Salary Slippage 2SPI	-81,570	-70,750	-90,200		-90,200
Salary Slippage 3CHE	-98,820	-121,350	-150,200		-150,200
Salary Slippage 4ERL	-54,010	-26,050	-31,510		-31,510
Town Hall	98,630	98,090	101,500	-1,500	100,000
South Maidstone Depot	140,600	164,940	152,800		152,800
The Link	101,660	91,410	345,400	-243,890	101,510
Maidstone House	1,146,970	1,140,440	1,285,950	-225,440	1,060,510
Museum Buildings	298,160	267,490	274,190	-1,110	273,080
I.T. Operational Services	326,900	531,920	532,560		532,560
Central Telephones	14,620	14,620	14,910		14,910
Mid Kent ICT Software	197,860	0	0	0	0
Apprentices Programme	48,460	48,500	49,910	0	49,910
Internal Printing	-32,820	-6,070	51,680	-56,920	-5,240
Debt Recovery Service	-10,170	-13,090	1,112,310	-1,147,960	-35,650
Debt Recovery MBC Profit Share	-127,100	-143,280		-144,100	-144,100
Appropriation Account	978,880	1,275,060	1,030,360		1,030,360
Pensions Fund Appropriation	0	0	0		0
Central & Democratic	**6,412,600**	**6,896,920**	**59,090,090**	**-52,768,190**	**6,321,900**

SUMMARY ESTIMATE 2020/21 - BY PRIORITY

Subjective Analysis	Original Approved Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Agency & Contractor	1,028,180	1,152,170	1,057,870
Allowances	369,920	369,920	379,050
Benefits	44,030,190	38,541,810	38,541,810
Employee Direct	8,858,130	9,041,690	9,310,080
Employee Other	1,949,720	2,260,380	1,518,950
Equipment & Furniture	1,156,400	891,740	897,800
Fees & Charges	-1,049,300	-1,167,810	-1,209,370
General Insurances	15,850	17,840	18,050
Grants & Contributions Paid	425,630	424,820	2,178,530
Grants & Contributions Received	-52,198,610	-46,923,500	-47,047,500
Income Other	-1,159,330	-1,146,580	-1,142,160
Information & Communications	4,310	4,310	4,390
Leasing & Capital Charges	978,880	1,275,060	1,030,360
Premises Other	1,495,800	1,592,070	1,623,950
Printing & Stationery	149,210	153,430	137,920
Professional Services	381,680	504,850	416,420
Rent	-2,014,880	-2,005,160	-3,369,160
Repairs & Maintenance	556,340	514,820	512,720
Security & Protection	38,590	39,630	39,350
Subsistence & Training	172,930	121,050	175,370
Supplies & Services Other	690,870	745,530	754,540
Utilities	349,350	319,630	326,020
Vehicle & Transport	182,740	169,220	166,910
Central & Democratic	**6,412,600**	**6,896,920**	**6,321,900**

Proposed Capital Programme 2020/21 to 2024/25

	19/20	Five Year Plan					Total
	Projected	20/21	21/22	22/23	23/24	24/25	
	£000	£000	£000	£000	£000	£000	£000
Brunswick Street - Net Cost	2,514	-230	-579				-809
Union Street - Net Cost	975	-550	-2,141				-2,691
Springfield Mill	2,275	1,077	36				1,112
Granada House extension	0	1,664					1,664
Indicative Schemes	0	8,042	11,212	6,796			26,050
Sub-total Housing Development and Regeneration	*5,765*	*10,002*	*8,528*	*6,796*	*0*	*0*	*25,326*
Affordable Housing Programme	1,040	275	5,075	5,175	10,175	10,175	30,875
Acquisitions Officer	0	80	80	80	80	80	400
Disabled Facilites Grant	1,570	800	800	800	800	800	4,000
Temporary Accommodation	3,236	2,190					2,190
Flood Action Plan	100	300	300	300			900
Crematorium and Cemetery Development Plan	140	130					130
Electric Operational Vehicles		100					100
Housing IT System		50					50
Street Scene Investment	147	25					25
Installation of Public Water Fountains		15					15
Gypsy Site Improvement Works	42						0
CCTV Upgrade and Relocation	150						0
Commercial Waste	180						0
Sub-total Communities, Housing & Environment	12,371	13,967	14,783	13,151	11,055	11,055	64,011
Mote Park Visitor Centre and Estate Services Building	156	2,000	740				2,740
Mote Park Dam Works	267	1,650	100				1,750
Improvements to Play Areas	422						0
Other Parks Improvements	100						0
Museum Development Plan	11	125	225	39			389
Sub-total Economic Regeneration and Leisure	957	3,775	1,065	39	0	0	4,879
Acquisition of Commercial Assets	24,850	2,500	2,500	2,500	2,500	2,500	12,500
Kent Medical Campus - Innovation Centre	649	8,250	1,500				9,750
Lockmeadow Ongoing Investment	0	4,000	1,000				5,000
Garden Community	200	1,665	340	465	425	425	3,320
Infrastructure Delivery	1,200	600	600	600	600	600	3,000
Asset Management / Corp Property	1,017	1,430	175	175	175	175	2,130
Biodiversity and Climate Change	0	1,000					1,000
Software / PC Replacement	124	200	200	200	200	200	1,000
Feasibility Studies	113	50	50	50	50	50	250
Digital Projects	20	20	20	20	20	20	100
High Street Regeneration	547						0
Sub-total Policy & Resources	28,720	19,715	6,385	4,010	3,970	3,970	38,050
Mall Bus Station Redevelopment	250	750					750
Bridges Gyratory Scheme	121						0
Sub-total Strategic Planning & Infrastructure	371	750	0	0	0	0	750
Sub-Total	**42,419**	**38,208**	**22,233**	**17,200**	**15,025**	**15,025**	**107,690**
Section 106 Contributions	28	57	63	480	59	69	728
TOTAL	**42,447**	**38,265**	**22,296**	**17,680**	**15,084**	**15,094**	**108,418**

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2020/21

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1.INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure) and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

A Revised Capital Strategy which relates to the Council's priorities was agreed by Council on 25th September 2019.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how investments are to be managed).

The following reports are not required to be approved by Council but are to be reported and scrutinised to the relevant Committee. The Council has delegated this function to the Audit, Governance and Standards Committee.

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

A quarterly update on the Council's treasury management position is also provided through budget monitoring reports presented to Policy & Resources Committee.

1.3 Treasury Management Strategy for 2020/21

The strategy for 2020/21 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training has been planned for Members prior to the Audit Governance and Standards Committee meeting on the 13th January 2020. The Council's Treasury Advisors, Link Asset Services, will be providing this training with reference to this Strategy.

Staff regularly attend training courses, seminars and conferences provided by the Council's Treasury Consultants and CIPFA. Relevant staff are also encouraged to study professional qualifications delivered by CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Staff training needs are assessed regularly both as part of the appraisal process and when the responsibilities of individual members of staff change.

1.5 Treasury management consultants

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2022/23

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need. 2018/19 Actual was funded through internal borrowing.

Financing of capital expenditure £m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital receipts	0.000	0.000	0.000	0.000	0.000	0.000
Capital grants	1.368	2.251	6.080	0.863	1.554	1.554
Capital reserves	0.000	0.000	0.000	0.000	0.000	0.000
Revenue (incl MRP)	4.623	4.364	6.367	5.505	4.891	5.300
Net financing need for the year	**10.141**	**35.804**	**25.760**	**15.864**	**10.755**	**8.171**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £3.5m relating to Serco Pasia within the CFR.

The Council is asked to approve the CFR projections below:

£m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital Financing Requirement						
Total CFR	12.097	47.380	72.610	87.958	98.175	105.778
Movement in CFR	8.87	35.28	25.23	15.35	10.22	7.60

Movement in CFR represented by						
Net financing need for the year	8.870	35.767	27.126	18.252	13.736	11.530
Less MRP/VRP and other financing movements	0.000	-0.484	-1.895	-2.904	-3.518	-3.927
Movement in CFR	**8.870**	**35.283**	**25.230**	**15.347**	**10.218**	**7.603**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

No borrowing was undertaken for capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction).

These options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2019 and for the position as at 31st December 2019 is shown below.

Date	Ref	Lender	Amount £m	Rate %	Start	End
22/11/2019	62	North Somerset District Council Council	3.000	0.8	22/11/2019	30/04/2020
22/11/2019	63	North Yorkshire County Council	4.000	0.97	22/11/2019	20/11/2020
		TOTAL	**7.000**			

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt						
Debt at 1 April	0.000	0.000	31.725	56.437	71.270	80.953
Expected change in Debt	0.000	28.678	22.185	12.823	8.210	6.127
Other long-term liabilities (OLTL)	4.033	3.568	3.047	2.527	2.010	1.473
Expected change in OLTL	-0.465	-0.521	-0.520	-0.517	-0.537	-0.568
Actual gross debt at 31 March	**3.568**	**31.725**	**56.437**	**71.270**	**80.953**	**87.985**
The Capital Financing Requirement	**12.097**	**47.380**	**72.610**	**87.958**	**98.175**	**105.778**
Under / (over) borrowing	**8.529**	**15.655**	**16.173**	**16.688**	**17.222**	**17.793**

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance and Business Improvement reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	3.986	28.678	53.910	69.260	79.480
Other Long Term Liabilities	3.568	3.047	2.527	2.010	1.473
Total	7.554	31.725	56.437	71.270	80.953

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	10.418	48.678	73.910	89.260	99.480
Other Long Term Liabilities	3.568	3.047	2.527	2.010	1.473
Total	13.986	51.725	76.437	91.270	100.953

3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. Given the current level of uncertainties around the result of the general election due on 12 December and then subsequent developments, this is a major assumption and so forecasts may need to be materially reassessed in the light of events over the coming weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and more recently, due to the impending general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then it is likely the MPC would cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a "gradual pace and to a limited extent". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were an eventual Brexit with no agreement on the terms of trade between the UK and EU, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. *(See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.)* There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this and how strong the correlation is likely to be is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by **H.M. Treasury** to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5%, it is unlikely that this authority will do any longer term borrowing for the next three years, or until such time as the extra 100 bps margin is removed.
- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, , there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Director of Finance and Business Improvement will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the Audit Governance and Standards Committee body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 New financial institutions as a source of borrowing and / or types of borrowing

Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (no issuance at present but there is potential)

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

3.7 Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being X% of the total investment portfolio, (see paragraph 4.3).

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2019/20 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18). The Council does not have any of these investments at this time.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria is unchanged from last year.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands*:*

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	Money Limit	Transaction limit	Time Limit
Banks *	**yellow**	**£5m**	**£5m**	**5yrs**
Banks	**purple**	**£3m**	**£3m**	**2 yrs**
Banks	**orange**	**£3m**	**£3m**	**1 yr**
Banks – part nationalised	**blue**	**£3m**	**£3m**	**1 yr**
Banks	**red**	**£3m**	**£3m**	**6 mths**
Banks	**green**	**£1m**	**£1m**	**100 days**
Banks	**No colour**	**Not to be used**	**£0m**	
Other institutions limit	**-**	**£1m**	**£1m**	**5yrs**
DMADF	**UK sovereign rating**	**unlimited**	**£5m**	**6 months**
Local authorities	**n/a**	**£5m**	**£5m**	**5yrs**
Housing associations	**Colour bands**	**£5m**	**£5m**	**As per colour band**

	Fund rating**	Money Limit		Time Limit
Money Market Funds CNAV	**AAA**	**£8m**	**£8m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£8m**	**£8m**	**liquid**
Money Market Funds VNAV	**AAA**	**£8m**	**£8m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£8m**	**£8m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light pink / AAA**	**£8m**	**£8m**	**liquid**

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Country limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 10% of the total investment portfolio when investments balances are higher, however during periods when balances are run down (e.g. year end) the limt may be higher for a small period of time.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than 25% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 1.00%
- Q1 2022 1.00%
- Q1 2023 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2019/20	0.75%
2020/21	0.75%

2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
	2020/21	**2021/22**	**2022/23**
	£m	**£m**	**£m**
Investments in excess of 1 year maturing in each year	2	2	2

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

4.5 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio against a rate of 3 month LIBOR plus 10bps.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 External fund managers

£8.2m of the Council's funds is externally managed within Money Market Funds with following institutions:

- Goldman Sachs Asset Management International
- Aberdeen Standard Investments
- Federated Investors (UK) LLP

The Council's external fund managers will comply with the Annual Investment Strategy. The agreements between the Council and the fund managers additionally stipulate guidelines on duration and other limits in order to contain and control risk.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Council is provided with a suite of regular reporting from its manager.

In addition to formal reports, the Council also meets with representatives of the fund manager on a semi-annual basis. These meetings allow for additional scrutiny of the manager's activity as well as discussions on the outlook for the fund as well as wider markets.

5 APPENDICES

1. Prudential and treasury indicators and MRP statement
2. Interest rate forecasts
3. Economic background
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2020/21 – 2022/23 AND MRP STATEMENT

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure

2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
16.132	42.419	38.208	22.233	17.200	15.025	15.025

5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

5.1.3 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

2018/19 %	2019/20 %	2020/21 %	2021/22 %	2022/23 %	2023/24 %	2024/25 %
-1.1	-0.7	3.5	4.9	5.4	6.0	6.6

2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
-0.220	-0.155	0.659	0.889	1.042	1.156	1.266

The estimates of financing costs include current commitments and the proposals in this budget report.

5.1.4 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	Upper Limit %	Lower Limit %
Under 12 months	100	0
12 months to under 24 months	100	0
24 months to under 5 years	100	0
5 years to under 10 years	100	0
10 years and within 20 years	100	0
20 years and within 30 years	100	0
30 years and within 40 years	100	0
40 years and within 50 years	100	0
50 years and within 60 years	100	0
70 years and within 80 years	100	0

5.1.5. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2019 – 2021

Please see 3.3 of this report.

5.3 ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January; however, even if a Conservative Government gains an overall majority in the general election on 12 December, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020.

While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers are worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

If economic growth were to weaken considerably,, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and both of the largest parties have made significant promises in their election manifestos to increase government spending. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure. In addition, it has to be borne in mind that even if the post-election Parliament agrees the deal on 31 January 2020, the current transition period for negotiating the details of the terms of a trade deal with the EU only runs until 31 December 2020. This could prove to be an unrealistically short timetable for such major negotiations which leaves open two possibilities; one the need for an extension of negotiations, probably two years, or a no deal Brexit in December 2020.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in October to 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, this was about half of what had been expected. The unemployment rate fell back again to a 44 year low of 3.8% on the Independent Labour Organisation measure in September, despite the fall in numbers employed, due to numbers leaving the work force. Wage inflation has been edging down from a high point of 3.9% in July to 3.8% in August and now 3.6% in September, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.9%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

In the **political arena**, a general election could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 1.9% in quarter 3; it is expected to fall further. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening; CPI inflation fell from 2.3% to 2.0% in September.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn , whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.
However, in early November, a phase one deal was agreed between the US and China to roll back some of the tariffs which gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period;** (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by 'growth friendly' fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest

rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Use of external fund managers – It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories, and are contractually committed to keep to the Council's investment strategy. The fund managers the Council currently engages with are for Money Market Funds and Enhanced Cash Funds.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Council is provided with a suite of regular reporting from its manager. This includes:

In addition to formal reports, the Council also meets with representatives of the fund manager on a XXX [quarterly, semi-annual, annual] basis. These meetings allow for additional scrutiny of the manager's activity as well as discussions on the outlook for the fund as well as wider markets.

5.6 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Hong Kong
- France
- U.K.

AA-

- Belgium
- Qatar

5.7 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Audit Governance & Standards Committee/ Policy & Resources Committee /Full Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Governance & Standards Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.8 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;

- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Investment Strategy

Maidstone Borough Council
2020/21

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is new for 2020/21, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10.8m and £30m during the 2020/21 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2020/21 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. The Council has made loans to Kent Savers for £25k in 2017/18 which is repayable in 2022/23 at an interest rate of 1% and an interest free loan to One Maidstone CIC Limited with a current amount owing of £48,000. A loan to Cobtree Manor Estates Trust has been agreed in 2019/20 for an amount of £323,000 repayment over 5 years at an annual interest rate of 3%. However, a loan to Maidstone Property Holdings Limited may also be made in the near future for which the interest rate applicable would be at commercial rates. There is a provision for this service loans of £1 million.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2019 actual			2020/21
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries				1.000
Local businesses	0.073		0.073	0.073
Local charities				0.323
TOTAL	**0.073**	**0.000**	**0.073**	**1.396**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans by assessing the borrower's ability to repay the loan, based on past financial performance. This is monitored over the period of the loan in line with the agreed repayment terms.

Commercial Investments: Property

Contribution: The Council does not currently have any investments in property that are considered to be purely commercial in nature. Acquisitions are limited to properties situated within the borough, with the intention of supporting the local community, housing and regeneration objectives rather than for the exclusive purpose of generating profits. All property investments are therefore classified as general fund capital projects.

Third Party Loan Commitments and Financial Guarantees

The Authority has contractually committed to repay the loan on behalf of Serco Paisa for works to the leisure Centre which has a balance as at 31st March 2019 of £2.527m.

Capacity, Skills and Culture

Elected members and statutory officers: The Section 151 Officer has ultimate decision making powers on investment decisions and has a number of key officers with the necessary skills to assess such projects, including the Corporate Property Manager, Head of Finance, as well as the use of external consultants.

Each project is evaluated on its affordability and prudence to bear additional future revenue cost associated with each investment. It is established if the use of new or existing revenue resources to finance capital investment over competing needs for revenue expenditure and the scope for capital investment to generate future revenue savings or income, taking into account the risks associated with each proposal.

Commercial deals: The Section 151 Officer is involved with all decision making for capital projects and is aware of the core principles of the prudential framework in regard to the following:

- ☐*service objectives, eg strategic planning for the authority*
- ☐*stewardship of assets, eg asset management planning*
- ☐*value for money, eg option appraisal*
- *prudence and sustainability, eg implications for external debt and whole life costing*
- ☐*affordability, eg implications for council tax*
- ☐*practicality, eg achievability of the forward plan.*

Corporate governance: The investment strategy is reviewed by Audit, Governance and Standards Committee prior to approval by full Council. Investment opportunities will be considered on a case by case basis with reference to the strategy, and a mid-year report will be provided during the year to ensure that the strategy remains fit for purpose.

<u>Investment Indicators</u>

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	15.000	2.000	2.000
Service investments: Loans	0.073	0.061	1.049
TOTAL INVESTMENTS	15.073	2.061	1.473
Commitments to lend (Serco Loan – Leisure Centre)	2.527	2.010	2.010
TOTAL EXPOSURE	17.600	4.071	3.483

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	0.000	0.000	0.000
Service investments: Loans	0.000	0.000	1.000
TOTAL FUNDED BY BORROWING	0.000	0.000	1.000

The above table does not include investments funded by borrowing which form part of the Council's capital programme. Details of this expenditure are included within the Capital Strategy.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Maidstone Borough Council's treasury management loans interest will outweigh investments, hence is why there is a negative figure forecasted for 2020/21.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury management investments	0.73%	0.78%	-3.29%
Service investments: Loans	1.00%	2.86%	2.96%
ALL INVESTMENTS	0.73%	0.82%	-2.90%

MAIDSTONE BOROUGH COUNCIL

CAPITAL STRATEGY

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1. INTRODUCTION

1.1 CIPFA's Prudential Code, which governs the Council's capital investment and borrowing, introduced a new requirement in 2019/20 for a Capital Strategy. The intention was to ensure that councils provide a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with a description of how associated risk is managed and the implications for future financial sustainability.

1.2 Accordingly, the Capital Strategy articulates in a single place a number of strategies and policies that the Council already addresses elsewhere: it is an overarching document linking the Strategic Plan, the Medium Term Financial Strategy, the Treasury Management Strategy and the Asset Management Plan.

2. CAPITAL EXPENDITURE AND LINKS TO OTHER CORPORATE STRATEGIES

Strategic Plan

2.1 Capital expenditure at Maidstone Borough Council plays a vital part in the Council's Strategic Plan, since long term investment is required to deliver many of the objectives of the plan.

2.2 The current 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 objectives, as follows:

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

The ways in which capital expenditure can support these priorities are described below.

Embracing Growth and Enabling Infrastructure

The Council has a vital role in leading and shaping our borough as it grows. This means being proactive in policy and master planning for key sites in the borough, and where appropriate, investing directly ourselves.

Separate objectives, set out below, address specifically the development of new housing, and other investments intended to make Maidstone a thriving place. In order to enable these developments to take place, investment in infrastructure will be needed. In general, infrastructure schemes are funded from the benefits gained from the development. To address any potential funding gap, the Council will enable infrastructure spending, to the extent that it meets our strategic priorities.

Accordingly, £3 million has been set aside within the current capital programme to contribute towards provision of local infrastructure, and to indicate our intention to invest to unlock development and attract matching funding.

Homes and Communities

The Strategic Plan seeks to make Maidstone a place where people love to live and can afford to live. This means a range of different types of homes, including affordable housing.

The Council plans to developing new housing, providing a mixture of tenures, under the Housing Development and Regeneration Investment Plan agreed by Policy and Resources Committee in July 2017. Developments are under way at Brunswick Street and Union Street. Lenworth House was acquired in 2018/19, and further developments are envisaged. The Council is seeking partnerships to enable further development to take place.

In total, £40 million has been provided in the capital programme for the Housing Development and Regeneration Investment Plan.

We aim, and are required by law, to address homelessness and rough sleeping. The Council has invested in temporary accommodation for homeless families, thereby ensuring a good standard of accommodation and providing a more cost-effective solution than is offered by the private sector. In 2018/19 we acquired 17 homes for use as temporary accommodation and we have purchased a further 10 units in 2019/20, for which £5 million has been provided in the capital programme.

The Council also works with Kent County Council Social Services to deliver adaptations and facilities to enable disabled people to remain at home. This work forms part of the capital programme, although it is funded directly by central government grant. £4 million has been provided in the capital programme for Disabled Facilities Grants.

A Thriving Place

The Strategic Plan seeks to make Maidstone a borough that is open for business, attractive for visitors and is an enjoyable and prosperous place to live for our residents. This can be achieved through investment in the County town and rural service centres.

There are a number of ways in which the Council will take the lead, including working with partners and through direct investment ourselves. The Council has a successful track record of acquiring property as part of its Commercial Investment Strategy. These acquisitions both generate a return that supports the revenue budget and contribute to making Maidstone a thriving place. We will continue to seek good quality investment opportunities.

Where appropriate, we will seek to achieve the necessary scale of investment by identifying joint venture partners. The amount available for direct investment by Maidstone Council is governed by the overall size of the capital programme, but we will adopt a flexible approach within this constraint in order to take advantage of investment opportunities that meet our criteria.

Specific projects that will contribute to a Thriving Place include Maidstone East, where the Council is working in partnership with Kent County Council to redevelop a key site next to the railway station, and the Kent Medical Campus, where the Council has secured external funding to match the Council's own funds to provide £10.5 million in total to create an Innovation Centre for growing businesses in the life science, heathcare and med-tech sectors.

The Council has already made a significant investment in improving the public realm in the Town Centre. The current capital programme includes a further investment of £1.5 million, including partner contributions, in the bus station to improve its efficiency and attractiveness to customers.

Safe, Clean and Green

The Council seeks to protect and where possible enhance our environment and to make sure our parks, green spaces, streets and public areas are of a high quality.

Recent investment has included a programme of developments in our flagship local park, Mote Park. An Adventure Zone opened in May 2019 and plans are under way for the construction of a new Visitor Centre. Mote Park Lake is effectively a reservoir, and we are required to reduce the risk of the lake overtopping the dam at its western end. The necessary work is due to take place in Summer 2020 and current estimates are that the total scheme cost will be around £2 million.

The floods of winter 2013/14 highlighted the risks faced by the borough generally. Maidstone Borough Council is part of the Medway Flood Partnership, which includes the Environment Agency and Kent County Council. The Partnership plans to spend at least £19 million over the next five years in the Medway catchment area, of which Maidstone is contributing £1 million.

Medium Term Financial Strategy

2.3 The overall context for the MTFS is one where the Council is increasingly dependent on locally-generated resources, whether from Council Tax or a range of other income streams, including parking income, planning fees and the Council's property portfolio. The MTFS supports the Council's need to become financially self-sufficient.

2.4 In drawing up the capital programme, there is therefore a focus on schemes that both meet strategic priorities and are self-funding. Specifically:

- 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.

- the Housing Development and Regeneration Investment Plan provides for the Council to develop housing ourselves, thereby addressing the need for new homes in the borough and generating long term revenue returns through developing homes for market rent.

2.5 Below is a table of the latest capital programme which was discussed at Policy and Resources Committee on 22nd January 2020.

Table 1: Capital Programme 2019/20 to 2024/25

	19/20	Five Year Plan					Total
	Projected £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	£000
Brunswick Street - Net Cost	2,514	-230	-579				-809
Union Street - Net Cost	975	-550	-2,141				-2,691
Springfield Mill	2,275	1,077	36				1,112
Granada House extension	0	1,664					1,664
Indicative Schemes	0	8,042	11,212	6,796			26,050
Sub-total Housing Development and Regeneration	5,765	10,002	8,528	6,796	0	0	25,326
Affordable Housing Programme	1,040	275	5,075	5,175	10,175	10,175	30,875
Acquisitions Officer	0	80	80	80	80	80	400
Disabled Facilites Grant	1,570	800	800	800	800	800	4,000
Temporary Accommodation	3,236	2,190					2,190
Flood Action Plan	100	300	300	300			900
Crematorium and Cemetery Development Plan	140	130					130
Electric Operational Vehicles		100					100
Housing IT System		50					50
Street Scene Investment	147	25					25
Installation of Public Water Fountains		15					15
Gypsy Site Improvement Works	42						0
CCTV Upgrade and Relocation	150						0
Commercial Waste	180						0
Sub-total Communities, Housing & Environment	12,371	13,967	14,783	13,151	11,055	11,055	64,011
Mote Park Visitor Centre and Estate Services Building	156	2,000	740				2,740
Mote Park Dam Works	267	1,650	100				1,750
Improvements to Play Areas	422						0
Other Parks Improvements	100						0
Museum Development Plan	11	125	225	39			389
Sub-total Heritage, Culture & Leisure	957	3,775	1,065	39	0	0	4,879
Acquisition of Commercial Assets	24,850	2,500	2,500	2,500	2,500	2,500	12,500
Kent Medical Campus - Innovation Centre	649	8,250	1,500				9,750
Lockmeadow Ongoing Investment	0	4,000	1,000				5,000
Garden Community	200	1,665	340	465	425	425	3,320
Infrastructure Delivery	1,200	600	600	600	600	600	3,000
Asset Management / Corp Property	1,017	1,430	175	175	175	175	2,130
Biodiversity and Climate Change	0	1,000					1,000
Software / PC Replacement	124	200	200	200	200	200	1,000
Feasibility Studies	113	50	50	50	50	50	250
Digital Projects	20	20	20	20	20	20	100
High Street Regeneration	547						0
Sub-total Policy & Resources	28,720	19,715	6,385	4,010	3,970	3,970	38,050
Mall Bus Station Redevelopment	250	750					750
Bridges Gyratory Scheme	121						0
Sub-total Strategic Planning, Sustainability & Transportation	371	750	0	0	0	0	750
Sub-Total	**42,419**	**38,208**	**22,233**	**17,200**	**15,025**	**15,025**	**107,690**
Section 106 Contributions	28	57	63	480	59	69	756
TOTAL	**42,447**	**38,265**	**22,296**	**17,680**	**15,084**	**15,094**	**108,446**

Treasury Management Strategy

2.6 The Treasury Management Strategy sets out how the Council manages its investments and cash flows, including banking, money market and capital market transactions, and how optimum performance is assured whilst managing the risks associated with these activities.

2.7 The specific aspects of the Treasury Management Strategy that are relevant here are how it addresses the Council's capital expenditure plans and how borrowing needs are met. Capital expenditure is funded from the New Homes Bonus, internal resources, borrowing and third party contributions such as Section 106 payments on new developments. The Council has relied primarily on New Homes Bonus and internal resources, but has now entered into a borrowing position with the purchase of the Lockmeadow Leisure Complex. External borrowing will increase owing to the reduction in New Homes Bonus payments and the scale of the capital programme.

2.8 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.

2.9 Further details are set out in Section 4.

Asset Management Plan

2.10 The longer term maintenance of the Council's capital assets is addressed by the Council's Asset Management Plan. The Asset Management Plan ensures that the Council's assets, as a resource, support the delivery of the Council's objectives by:-

- Providing a suitable standard of accommodation for services including those shared with other authorities
- Maintaining commercial investment assets and ensuring that they deliver the required rate of return
- Providing an asset management service to the property holding company
- Meeting the needs of the local community by maintaining assets in parks and open spaces and other community assets
- Safeguarding local heritage through ownership and preservation of historic and scheduled ancient monuments.

The current capital programme includes a provision of £2 million for Corporate Property Improvements, based on the requirements of the Asset Management Plan.

2.11 The Asset Management Plan is currently under review. An updated Plan is due to be considered by Policy and Resources Committee in early 2020.

3. GOVERNANCE FRAMEWORK

Background

3.1 Capital expenditure proposals are developed in response to the Council's strategic priorities, as described in the previous section. Individual schemes are incorporated in the capital programme, which is included within the Council's Medium Term Financial Strategy.

3.2 The MTFS states that capital schemes will be reviewed and developed so that investment is focused on strategic priorities. The MTFS is updated on an annual basis, as part of the annual budget cycle.

3.3 Subsequent to preparation of the MTFS and its approval by Council each year, capital estimates form part of the annual budget that is submitted to Council for approval.

Developing capital expenditure proposals

3.4 The development of capital expenditure proposals follows certain core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:

(i) Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;

(ii) Self-funding schemes focused on Strategic Plan priority outcomes;

(iii) Other schemes focused on Strategic Plan priority outcomes; and

(iv) Other priority schemes which will attract significant external funding.

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

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

b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must first be prepared.

3.6 Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed, they may still be included within the programme if they fall within one of the four categories set out above.

3.7 If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme, a prioritised list of schemes that can be added to the programme as future resources permit will be created and approved by Policy and Resources Committee, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.

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

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

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

b) Opportunities to obtain receipts from asset sales as identified in the Asset Management Plan and approved for sale by Policy and Resources Committee;

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

i. they are commercial in nature;

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

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

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

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

3.10 Service managers submit proposals to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Each Committee appraises the proposals based on a comparison with corporate priorities. Policy & Resources Committee recommends the capital programme which is then presented to Council in March each year.

3.11 Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections is considered by the relevant service committee.

3.12 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). Further details are set out in section 4 of the Capital Strategy.

Performance Monitoring

3.13 The Council has a corporate project management framework that applies to most of the projects included within the capital programme. This provides for designation of a project manager and sponsor, and includes a mechanism for progress on corporate projects to be reported quarterly to a Corporate Projects Board.

3.14 Financial monitoring of capital projects is addressed by the Council's Financial Procedure Rules. Individual Member Service Committees receive quarterly reports on capital expenditure for the services for which they are responsible.

Capitalisation

3.15 Accounting principles govern what counts as capital expenditure. Broadly, it must yield benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets which are charged directly to service revenue accounts.

3.16 The Council has adopted a minimum threshold of £10,000 for capitalisation.

Asset Disposals

3.17 The Council's policy for asset disposals is set out in a policy adopted by Policy and Resources Committee at its meeting on 25th July 2017.

3.18 The policy distinguishes between the following categories.

- Operational Property held and used by the Council for the direct delivery of services for which it has either a statutory or discretionary responsibility. Assets may be disposed of if they have reached the end of their economic or useful life.

- Investment Property held by the Council for revenue generation purposes, which should be assessed by its potential for improved rates of return by either better asset management, or disposal and re-investment of the receipt.

- Community assets such as open space. The Council will not usually dispose of areas of parks or other areas which are classed as public open space.

3.19 Certain schemes within the capital programme are partially funded through sale of some of the completed asset(s) to partner organisations. In this case, the capital scheme value is shown net of these receipts in the capital programme, as the receipt is ringfenced for this purpose.

4. FINANCING THE CAPITAL PROGRAMME

4.1 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 is however likely to be required in future.

Financing Requirement

All capital expenditure must be financed, either from external sources (government grants, including New Homes Bonus, and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and other long term liabilities). The planned financing of the expenditure set out in Table 1 is as follows:

Table 2: Capital Financing

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
External sources	6,131	10,552	3,464	2,927	2,927	2,927	28,928
Own resources	15,000	0	0	0	0	0	15,000
Debt	21,288	27,656	18,769	14,273	12,098	12,098	106,182
TOTAL	**42,419**	**38,208**	**22,233**	**17,200**	**15,025**	**15,025**	**150,110**

4.2 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP is set out below; no assumptions have been made here about capital receipts.

Table 3: Replacement of debt finance

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
MRP	484	1,895	2,904	3,518	3,927	4,231	16,960
Capital receipts	0	0	0	0	0	0	0
TOTAL	**484**	**1,895**	**2,904**	**3,518**	**3,927**	**4,231**	**16,960**

4.3 The Council's full minimum revenue provision statement is included within the Treasury Management Strategy.

4.4 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £25.23m during 2020/21. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000
Brought forward	12,097	47,380	72,610	87,958	98,175	105,778
Capital Expenditure	42,419	38,208	22,233	17,200	15,025	15,025
External funding	-6,131	-10,552	-3,464	-2,927	-2,927	-2,927
Own resources	-521	-530	-517	-537	-568	-580
MRP	-484	-1,895	-2,904	-3,518	-3,927	-4,231
TOTAL CFR	**47,380**	**72,610**	**87,958**	**98,175**	**105,778**	**113,065**

Borrowing Strategy

4.5 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, so the Council will seek to strike a balance between cheap short-term loans (currently available at around 1.0%) and long-term fixed rate loans where the future cost is known but higher (currently 3 – 3.4%).

4.6 Projected levels of the Council's total outstanding debt (which comprises borrowing and other long-term liabilities) are shown below, compared with the capital financing requirement.

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.03.19 actual £000	31.03.20 forecast £000	31.03.21 budget £000	31.03.22 budget £000	31.03.23 budget £000	31.03.24 budget £000	31.03.25 budget £000
Debt (excl.PFI & leases)	0	21,288	48,944	67,713	81,986	94,084	106,182
Capital Financing Requirement	12,097	47,380	72,610	87,958	98,175	105,778	113,065

4.7 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 5, the Council expects to comply with this in the medium term.

4.8 Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances will be fully utilised to fund the capital programme. This benchmark is currently £11m and is forecast to fall to £2m over the next three years.

Table 6: Borrowing and the Liability Benchmark

	31.03.19 actual £000	31.03.20 forecast £000	31.03.21 budget £000	31.03.22 budget £000	31.03.23 budget £000	31.03.24 budget £000	31.03.25 budget £000
Outstanding borrowing	0	17,288	44,944	63,713	77,986	90,084	102,182
Liability benchmark	4,000	21,288	48,944	67,713	81,986	94,084	106,182

4.9 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt

Operational Boundary

	31.03.19 actual £m	31.03.20 forecast £m	31.03.21 budget £m	31.03.22 budget £m	31.03.23 budget £m	31.03.24 budget £m	31.03.25 budget £m
Borrowing	3.986	28.678	53.910	69.260	79.480	87.080	94.370
Other Long Term Liabilities	3.568	3.047	2.527	2.010	1.473	0.905	0.309
Total	**7.554**	**31.725**	**56.437**	**71.27**	**80.953**	**87.985**	**94.679**

Authorised Limit

	31.03.19 actual £m	31.03.20 forecast £m	31.03.21 budget £m	31.03.22 budget £m	31.03.23 budget £m	31.03.24 budget £m	31.03.25 budget £m
Borrowing	10.418	48.678	73.910	89.260	99.480	107.080	114.370
Other Long Term Liabilities	3.568	3.047	2.527	2.010	1.473	0.905	0.309
Total	**13.986**	**51.725**	**76.437**	**91.27**	**100.95**	**107.985**	**114.679**

4.10 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

4.11 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments

	31.03.19 actual £000	31.03.20 forecast £000	31.03.21 budget £000	31.03.22 budget £000	31.03.23 budget £000	31.03.24 budget £000	31.03.25 budget £000
Short-term investments	15,014	4,000	4,000	4,000	4,000	4,000	4,000
Longer-term investments	0	2,000	2,000	2,000	2,000	2,000	2,000
Total	**15,014**	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**

4.12 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and Business Improvement and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are included within the budget monitoring reports which are presented to the council Policy & Resources Committee with the half yearly and annual reviews which are scrutinised by Audit, Governance and Standards Committee then recommending to Full council. The Audit, Governance and Standards Committee is responsible for scrutinising treasury management decisions.

Revenue Budget Implications

4.13 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
Financing costs (£m)	-0.220	-0.155	0.659	0.889	1.042	1.156	1.266
Proportion of net revenue stream (%)	-0.011	-0.007	0.035	0.049	0.054	0.060	0.066

4.14 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend beyond 5 years into the future. The Director of Finance and Business

Improvement is satisfied that the proposed capital programme is prudent, affordable and sustainable.

5. OTHER LONG TERM LIABILITIES

5.1 This section deals with other long term liabilities to which the Council has committed itself in order to secure capital investment. The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.

5.2 The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council are then repaying this loan over a 15 year term, by equal monthly instalments. The principal element of this loan is reflected on the Council's Balance Sheet, and will be written down annually by the amount of principal repaid. Interest paid on the loan is charged to revenue.

Investments for Service Purposes

5.3 The Council can make investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, Charities and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to provide value for money to the tax payer.

5.4 Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and Business Improvement and relevant committee (where appropriate), and must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.

6. COMMERCIAL ACTIVITIES

6.1 The Council originally developed a Commercialisation Strategy in 2014, in response to the withdrawal of Revenue Support Grant and the freedoms and flexibilities offered to local authorities through the Localism Act. A review of the Strategy in November 2016 indicated that it had been successful in promoting a more business-like approach to the Council's revenue generating activities, but new initiatives had met with varying degrees of success.

6.2 It was decided by Policy and Resources Committee, on the basis of this review, to refocus the strategy on housing and regeneration, which provided the opportunity both to generate a financial return for the Council and to support its strategic priorities. As a result, a Housing Development and Regeneration Plan, to which reference has already been made here, was developed and adopted in July 2017. Similarly, the Council's Commercial Property Investment Strategy is intended to support the local economy and regeneration objectives, as well as to generate a financial return.

6.3 Accordingly, none of the Council's capital investment is undertaken for purely commercial purposes.

7. KNOWLEDGE AND SKILLS

7.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Director of Finance and Business improvement is a qualified accountant with over 15 years' experience in local government, the Corporate Property Manager and the team are experienced in Property Management and the Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury),and ACCA.

7.2 The Council currently employs Link Asset Services as treasury management advisers and a number of property consultants including Harrisons Property Surveyors Limited and Sibley Pares Limited. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

7.3 The Council carries out consultation as part of the development of the MTFS in order to establish the wider community's priorities for budget spending. In addition, consultation is carried out each year on the detailed budget proposals with individual Service Committees about budget proposals relating to the services within their areas of responsibility.

8. RISK MANAGEMENT

8.1 The capital programme forms an increasingly important part of the Council's strategy for delivering its overall priorities. Accordingly, it is of fundamental importance that the associated risks are managed actively. The Council has a comprehensive risk management framework, through which risk in relation to capital investment is managed at all levels.

Corporate

8.2 Corporate risks are identified and reported on a quarterly basis to the Corporate Leadership Team and twice a year to the Policy and Resources Committee. Risks are owned by named Directors and controls developed to mitigate risk. Risks at this level may be generic, relating to a number of capital projects, although it is possible that a single capital project could pose a corporate risk.

Financial

8.3 A Budget risk register 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.

8.4 Typically, risks in this area would relate to funding of the capital programme and over/underspending on individual capital projects.

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.

Service

8.6 Individual service areas maintain risk registers, with identified risk owners and details of controls to mitigate risk.

Project

8.7 The Council's project management framework requires managers to maintain risk registers at a project level.

Maidstone Borough Council
Medium Term Financial Strategy 2020/21

Estimate of General Fund Balances to 31 March 2021

	Unallocated General Fund	Commercial Risk	Invest to Save	Contingency for Future Funding Pressures	Earmarked Reserves	Grand Total
	£,000	£,000	£,000	£,000	£,000	£,000
Balance as at 31st March 2019	6,169	500	500	1,589	5,480	14,238
2018/19 Carry Forwards Used in 2019/20	810	0	0	0	0	810
Movement in balances during 2019/20	-1,143	0	0	0	-875	-2,018
Estimated Balance as at 31 March 2020	**5,836**	**500**	**500**	**1,589**	**4,605**	**13,030**
Expected movement in balances during 2020/21	87	0	0	0	-834	-747
Estimated Balance as at 31 March 2021	**5,923**	**500**	**500**	**1,589**	**3,771**	**12,283**

Estimate of Earmarked Reserves to 31 March 2021

	31/03/2019	Movement in 2019/20	Est. Balance at 31/3/20	Est. Movement in 2020/21	Est. Balance at 31/3/21
	£,000	£,000	£,000	£,000	£,000
Capital Support	0	0	0	0	0
Local Plan Review	200	-65	145	200	345
Neighbourhood Planning	64	0	64	-24	40
Planning Appeals	300	-80	220	0	220
Civil Parking Enforcement	431	-260	171	-171	-0
Business Rates Growth	1,749	-220	1,529	-89	1,440
Financial Sustainability Fund Reserve	485	0	485	0	485
HCGF Reserve	1,090	-250	840	-750	90
Homelessness Prevention & TA Reserve	700	0	700	0	700
Trading Accounts	30	0	30	0	30
Future Capital Expenditure	430		430		430
Total	**5,480**	**-875**	**4,615**	**-834**	**3,781**

APPENDIX G

MAIDSTONE BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2024/25

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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 the 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

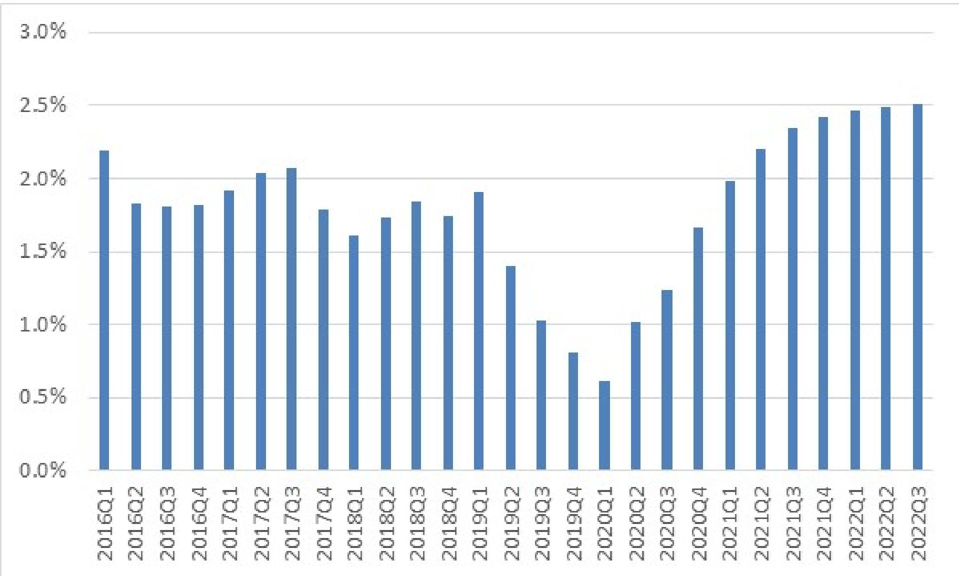
Economic Outlook 2020 – 2025

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 rise[1]. Bank of England projections show a similar picture – see graph below.

Figure 1: Real UK gross domestic project (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/

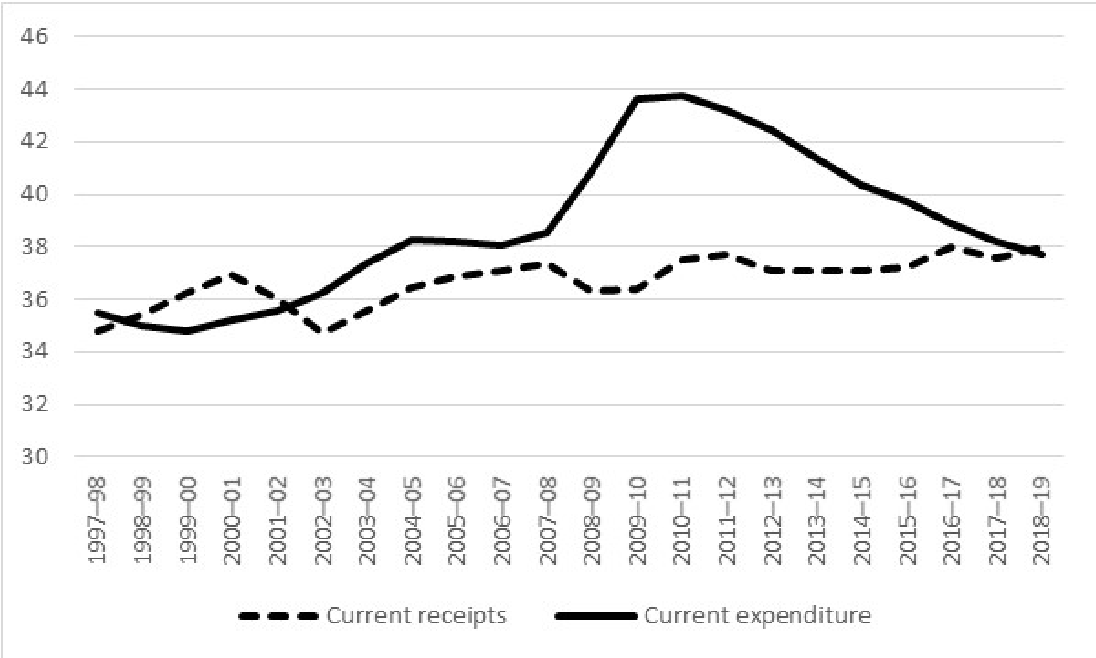
judged likely to rise slightly above the target inflation rate of 2%, based on domestic inflationary pressures. Over the longer term, policy action will be designed to ensure inflation remains within 1% above or below the target of 2%.

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

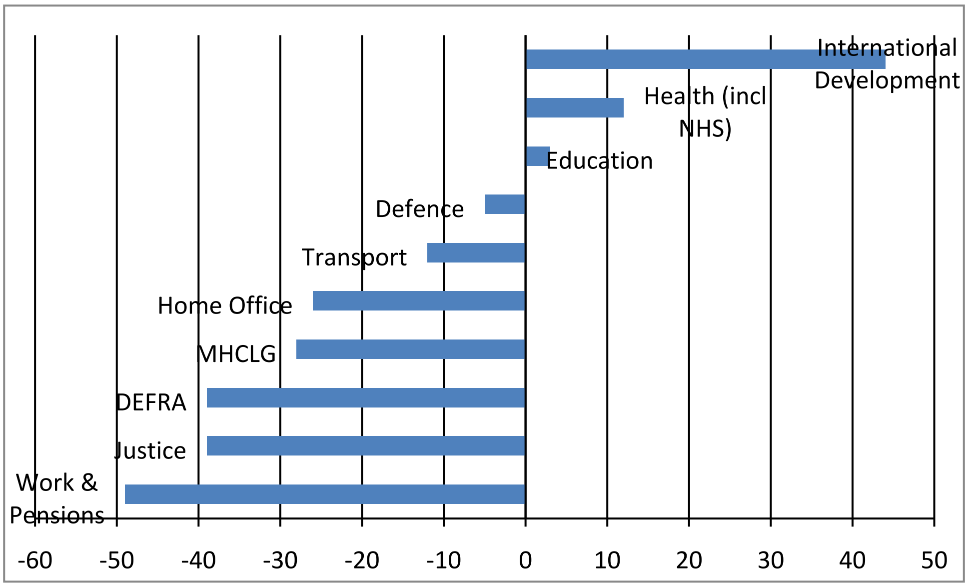


However, the cumulative deficit is at its highest ever level in relation to GDP, at 82% of national income. The government has also now rapidly changed direction following the long period of austerity, with a number of increasingly generous public spending commitments over the past twelve months. This will increase the level of borrowing as a percentage of GDP, even under a smooth Brexit scenario[2].

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.

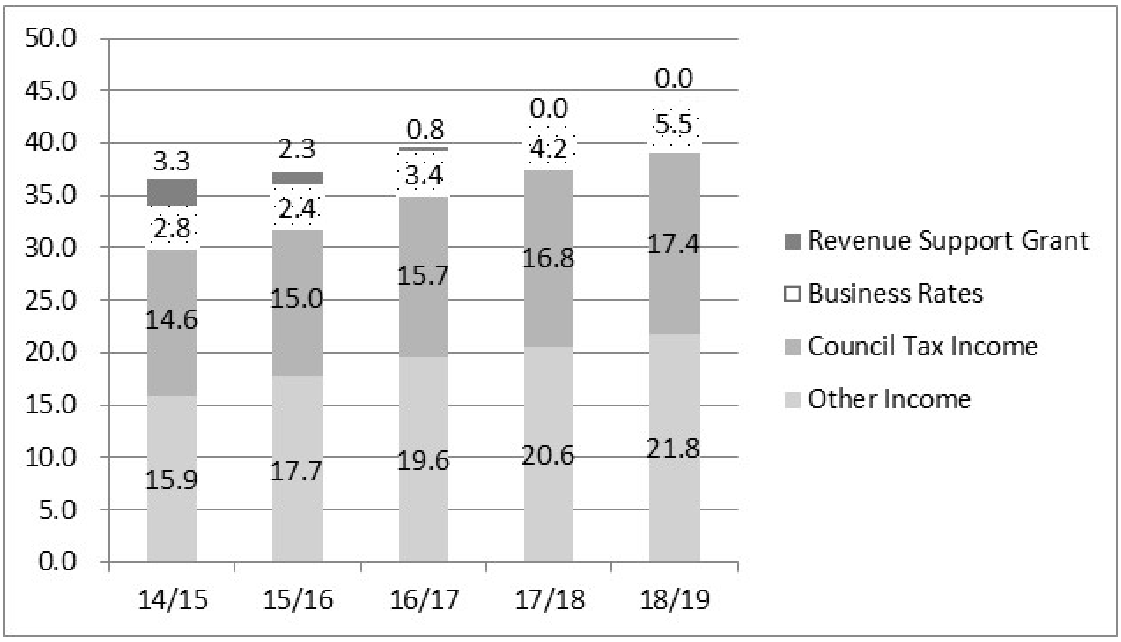
Conclusion

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 were considered by Policy and Resources Committee in January 2020 and an updated capital programme 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 Gyratory 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 took place in Autumn 2019 and proposals were 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. An updated capital programme was considered by Policy and Resources Committee in January 2020 and recommended to Council for approval.

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, and including updates to take account of further developments up to the end of January 2020, 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)	**-0.1**	**1.2**	**1.8**	**1.6**	**1.1**
Scenario 2 – Neutral					
Budget gap / (surplus)	**-0.1**	**1.3**	**2.1**	**2.2**	**2.0**
Scenario 3 – Adverse					
Budget gap	**0.4**	**2.3**	**3.8**	**4.6**	**5.3**

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 were set for savings or increased income generation in this year. Any service pressures, or initiatives with revenue expenditure implications, have been funded from within the overall budget envelope, meaning savings or additional income growth to offset the expenditure growth.

7.4 Detailed budget proposals were developed and considered by Service Committees and the wider stakeholder group in January 2020.

7.5 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.

7.6 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**	**1.3**	**2.1**	**2.2**	**2.0**
Neutral Scenario – Council Tax freeze					
Budget gap	**0.2**	**2.0**	**3.2**	**3.6**	**3.9**

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
- Litigation costs exceed budgeted provisions

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

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
O. Litigation costs exceed budgeted provisions

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 Residents' Survey was carried out in Autumn 2019 and the results were taken into account by Members when they considered detailed budget proposals in January 2020.

9.2 Consultation also took place in January 2020 on the detailed budget proposals. Individual Service Committees considered the budget proposals relating to the services within their areas of responsibility. Full details of the proposals were published and residents' and businesses' views welcomed.

Document History

Date	Description	Details of changes
21.10.19	Draft to Service Committees	
18.12.19	Final draft to Council	
12.02.20	Updated MTFS to P & R Committee	Minor updates to take account of further developments up to the end of January 2020.

Policy Resources Committee
Tax Base Calculation for Precepting Parish Councils 2020/21

Parish	Tax Base	Adjustment net changes	Non Collection	Net Tax Base 2020/21
Barming	754.0	4.8	-7.5	752.2
Bearsted	3652.9	3.1	-36.5	3,619.5
Bicknor	42.2	0.0	-0.4	41.8
Boughton Malherbe	226.1	8.6	-2.2	232.6
Boughton Monchelsea	1,652.1	36.5	-16.2	1,672.4
Boxley	3956.7	17.9	-39.4	3,935.2
Bredhurst	185.0	8.6	-1.8	191.9
Broomfield & Kingswood	727.2	3.1	-7.2	723.0
Chart Sutton	417.2	1.2	-4.2	414.3
Collier Street	368.2	8.7	-3.6	373.3
Coxheath	1,717.8	51.0	-16.7	1,752.1
Detling	387.1	1.8	-3.9	385.1
Downswood	861.2	0.0	-8.6	852.6
East Sutton	147.4	0.0	-1.5	145.9
Farleigh East	668.4	3.0	-6.7	664.8
Farleigh West	232	2.5	-2.3	232.2
Frinsted	69.4	0.0	-0.7	68.7
Harrietsham	1325.7	29.7	-13.0	1,342.4
Headcorn	1,676.3	55.4	-16.2	1,715.5
Hollingbourne	473.6	8.0	-4.7	477.0
Hucking	34.4	0.0	-0.3	34.1
Hunton	314.4	0.6	-3.1	311.9
Langley	504.2	0.6	-5.0	499.8
Leeds	339.9	1.8	-3.4	338.4
Lenham	1,421.8	24.9	-14.0	1,432.7
Linton	255.8	1.2	-2.5	254.5
Loose	1,145.7	4.3	-11.4	1,138.6
Marden	1942.2	32.1	-19.1	1,955.2
Nettlestead	305.0	1.7	-3.0	303.6
Otham	329.6	11.2	-3.2	337.6
Otterden	93.2	0.0	-0.9	92.3
Staplehurst	2442.6	61.1	-23.8	2,479.9
Stockbury	314.8	0.0	-3.1	311.7
Sutton Valence	732.7	8.5	-7.2	734.0
Teston	314.5	0.6	-3.1	312.0
Thurnham	573.3	1.9	-5.7	569.5
Tovil	1,479.8	3.0	-14.8	1,468.0
Ulcombe	400.5	4.2	-4.0	400.8
Wichling	58.8	0.0	-0.6	58.2
Wormshill	99.8	0.0	-1.0	98.8
Yalding	984.3	14.1	-9.7	988.7
	33,627.8			

Policy and Resources Committee	**12 February 2020**

Debt Recovery Procedures and Support for Low Income Households

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Chief Executive
Lead Officers and Report Authors	Director of Mid-Kent Services – Stephen McGinnes Head of Housing and Communities – John Littlemore
Classification	Public
Wards affected	All

Executive Summary

Adoption of a comprehensive Debt Recovery Procedure document is proposed to improve access to information and transparency for residents, businesses and their advisors.

Information about debt owed to the council and recent national research by the Institute for Fiscal Studies and the Local Government Association is summarised. A key issue is council tax debt which has an impact both for the council's revenue position and in some cases is reflective of financial difficulty for residents. The report suggests that it would be timely to review the priority being given by the Council to financial inclusion and that resources are allocated to enable piloting of data analysis and a case management approach to address reducing indebtedness and risks around council tax debt and homelessness. This would be consistent with the objectives in the Strategic Plan.

Purpose of Report

To agree the Debt Recovery procedure document attached at Appendix 1 and to consider actions that the council can take to address and mitigate debt owed by low income households in financial difficulty

This report makes the following recommendations to this Committee:
1. That the Policy and Resources Committee agree the Debt Recovery Procedure document set out in Appendix 1 for publication noting that, subject to this agreement, it will be updated appropriately by officers when needed 2. That the findings of the Institute for Fiscal Studies report concerning the impact of changes from Council Tax Benefit to Council Tax Support be considered in Maidstone Borough Council's review of the current Council Tax Support scheme. Proposals for changes to the scheme will be presented to the Policy and Resources Committee in June 2020. 3. The council should demonstrate its commitment to delivering the good practice in council tax debt recovery by adopting and signing the Citizens Advice Bureau/Local Authority protocol at Appendix 2 4. Supports a pilot piece of work be conducted as part of the council's commitment to an inclusive economy/financial inclusion described in section 2.32

Timetable	
Meeting	***Date***
Policy and Resources Committee	12 February 2020

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Accepting the recommendations will materially improve the Council's ability to achieve Homes and Communities objectives.	Chief Executive
Cross Cutting Objectives	The report recommendation(s) supports the achievement the cross-cutting objective of reducing deprivation.	Chief Executive
Risk Management	Already covered in the risk section of the report.	Chief Executive
Financial	A Debt Recovery Strategy provides greater clarity about the Council's procedures and should therefore assist with recovery of amounts due to the Council. It is proposed that funding for the pilot study described in this report will be met from external grants so will have no net effect on the Council's revenue budget.	Section 151 Officer & Director of Finance & Business Improvement
Staffing	There will be staffing implications, and these are set out in section 2.32 We will need access to extra expertise to deliver the recommendations, as set out in section 2.32.	Chief Executive
Legal	The legal basis for the collection and recovery of Council Tax is governed by and contained within the Council Tax (Administration and Enforcement) Regulations 1992. The legal basis for the collection and recovery of Business Rates is governed by and contained within the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 and the legal basis for the recovery of Housing Benefit Overpayments is governed by and contained within the Housing Benefit Regulations 2006 as amended.	Legal Team

Privacy and Data Protection	We recognise the recommendations may impact personal information the Council processes and will review requirements for data privacy impact assessment as actions are implemented.	Policy & Information Manager
Equalities	The options provided to members may have varying impacts on different communities within Maidstone and we will review requirements for an equalities impact assessment as actions are implemented.	Policy & Information Manager
Public Health	In accepting the recommendations, the Council would be fulfilling the requirements of the Health Inequalities Plan	Public Health Officer
Crime and Disorder	Studies have demonstrated a link between social inequality and crime. Reducing the risk of social inequality through tackling indebtedness will therefore contribute to reducing crime.	Head of Housing & Community Services
Procurement	Due to the specialist nature of the service outlined in paragraph 2.32, we cannot follow the financial procedure rules to obtain three quotations, and we will therefore be seeking a waiver.	Head of Housing and Community Services

2. INTRODUCTION AND BACKGROUND

2.1 The purpose of this report is to present a document which sets out in one place the procedures that the council applies to recover debt. The report goes on to consider the amount of debt owed to the council and identifies some specific issues and consequent potential pieces of work relating to council tax debt and support for low-income households in financial difficulty.

<u>Debt recovery procedures</u>

2.2 The council has a direct financial relationship with our residents - collecting payments for services including green waste collection, various penalty payments e.g. parking and litter penalty change notices, council tax, administering some benefits and other discretionary payments and, for some residents, being their landlord

– including when people are in temporary accommodation as well as being tenants in our rented homes. Maidstone borough council is also the collection authority for business rates including the additional levy arising from the designation of the town centre as a Business Improvement District.

2.3 Most residents and businesses pay their bills in full and on-time using a variety of methods and increasingly via direct debit or electronic bank transfers.

2.4 Procedures for the recovery of unpaid bills, overpayments or penalty payments of various types are usually defined in legislation or otherwise by financial management national standard operating practices. This leaves little room for discretion in terms of the steps in processes to be followed. For some debts there is discretion in recovery of additional charges arising from the debt recovery process for others there is not escalating costs for unpaid penalties. There is some choice about the way in which debt recovery correspondence is presented and the council can set the expectations of behaviours of our debt recovery enforcement staff. Appendix 1 sets out procedures that the public can expect the council to follow when recovering debts from them. The Committee is requested to adopt the document and, subject to this, the information will be published and regularly reviewed to ensure that it stays up to date.

Debt owed to Maidstone Borough Council

2.5 Some debt owed to the council can be the consequence of council policy and can be an indicator of the likelihood of support needs or risk that demand will be created for other council services.

2.6 The table below sets out a snapshot of the type of debts owed to MBC as at 31 March 2019.

	Gross	Bad debt provision	Net
	£000	£000	£000
Council Tax	1,050	-654	396
Business Rates	1,603	-916	687
Local authorities	6,533		6,533
Central government	5,883		5,883
Housing Benefit overpayments	3,184	-1,315	1,869
Developers - S 106	1,057		1,057
Parking Fines	914	-635	279
Council Tax costs	760	-499	261
Cobtree Trust	284		284
Residential rent receivable	118	-62	56
Other organisations and individuals	2,534	-184	2,350
	23,919	-4,265	19,654

2.7 The trend in overall debtor levels over the past few years has been as follows:

	14/15	15/16	16/17	17/18	18/19
	£000	£000	£000	£000	£000
Council Tax	782	826	881	948	1,050
Business Rates	1,429	1,300	1,636	1,358	1,603
Other	9,666	14,283	17,035	15,695	21,266
Bad debt provision	-3,313	-3,474	-3,761	-3,710	-4,265
Total debtors	8,564	12,935	15,791	14,291	19,654

2.8 Analysis of council tax debt shows us that

- This debt has risen by 34% in the period 2014/15 to 2018/19
- Total council tax payable for 2019/20 is £116.4m; this is distributed as follows – KCC,70.98%, MBC 14.23%, Kent Police 10.55% and Kent Fire and Rescue Service 4.25%.
- Total accumulated arrears for all years in January 2020 reached £5.5m of which the MBC share is £782,000; The equivalent amount at 31st March 2019 was £1,050k. The council continues to recover debts from previous years.
- Council tax itself has risen by 18% over the same period
- The overall council tax collection rate in 2018/19 was 97.8%; the collection rate from households with council tax support was 83%
- Demographic analysis of council tax summons cases indicates that households most affected include single people and lone parents, around 42% live in households with income of less than £20k, 52% live in rented accommodation and 62% are employed or self employed

Debt as an indicator of other needs and service interventions

2.9 As part of the Council's strategy to prevent homelessness, the Housing Service is piloting a project with Ernst Young and Xantura based on a predictive analytics model.

2.10 The model takes data from various internal and external sources including council tax debt and rent arrears and identifies households whose characteristics indicates a high likelihood that they will become homeless in the future. This enables our staff to make contact with these households at a much earlier point before they become threatened with homelessness, in order to provide the necessary support to avoid the situation occurring.

2.11 Kent County Council has recently conducted a piece of work concerning children living in poverty with the objective of identifying interventions to mitigate the impacts. Five priorities have been identified

Priority 1 – Maximising Household Income to support effective household budgeting

Priority 2 – Promoting Healthier Lifestyles through access to good nutrition, physical exercise and appropriate primary care

Priority 3 – Supporting Social Mobility to mitigate the long-term causes of poverty by helping the most vulnerable learners and their families to improve their life chances

Priority 4 – Supporting Schools and Early Years to Poverty Proof Education

Priority 5 – Supporting Housing Initiatives for low income families and vulnerable young people

This has been expanded into a multi-agency approach through the Kent 0-25 Health and Well-being Board. This provides an opportunity to deliver a more joined up approach to maximise household income and housing initiatives for low income families. For health and well-being reasons MBC is also working with the KCC public health observatory on a pilot project around housing and health.

Council tax support and debt

2.12 In January 2019 the Institute for Fiscal Studies published their analysis of the impact of change from council tax benefit (CTB) to the council tax support (CTS) system in 2013. In April 2013, CTB, which provided help for low-income households with their council tax, was abolished. In its place, local authorities in England were charged with designing their own CTS schemes for those of working age – though we were obliged to provide a centrally determined (and largely protected) level of support for pensioners. With reduced funding made available by central government, most councils chose CTS schemes that were less generous than the CTB system they were replacing, with some low-income households having to pay council tax for the first time and others seeing their tax liabilities increase. This was the case for MBC.

2.13 The most widespread and important change to CTS schemes has been the introduction of minimum council tax payments, requiring all households to pay at least a certain proportion of their gross council tax bill. This is the first time since community charge that many of the lowest-income households have been required to pay a local tax.

2.14 Nationally there have been consequences for household incomes and work incentives. There are now 1.4 million households who must pay some council tax who would not have had to pay it if the pre-2013 system had been maintained. A further 1.6 million households are billed for more than they otherwise would have been. Unsurprisingly, the bulk of the "savings" has come from low-income households, who received most support to start with. The biggest percentage cuts to support have been felt by working claimants with children.

2.15 Cuts to council tax support have led to sizeable increases at a national level in the amount of council tax going uncollected. As noted above council tax owed by Maidstone residents has increased over this period and in 2018/19 exceeded £5.4m.

2.16 Nationally there has been an increase in the number of people contacting Citizens Advice for advice or help relating to council tax or CTS, primarily driven by more enquiries relating to council tax debt. Locally 15% of the issues raised with the CAB relate to debt, with council tax arrears being the most frequent issue raised by clients.

2.17 There are also impacts of scheme choices at the household level. Reducing a household's CTS entitlement significantly increases the probability that it reports being in arrears on its council tax. The IFS found no significant effect on the arrears rates of those already paying council tax being required to pay more; and among households that would not previously have had to pay any council tax, the increase in the probability of arrears is almost as big for those given a small bill as for those given a large one. These findings suggest that the relatively low collection rate of the additional council tax liabilities is driven by the difficulty of collecting tax from those who would not have had to pay it in the absence of cuts to CTS.

2.18 The position in Maidstone appears to support this trend and further work has been commissioned to help evaluate the impact of the current scheme and help inform proposed changes for the 2021/22 scheme.

2.19 It is recommended that the findings of the IFS report concerning the impact of changes from CTB to CTS be considered in MBC's review of the current CTS scheme. Proposals for changes to the scheme will be presented to the Policy and Resources Committee in June 2020.

Debt recovery from and support for low income households in financial difficulty

2.20 Council tax arrears is the most common debt issue that the CAB helps people with. Nationally this issue has risen by a third in the last three years - at a time when other debt issues have been falling. In Maidstone council tax is the most common debt issue raised by clients.

2.21 In 2017 the Citizens Advice Bureau and the Local Government Association produced an updated protocol setting out good practice for preventing people from getting into debt in the first place and collection of council tax arrears. The protocol covers partnership working between the council, advice services and enforcement agents, actions to improve the information supplied to council tax payers about the billing process, how to get support and debt advice and to promote engagement on arrangements for recovery if a council tax bill is not paid i.e. when the local authority's recovery process comes into play. While MBC strives to make early contact with a debtor in practice the first point of engagement by a debtor often only occurs when an enforcement agent visits their home. The protocol sets out how greater effort should be made at or before the Tribunal Courts and Enforcement Act's compliance stage, including debt and money advice referrals and to assess whether vulnerability or hardship applies, to avoid escalating a debt.

In summary the protocol asks that councils:

- work with enforcement and advice agencies to help people pay their council tax bills while accessing debt advice;
- ensure all communication with residents about Council Tax is clear;
- use the Standard Financial Statement when calculating repayment plans;
- offer flexible payment arrangements to residents;
- do not use enforcement agents where a resident receives Council Tax Support;
- publish their policy on residents in vulnerable circumstances.

2.22 MBC has carried out a self-assessment against the benchmarks of good practice contained in the protocol and discussed this with the local Citizens' Advice Bureau. It is recommended that the council should demonstrate its commitment to delivering the good practice by signing the protocol – attached at Appendix 2.

Reshaping Financial Support for low income households in financial difficulty

2.23 Why should MBC consider actions to support these households? The council has a key role to play in the social, environmental and economic well-being of the borough and its communities as recognised through the Local Government Act 2000. In formulating our Strategic Plan adopted in December 2018 the member workshops and analysis commenced with exploring how to facilitate good inclusive growth in our borough. The borough council has a statutory duty to prevent homelessness and an important community leadership role and amongst other things is committed to greater social mobility, reducing deprivation plus creating and sustaining a strong sense of community. The impacts of financial difficulty for low income households – in work or not – can result in a high cost for the health and well-being of the household especially for children living in poverty and for the council.

2.24 As noted at the beginning of this report the council also has direct financial relationships with our residents and this in turn provides us with an opportunity to identify households in financial difficulty and potentially to provide them with support, and to manage the nature of that relationship in a way that supports financial inclusion.

2.25 The Local Government Association states that the financial pressures on lower-income households have increased considerably in recent years. A combination of depressed real wage growth, the Government's programme of welfare reforms, and longer-term changes in the labour market (including more flexible working patterns and low-paid self-employment) is creating serious financial problems, including a growth in over-indebtedness.

2.26 Research commissioned by the Money Advice Service indicates that over eight million people (around 15 per cent of the total UK population) are currently over-indebted. The debt advice charity StepChange estimates that nearly four million people on lower incomes resorted to using high-cost credit to meet day-to-day living costs in 2017. A recent National Audit Office (NAO) report on problem debt identified that people increasingly report problems with debts owed to government or utility providers, compared with retail lending. In response the LGA has published a report "Reshaping Financial Support" which outlines how councils can help to support low income households in financial difficulty.

2.27 The position in Maidstone is that 21% of Maidstone residents earn below the living wage and 14% of Maidstone's children are considered to be in poverty, this average hides that there are wards within the borough where over 20% of children are living in poverty reaching its worst at 30% in Park Wood ward.

2.28 In the wards of Park Wood, Shepway South and Shepway North residents are more likely to be in receipt of Disability Living Allowance, Pension Credit and score on the low-income range of the Index of Multiple Deprivation. There is a direct correlation between these factors and children living in poverty.

2.29 8.8% of Maidstone residents are considered 'fuel poor' rising to 12.7% at its worst in High Street Ward.

2.30 Since 2016 Maidstone foodbank has seen a sharp increase of 58% in the number of boxes distributed to households, with the largest increase being in the large boxes. The key reasons provided by people using the services are:

- Benefit changes
- Benefit sanctions
- Delayed benefits
- No money left after having paid bills
- No recourse to public funds
- Homelessness

2.30 Unless our support is effective, there is a risk that arrears will increase, and that a rise in over-indebtedness more generally will compound the vulnerabilities of many low-income households and create further pressure on statutory services including for housing advice and support to prevent homelessness and activity to help residents find suitable and sustainable accommodation if they are already homeless. The county council has a wide range of public health, mental health and social services responsibilities in respect of vulnerable children and adults. There is now a substantial body of evidence that debt problems impact negatively on the mental health and wellbeing of both children and adults, making it more difficult for them to participate and progress in education, training and work. It is therefore suggested that working with KCC to address debt and build financial resilience amongst vulnerable groups needs to be part of our councils' wider work to promote independent living and help people move out of poverty. We have a good foundation to build on including experience of working together on multi-agency support through the 'Troubled Families' programme and now the Local Children's Partnership Group and in local partnerships with health, job centres, police and the voluntary and community sector.

2.29 However, the resources available to MBC to help address the causes of financial problems of low-income residents are now severely constrained. Our Strategic Plan key activities for 2019-2024 recognise this. Various issues are identified above that suggest it would be timely to review the position. So, what is MBC current doing and what more could we consider doing in the light of current experience?

2.30 The LGA report identifies the following areas for attention in the light of work with six core councils;

- **The provision of direct financial support** – examples include housing benefit, council tax support/reduction, discretionary housing payment and "in-kind" assistance of financial value e.g. packages for families moving into new temporary or permanent accommodation, the Kent Support and Assistance scheme and budgeting loans and advances (e.g. provided by the DWP) and some councils are considering the creation of a single discretionary fund to simplify the process for households making multiple applications; the LGA recognises the need for more rigorous evaluation of how local financial support is reducing demand for higher cost statutory interventions
- **The provision of wider advice and support** – examples include commissioning of the CAB to provide debt and money management advice. There is a need to use data to better understand needs for advice and support and therefore design and target it more effectively. MBC is gaining experience of this approach through working with EY Xantura building a model to identify households at risk of homelessness before they present to the council ie the council is looking to resolve people's problems earlier. Potentially there is also scope to involve financial technology companies in providing digital solutions to help improve the financial health outcomes for low income households
- **Changing debt collection strategies to help people in financial difficulty and taking a more holistic approach to helping people in financial difficulties** – while adopting the CAB protocol would demonstrate commitment to good practice in debt recovery there is further action that could be considered to help people in financial difficulty including identifying people with low level payment difficulties and targeting them with support, more personalised rent and council tax payment schedules to help low income households cope better with financial pinch points e.g. Christmas and school holidays.
- **Co-ordinating activity within a wider financial inclusion strategy** seeking to address poor financial health of lower income households by working in partnership with credit unions and other not-for profit lenders to develop the provision of more affordable and appropriate credit and savings products and with other public sector organisations e.g. KCC and DWP and the private sector to improve access to financial products, build financial resilience, providing support to support people into sustainable employment to achieve financial security – learning from experience in Birmingham, Leeds and Newcastle. KCC has recently produced a report containing actions to mitigate the impacts of child poverty and is now working with other partners to achieve a more joined up approach. The DWP

hosts a Complex Needs Forum which brings partners together to tackle issues including some of the symptoms of financial stress including lack of food and warmth.

2.31 MBC already provides some direct financial support, commissions some debt management support and, with respect to homelessness has recently introduced some predictive analytics as described above although resources to intervene and provide support are limited. Whilst there is good work and support being provided for low income households in financial difficulty this is a little disjointed and suffers from an absence both of a systematic joined up approach with organisations providing support e.g. KCC, DWP, housing associations and the voluntary sector (making the system fragmented for households needing support) and towards learning from experience elsewhere and a lack of analytics to assist with effectively focussing support and evaluating impact.

2.32 It is therefore recommended that a modest investment is made in 2020/21 to pilot a data led approach to identifying low income households in financial difficulty and proactively intervening to provide support e.g. maximising income, and through this to both reduce risks around indebtedness and through this potentially reduce demand for council services or incurring debt with the council. Officers have identified a provider for data analytics at a cost of £18-20k per annum which can be funded from welfare reform grant funding. It is proposed to invest flexible homelessness grant to create capacity for case work and complement that already being undertaken in the Housing and Communities Team. Officers have also initiated dialogue with the CAB and KCC to encourage a joined-up approach.

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3. AVAILABLE OPTIONS

3.1 Option 1 – agree to adopt and publish a comprehensive debt recovery procedure document, include consideration of the IFS report on council tax support in reviewing the Maidstone scheme in 2020, sign the CAB protocol to demonstrate good practice in council tax debt recovery and take further actions to address financial support for low income households in financial difficulty

3.2 Option 2 – agree to adopt and publish a comprehensive debt recovery procedure document only i.e. for current arrangements with respect to objectives for the MBC council tax support scheme to remain and no additional actions for support of low-income households in financial difficulty to be considered

3.3 Option 3 – do nothing

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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 Option 1 is preferred. Publication of a comprehensive debt recovery procedure would improve access to information and transparency for residents, businesses and their advisors. There are likely to be significant benefits for both low income households and the council from a comprehensive approach to financial inclusion. Investment of a modest amount of funding to bring about improvements would enable a thorough consideration of actions and their potential impacts and would be consistent with the cross-cutting objectives set out in the recently adopted Strategic Plan.

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5. RISK

5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated with the actions recommended are within the Council's risk appetite and will be managed as per the Policy. Adoption of a financial inclusion strategy has the potential to further mitigate risks associated with homelessness which are significant.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 This report has not been the subject of consultation and the topics covered have not been the subject of discussion at any of the council's committee's in the recent past. Subject to whether the recommendation concerning financial inclusion is agreed, councillors will be invited to contribute from their own knowledge and experience as the strategy is developed.

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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The Debt Recovery Procedure will be published. The MBC council tax support (CTS) review will include consideration of the evaluation of changes to the council tax system conducted by the IFS and proposals for the future CTS structure in Maidstone will be made to the Policy and Resources Committee in June 2020 and to Full Council in December 2020. Officers will act according to whether development of a financial inclusion strategy is agreed by the committee.

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8. REPORT APPENDICES

Appendix 1 - Maidstone Borough Council Debt Recovery Procedures

Appendix 2 - Citizens Advice Bureau/Local Authority Protocol

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9. BACKGROUND PAPERS

Reshaping Financial Support – How councils can help to support low income households in financial difficulty - https://www.local.gov.uk/reshaping-financial-support-how-local-authorities-can-help-support-low-income-households-financial

The Impacts of localised Council Tax Support Schemes https://www.ifs.org.uk/uploads/publications/comms/R153.pdf

APPENDIX 1

D E B T   R E C O V E R Y   P R O C E D U R E S

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Maidstone Borough Council Debt Recovery Procedures

Purpose

Money collected by Maidstone Borough Council (MBC) is used to budget and provide essential services to local people. We recognise that the majority of our residents, tenants of our commercial property and organisations which receive services from us pay their bills, including Council Tax and business rates, on time. However, where that is not the case, we have a duty to recover those outstanding debts for the benefit of all residents and tax payers.

The purpose of this document is to explain our processes and the actions we will take to collect debts so that:

- We maximise the level of income collected to fund essential services
- Residents or businesses who fall into arrears or do not pay charges for services or fixed penalties have a full understanding of the process and the documentation that may be issued
- We provide assurance to residents and businesses who pay promptly that we are committed to recover money owed to us
- For those residents that are in financial hardship we will do our best to help and balance against our duty to collect
- We will take a robust approach to those who can pay but do not/will not pay
- Our debt collection and recovery procedure is fair to everyone notwithstanding their age, race, gender, disability, sexuality or religious belief

As part of our customer commitment we will make every effort to:

- Issue accurate and timely bills or invoices
- Provide easy payment methods with a choice of payment dates, to prevent recovery action being necessary
- Promote the use of and access to online and self-service facilities so that residents can easily access and update their information
- Ensure debts are managed in accordance with legislative provisions and best practice
- At every stage of the recovery process, explain why action is being taken and what will happen if the debt is not paid
- Where possible, assist residents who are experiencing financial hardship and work with debt advice agencies to reach a mutually acceptable repayment agreement
- Ensure that we take account of vulnerabilities and that recovery measures are proportionate to a person’s circumstances
- Review this procedure document at least annually. If there are changes in legislation that affect the recovery process operational procedures will be reviewed as the effects become apparent
- Take steps to secure and recover debt from residents who do not pay in line with payments set. This may involve court action and additional fees/costs being added to the outstanding debt
- Seek to trace those who owe debts to ensure every effort is made to recover unpaid debt

We recognise that some residents and businesses will have financial and other difficulties in addition to paying monies due to the Council. Wherever possible, we will try to achieve a long-term solution rather than just recovering money that is owed now, so that the resident or business is better able to manage their finances and meet their future liabilities.

Our intention is to secure payment in an efficient and cost-effective way, whilst still offering choice to debtors. (We will always act in accordance with the law.)

MBC will, as far as possible, ensure that the actions we take are reasonable and proportionate and will consider what alternatives are available in each case.

We can only decide the most appropriate action if we are aware of your circumstances and we ask you at each stage of the collection and recovery process to contact us about the outstanding debt, especially where residents are vulnerable or having difficulties in paying.

The need for people in debt to communicate their status is important. Where a person makes contact, their circumstances will be considered with a view to agreeing a reasonable payment arrangement. Consideration will be given to minimising recovery action within statutory requirements.

Where a person considers they are vulnerable* and unable to meet their payments, they should contact us without delay so we can try to help.

If a person is unable to contact us, they can give authority for someone else to contact us on their behalf so we can try to help. This can be done by that person telephoning us with the other person present so we can speak to them. Or the resident can give the other person a letter of authority to pass onto us.

Where people fail to make contact or maintain any agreed arrangement recovery action will continue.

We will keep our procedures under review and ensure that they respond to changes in legislation and guidance as well as developments in service delivery arrangements including the use of technology.

* Vulnerability: The Financial Conduct Authority defines a 'vulnerable consumer' as "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care. Recognises that vulnerability is never solely about the characteristics or situation of the individual, but also involves the actions of firms, agencies or organisations. Emphasises the fact that everyone is potentially vulnerable to detriment, while also requiring organisations to think about individuals who are currently 'vulnerable' and 'particularly vulnerable".

Vulnerability to detriment – means the customer's situation has exposed them to the risk of experiencing harm, loss, or disadvantage. Importantly, this includes both financial harm or other forms of loss and disadvantage.

These might, for example, include an individual:

- not being able to seek debt or money advice
- causing physical harm to themselves or others
- making decisions that are uninformed or impaired by mental incapacity
- having their legal rights infringed
- being unfairly treated.

Section 1 – Council Tax

Council Tax is what is known as a priority debt and must be paid. The Council Tax Recovery procedures are set out in the Council Tax (Administration and Enforcement) Regulations 1992 and subsequent amendments.

There are stages of activity involved in Council Tax collection. These are outlined below:

At all stages of the collection process we ask residents to keep in contact with us, so we are able to help them regarding problems with their payments.

Residents seeking help due to financial difficulties will, where appropriate:

- Be encouraged to provide details of their means by listing their income and outgoings on an income and expenditure form which can be found on MBC's website:http://www.maidstone.gov.uk/home/primary-services/council-tax/additional-areas/have-problems-paying-council-tax This will assist us to assess the resident's ability to pay and any unclaimed discounts, reliefs, exemption or benefits

- Be encouraged to use the money advice services available from the Citizens Advice Bureau, Debt Advice Agencies, the Financial Services Authority website or any other similar service

- Be given assistance with interpretation if required

Issuing of Council Tax Bills

Bills are sent in advance each March for the financial year beginning 1 April to each person shown on the Council's records as liable for the Council Tax. The first payment will usually be due on or soon after the 10 April. Bills are usually due to be paid by 10 monthly instalments, or by request over 12 monthly instalments.

Council Tax bills are also issued throughout the year where there have been changes to amounts due, for example, changes of occupiers, granting or withdrawal of reductions.

Council Tax payers are required to make their payments by the due dates shown on their bill. It is essential that payments are received on or before the due date. Where payments are not received on time, recovery action will begin without delay in the form of a reminder or a final notice.

If the person named on the Council Tax bill does not believe they should be the liable person to pay the bill, they should contact the Council as soon as they receive the Council Tax bill so that we can consider who is the correct person to pay.

Council Tax Support

Council Tax Support helps residents with low income to pay their bill.

There are two schemes:

- The first assists people of working age and offers up to a maximum of 80% reduction in the amount of Council Tax you are required to pay

- The second scheme is for people of pension age and offers up to 100% reduction in the amount of Council Tax you are required to pay

Where we identify that a Council Tax payer/resident is struggling to pay or unable to pay their bill, we will encourage them to apply for Council Tax Support if they are not already receiving support through one of the schemes.

Applications can be made online by going on the Council's website at: http://www.maidstone.gov.uk/home/primary-services/benefits/additional-areas/council-tax-support

It is important that a claim for Council Tax Support is made as soon as possible. When a new application for support is made, or a resident's circumstances change, we will continue to collect the instalments as they appeared on the last bill.

Once Council Tax Support is awarded, we will reduce the remaining instalments, or if your account is in credit for the year, issue a refund. A revised bill will be issued when we make a change to the amount of Council Tax you are required to pay.

Exceptional Hardship

An Exceptional Hardship Policy has been created by Maidstone Borough Council to assist residents who have applied for Council Tax reduction and who are facing 'exceptional hardship'. This is to provide further assistance where the level of support being provided by the Council does not meet their full Council Tax Liability.

The aim of the Policy is to help in cases of extreme financial hardship as part of the process of applying for the additional support, all applicants must be willing to undertake all the following:

- Make a separate application in writing for assistance;
- Provide full details of their income and expenditure, together with last 3 months bank statements;
- Where a person is self employed or a director of a private limited company, provide details of their business including the supply of their business accounts;
- Accept assistance from either the Council or third parties (such as the Citizens Advice Bureau and Money Advice Service) to enable them to manage their finances more effectively – including the termination of non-essential expenditure and assessment of the potential for additional for more information

Joint and Several Liability

Where there is more than one person liable to pay the Council Tax, for example joint tenants, joint owners, or partnerships such as a married couple or civil partnership, we will look to all parties to pay the charge.

The law says that each party is liable for the whole charge (called "jointly and severally liable") i.e. if one person does not pay, we are legally allowed to pursue the other liable person(s) for the full amount. Our bills and other communications will be addressed to all the liable persons.

If there is someone who should be included on the bill and is not named, please contact us.

Payment plans and methods of payment

Council Tax bills usually require monthly payments by instalments. The number of months offered depends on when the first bill is issued.

If you are billed at the start of the financial year you will normally be offered 10 monthly instalments (April to January). When someone moves in part way through the billing year the payment period will be the number of months available through to March less one month. If an account is opened between 1 January and 31 March, only one instalment will be given to pay the amount due.

A resident has the statutory right to pay over 12 monthly instalments on request if they are liable for Council Tax for the full billing year.

The Council can also make agreements with residents to pay by less than the statutory 10 payments. We offer quarterly, half yearly, annual payment plans on request where applicable.

Details of the amounts and the dates that each instalment is due are set out on the Council Tax bill.

Instalments are due on the 10th day of each month for those not paying by Direct Debit.

Options for making payments

We will accept payment by any of the following means:

- Direct Debit
- Internet (Debit or Credit Card)
- 24hr automated Telephone Payment Line (Debit or Credit card)
- BACS – via Banks
- Pay point (existing cash payers)

The Council does not issue payment books or payment cards.

We prefer payments to be made by Direct Debit which is widely accepted as being the most efficient form of payment. The costs to the Council of processing direct debit payments are much lower than other methods of payment. This method is highly secure, and residents are covered by the Direct Debit guarantee so money can be immediately refunded by the bank if anything goes wrong. Once the Direct Debit is set up by you, there is no risk of forgetting to make the payment. MBC offers two in-month payment dates to accommodate residents' different circumstances. These are the 7th and 27th. You can set up a Direct Debit online on the Council's website: http://www.maidstone.gov.uk/home/primary-services/council-tax/primary-areas/pay-your-council-tax-bill.

You can also arrange to pay over 10 or 12 monthly instalments.

Where you owe more than one year of Council Tax, unless an arrangement is made, payments will usually be offset against the oldest debt. It is important that you continue to pay the Council Tax due for the current year on time in addition to anything due for the arrears.

Missed payment(s), late payment or paying less than the amount due

If a bill has been issued and you miss an instalment (or pay late), we will send you a first reminder notice asking for the missed instalment to be paid within seven days. If you cannot pay the missed instalment(s), you should contact us immediately.

If the missed instalment is received within seven days of the reminder date, we will not take any further action. You need to ensure that future payments are made by the due dates.

If you bring your account up to date after receiving a first reminder notice, but then miss (or pay late) another instalment within the same payment year, we will send you a second reminder. If the missed instalment is received within seven days of the reminder date, we will not take any further action.

We will issue a maximum of two reminder notices during a financial year. Each reminder will ask for the missing instalment(s) to be paid within seven days of the reminder date. Following that we will issue a final notice or summons. A final notice will be issued where a first and a second reminder have been complied with and a further instalment is missed (or paid late).

What happens when Reminders/Final Notices are not paid?

Some residents do not pay when we send reminders or final notices, so it becomes necessary to request a summons from the Magistrates Court. By law we are required to make a 'complaint' to the court stating that the Council Tax remains unpaid before we can take any further action to recover the debt.

If the Magistrates accept that you owe the debt, and that we have followed the correct recovery process in accordance with the legislation, they will award a liability order. This work costs the Council extra money to administer and we also have to pay the court a fee for each summons issued. Costs are added to the amount of Council Tax outstanding so will increase the amount owed. A summons costs £60 (this is applied at the point we issue the summons); a liability order costs £50 (this is added to your Council Tax bill on granting of the liability order).

As recovery of the debt progresses to different stages, additional costs may be incurred. The more action that is required the higher the costs will be.

When we send you a summons, we will tell you when the court hearing is and where. We will also provide information regarding the amount of costs and ask you to contact us with an offer of an arrangement plan so you don't have to pay the full balance in one go. Failure to agree to any arrangement offered means we will expect you to pay the full balance plus the costs before the date of the summons hearing.

Special arrangements for residents in receipt of Council Tax Support

MBC may allow additional time for residents who are in receipt of Council Tax Support before issuing a summons due to the generally lower amounts owed. Residents should contact us where they are having difficulties paying as soon as possible so we can assist with a suitable arrangement for payment. You can also seek free advice from Citizens Advice (CAB) or other debt help organisations many of which provide free advice.

If no arrangement plan is agreed, we will proceed to issuing a summons for the outstanding debt which will incur additional costs as outlined above.

The liability order hearing

If the amount shown on the summons has not been paid in full the case will progress to a liability order hearing. The 'bench' (a panel of lay Magistrates or a District Judge) will conduct the hearing. We provide information with the summons to answer many of the more common questions. We have specialist officers who attend court hearings on behalf of the Council.

You are not required to attend the hearing (even though the summons says to appear) but can do so to dispute the outstanding balance. Please contact us before the court hearing so we can help you.

Unless there is a valid defence the court must grant a liability order. There are very few valid defences available. Most often the resident is not disputing that the debt is owed, but merely wants to make an arrangement to pay. If you believe you have a valid defence, you should seek your own legal advice.

The court cannot make payment arrangements with you and you need to do this with the Council.

If you are disputing that you are the person liable to pay the Council Tax, you should contact the Council as soon as you have been sent a bill so we can consider who is liable to pay.

We will send staff to the court to deal with enquiries and discuss payment arrangements with anyone who attends the hearing. However, we would rather this is done much earlier so we can help you without having to go to court.
Whilst we will try to answer as many enquiries as possible, the court does not have the facilities available for us to conduct in-depth discussions, so it is often necessary to arrange to speak to you at another time.

Recovery processes after obtaining Liability Orders

A liability order allows us to take further recovery action to obtain payment of the debt. If an arrangement has been made and payments made as agreed, the liability order will still be applied for to secure the debt but will not be enforced to allow you the opportunity to make the agreed payments.

Once we have a liability order we will send you a letter – known as a 14 day warning letter before further action - stating that you have 14 days in which to pay or we will take further action (unless you have already contacted us and made a suitable arrangement).

We also have the authority under the regulations to ask you certain questions about your income and employment status. Any information that we receive is used to establish the appropriate steps to take next. It is a criminal offence not to provide this information and you could be fined between £500 and £1,000 for not doing so. We will also offer you another opportunity to make an arrangement and ask you to contact us.

The letter will not be sent if a suitable payment arrangement has already been agreed.

A liability order gives us powers to recover the debt using:

- **An attachment of earnings** - we may ask your employer to make deductions from your salary. The law allows us to request the outstanding balance on up to two liability orders at the same time and in some cases, we will do this. MBC will not take this action if we are able to enter into a satisfactory arrangement for payment and the agreed payments are made. The amount deducted from your salary by your employer will be a fixed percentage dependent on how much you earn. The percentages are set out by the Government in legislation and apply to your net earnings (after tax and National Insurance). We cannot ask your employer to vary these amounts. Once we have obtained a liability order your employer has no option other than to make the deductions from your earnings. Your employer can deduct an extra £1 each time they make a deduction, for their administration costs. Fines of up to £1,000 may be imposed for non-compliance on both the employer and the employee.

- **Attachment of Benefits (deductions from welfare benefits)** - if you are receiving certain benefits the Council may request the Department for Work and Pensions (DWP) to make weekly/monthly deductions at rates set by Government to reduce your debt. You must be receiving one of the following benefits for us to use this option: Income Support, Jobseeker’s Allowance, Employment and Support Allowance, Guarantee Pension Credit, or Universal

Credit. It is not always possible to make an attachment, especially if deductions are already being made for other debts. The set deductions are low and if there is a large debt we may choose not to request this deduction and pursue alternative means of recovery. Where we have applied for deductions from benefits this does not stop us from asking for additional payments after considering your full circumstances. If additional debts accrue and a further liability order is obtained while an attachment of benefit is in place, we will usually ask for another attachment of benefit to commence when the first one finishes. However, depending on circumstances, we may consider other means of recovery.

- **Attachment of Members Allowances (for councillors)** - if a Councillor has not paid his/her Council Tax, up to 40% of the allowances received can be claimed to clear the debt. Any decision will be made in consultation with the Head of Revenues and Benefits Partnership and the authority's Monitoring Officer. These provisions operate separately from the rules excluding Council Members in arrears with Council Tax from voting on certain matters.

Enforcement Agents (previously known as bailiffs)

Cases will normally be referred to the Enforcement Agent (EA) if there has been no response to the notice of liability order sent following the court hearing. Where we have been unable to recover through an attachment of earnings or attachment of benefits or enter into a satisfactory arrangement with residents, cases will be passed to the enforcement agent. Enforcement Agents are certified through the County Court and follow a national code of conduct.

When the EA visits you, they will ask for payment in full, including their costs. If you cannot pay the amount due in full immediately, they may agree a suitable payment arrangement. If there is evidence of hardship or vulnerability, then we may ask the Enforcement Agent to return the liability order(s) to the Council or hold their action whilst we explore your circumstances further.

The EA will charge fees which are set out in legislation for any action taken by them to recover the debt. Their charges are detailed in the 'Taking Control of Goods (Fees) Regulations 2014'. These charges are payable by you in addition to the debt.

When an Enforcement Agent receives our instruction, you will be contacted by letter asking that you to either pay in full or contact them to discuss a suitable payment arrangement. This is called the compliance stage. (A **fee of £75.00** is charged to the resident for each separate liability order they hold.) You may also be contacted by other means including telephone, text, or email. The enforcement agent is empowered to make arrangements on the Council's behalf if they think it is appropriate.

If you receive a letter, please contact the Enforcement Agents so they can help you come to an arrangement to make your payment without incurring further fees. If you are suffering from hardship or are vulnerable, let the EA know as soon as possible in order that they can help you.

If you ignore the contacts from the Enforcement Agent, they will visit you at your home or business address. This visit will incur **a further fee of £235.00** and if the debt owed exceeds £1,500.00, **a further fee of 7.5%** will also be payable.
They will not add further costs for additional visits.

When the Enforcement Agent visits you, he/she will ask for payment in full, including all costs. If you cannot pay the amount due in full immediately, he/she may agree a payment arrangement. To secure the arrangement they will make an inventory of goods that can be sold to repay the debt if you do not keep to your arrangement. This is called a 'controlled goods agreement'.
If your goods are subject to a controlled goods agreement, you cannot move them from the property or sell them without the enforcement agent's permission.

If you make an arrangement with the EA and then fail to pay as arranged and you have signed a controlled goods agreement, they may re-enter your property, to take the goods listed on the inventory. If this happens, you will be charged a sale fee if goods are removed and sold, plus other costs such as auctioneer's fees. This can add a significant amount to the costs that you will be liable for.

If the Enforcement Agent is unable to agree a payment arrangement or collect the amount outstanding, they must take control of your goods if there are appropriate goods owned by you to take. If this is necessary and they are taken to a place of sale or are sold, **a further fee of £110.00** will be payable. If the debt owed exceeds £1,500.00 **a further fee of 7.5%** will be payable in addition to the £110.00.

If a debt has been passed to an Enforcement Agent and you pay the Council instead of the EA without including their fees, the
Agent will continue to recover their costs from you.

If the Enforcement Agent cannot identify sufficient goods to clear the debt, or cannot gain lawful entry to your property, they will send a certificate to us to confirm that they have been unable to recover the debt. We will then consider one of the remedies detailed below:

Final recovery options - a liability order gives the Council certain additional powers of enforcement. We will decide on the most effective course of action based on the size of the debt, the history of the case and the personal circumstances of the debtor. It is extremely important residents contact us, so we are aware of your circumstances if you are vulnerable or having difficulty in paying.

- **Charging order - Placing a charge on your property** - if the total debt owed to us is over £1,000 and you own or part-own a property on either freehold or leasehold basis, we can apply to the County Court for a charge to be placed on your property. You will also incur additional costs and court fees. We will consider applying for a charging order if there is sufficient equity in your property to pay your debts when it is sold. A charge will be placed on the property which cannot be sold until the charge has been removed. This means of recovery is less punitive than committal to prison or bankruptcy and may be considered more suitable for vulnerable debtors who have insufficient income to make an acceptable arrangement but own their home. Although the charge will safeguard the Council's financial interests, a payment arrangement may still be sought to reduce the debt. Once a charge is obtained, we have the right to force a sale of the charged property after having regard to any vulnerability and adherence to any payment arrangement. Alternatively, we can recover the debt and interest from the proceeds of sale if the property is sold at a later date.

- **Bankruptcy (Making you Bankrupt) -** prior to instigating proceedings we will send a letter warning of the action we are going to take and give you a last chance to pay, check all available council records to see if there is any reason bankruptcy would not be appropriate such as indications of vulnerability, check with HM Land Registry to confirm property assets, check financial information with a credit reference agency and check for known or potential employment details. If you do not pay the full amount outstanding including costs or agree an acceptable payment arrangement, you will be served with a Statutory Demand. This is the first formal stage in a process that may lead to bankruptcy. Before taking this action, authorisation will be obtained from the Head of Revenues and Benefits Partnership. If you are a home owner and the debt is over the bankruptcy threshold of £5,000, we will consider issuing a bankruptcy petition against an individual or applying for a winding up order in the case of a company where there are means to pay. If you already have a charge on your property for unpaid Council Tax, we may apply to the court to rescind the charge and proceed to bankruptcy if the total of the Council Tax owed amounts to over £5,000. If the court declares you bankrupt, you could lose your home and possessions and access to your bank account. You will have to pay significant additional costs on top of the debt owed. If you do not pay the full amount outstanding including costs or agree an acceptable short-term arrangement after the service of a Statutory Demand or if the court does not set your case aside, you will then be served with a bankruptcy petition for your case to be held at County Court. Once your case is heard, the county judge may issue a bankruptcy order. A Trustee in bankruptcy will be appointed and you will no longer have control over your assets. You may find it extremely difficult to obtain credit in the future. Given the potentially grave consequences of such an order, it is important you contact us to make us aware if you are vulnerable or experiencing difficulties in paying so we can avoid this action. Insolvency proceedings may be withdrawn where it becomes apparent someone cannot deal with their affairs because of age, mental illness or learning disabilities or where it becomes apparent someone is a client with the Council's adult services or the community mental health team. When a bankruptcy order is granted notice is published in the London Gazette and in a local newspaper. The Official Receiver or an Insolvency Practitioner will notify other organisations that the individual or company might owe money to. This is to give them the opportunity to submit claims of their own and to prevent illegal disposal of assets.

  - **Committal to Prison** - we will consider committal proceedings if the Enforcement Agent has been unable to find sufficient goods to clear the debt. If committal action is taken, this means we ask the Magistrates Court to decide whether to send you to prison for not paying your Council Tax. Before taking this action we will advise you of our intention to place the matter before a Magistrates Court and for you to attend a committal hearing and again we will give you another opportunity to pay in full or contact us. We will again also ask for information of your employer and income. At the court hearing, you will be asked questions about your income and expenditure and the reason(s) why you have not paid your Council Tax bill(s). There will be a full enquiry into your means and ability to pay the outstanding bill. The Magistrates Court will consider if you are guilty of either refusing to pay, when you could have done, known as 'wilful refusal' or not taking appropriate action when you were billed, and when recovery action was being taken, known as 'culpable neglect'. (An example of this is where someone 'buries their head in the sand' hoping things will go away.) If you do not appear at court we will initially ask the Magistrates to issue a warrant for your arrest with bail. This means another date is set for you to attend court. If you subsequently fail to appear at court we will ask the Magistrate to issue a further warrant without bail. In this case, you will be arrested and taken into police custody and held in cells or taken straight to the Magistrates Court. At the court hearing, the Magistrates may sentence you to a term of imprisonment of up to 90 days. The sentence can be suspended on whatever terms the Magistrates consider appropriate. Usually this would be an agreement to pay a weekly or monthly amount. If after being given a suspended sentence you do not comply with the terms the Magistrates considered appropriate, you can be arrested and immediately held in police cells until the Magistrates are able to deal with your case.

Appeals against Council Tax Liability

In line with Council Tax regulations and the guidance provided by the Valuation Tribunal Service, as a general rule we will not suspend recovery during the appeal process. You should continue to pay Council Tax as billed whilst waiting for the outcome of your appeal. If the tribunal make a decision in your favour and you have overpaid your Council Tax we will refund the overpaid sum or use it to offset any other monies you may owe.

Complaints and disputes

As a general rule we will not suspend recovery on receipt of complaints. We will however, consider on a case by case basis whether it is appropriate to do so. If you are not happy with the way we have dealt with your case, please contact the Council Tax team in the first instance so we can try and resolve the situation.

If you remain dissatisfied with the way we have dealt with your case, you can then ask for your case to be considered under the formal complaints procedure.

You can find a copy of our complaints policies here:

http://www.maidstone.gov.uk/home/other-services/find-and-contact-us/additional-areas/our-complaints-policy

The council will consider hold any action until the complaint has been considered and brought to a conlusion. Where a decision is made to suspend recovery, this will be communicated to you.

Outstanding Council Tax Support decisions

We will usually ask you to continue paying whilst you are waiting for a Council Tax Support decision. Once your support has been awarded, we will adjust your monthly instalments and advise you.

How to contact us

By email – counciltax@midkent.gov.uk

By telephone – 01622 602003

Via the intranet/website – www.maidstone.gov.uk

Section 2 – Business Rates

Business Rates (National Non-Domestic Rates) recovery procedures are laid down by statute in the Non-domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 and subsequent amendments.

Issuing of Business Rates Bills

Please see Section 1 Council Tax

Payment plans and methods of payment

Please see Section 1 Council Tax

Options for making payments

Please see Section 1 Council Tax

Paying by Direct Debit is our preferred method of payment. Direct Debit payments for Business Rates are due on the 1st of each month. You can set up a Direct Debit online on the Council's website: http://www.maidstone.gov.uk/home/primary-services/business-and-investment/primary-areas/business-rates/tier-3-primary-areas/pay-your-business-rates

You can also arrange to pay over 10 or 12 monthly instalments.

Missed payment(s), late payment or paying less than the amount due

Please see Section 1 Council Tax

Costs are added to the amount of Business Rates outstanding which will increase the amount owed. A summons Costs £145 (applied at the point the summons is issued by the court); a liability Order Costs £55 (added on granting of the liability order).

The liability order hearing please see Section 1 Council Tax

Recovery processes after obtaining Liability Orders

A liability order allows us to take further recovery action to obtain payment of the debt. If an arrangement has been made and payments made as agreed the liability order will still be applied for to secure the debt but not be enforced to allow you time to make the payments. Once we have a liability order we will send you a letter stating that you have **seven days** in which to pay or we will take further action. The letter will not be sent if a suitable payment arrangement has already been agreed previously.

Enforcement Agents (previously known as bailiffs)

Please see Council Tax

If the Business Rates debt is not paid and the Enforcement Agent cannot identify sufficient goods to clear the debt, or cannot gain lawful entry to your property, they will send a certificate to us to confirm that they have been unable to recover the debt. We will then consider one of the remedies detailed below.

- **Bankruptcy –**as Section 1 Council Tax

- **Insolvency - Compulsory Winding Up action** - if you are liable to pay Business Rates as a company, we may decide to take Winding Up action if you have not contacted us to make an arrangement or have defaulted on any arrangements made. Prior to instigating proceedings we will send a letter warning of the action we are going to take and give you a last chance to pay, check all available council records to see if there is any reason winding up your company would not be appropriate, check with HM Land Registry to confirm property assets, check financial information with a credit reference agency. As a director of a Company, you have responsibilities to ensure that the company does not continue to trade if it is insolvent. If you are unable to pay your debts as and when they fall due, that is evidence of insolvency. We will send you a letter warning you of our intention to present a Petition and give you a last chance to pay. If, without reasonable cause, you do not pay the full amount outstanding including costs or agree an acceptable payment arrangement, we will present a Winding Up Petition against you without further notice. If the court winds up your company, the Official Receiver or an Insolvency Practitioner will become liquidator of the company and the powers of the company directors cease. The company will cease to trade, and all employment contracts of employees will be terminated. The conduct of the directors of the company may also be investigated. When a winding up order is granted it is published in the London Gazette and in a local newspaper. The Official Receiver or an Insolvency Practitioner will also notify other organisations the company might owe money to. This is to give them the opportunity to submit claims of their own and to prevent illegal disposal of assets.

Appeals against Business Rates Liability

In line with Business Rates regulations, any appeals against liability should be through the Magistrates Court. We will not usually suspend recovery during the appeal process. You should continue to pay Business Rates as billed whilst waiting for the outcome of your appeal. If the appeal is found in your favour, we will refund any Business Rates paid.

Complaints and disputes - see Section 1 Council Tax

How to contact us

By email – businessrates@midkent.gov.uk
By telephone – 01622 602230

Section 3 – Housing Benefit Overpayments Recovery

The Council has a duty to ensure Housing Benefit and Council Tax Support overpayments are recovered promptly, effectively and efficiently for the benefit of all our taxpayers and residents. Council Tax Support overpayments are recovered through an adjustment to the Council Tax bill and instalments.

This section deals with Housing Benefit overpayments which are recovered in a different way. Housing Benefit Overpayments are reclaimed in accordance with the Housing Benefit Regulations 2006 (as amended).

An overpayment occurs when more housing benefit has been paid for a period of time than the person is entitled to under benefit law. We encourage benefit claimants and others receiving benefit payments to prevent overpayments occurring.

If an overpayment has occurred, a decision notice will be issued to you to advise you of the overpayment and will explain:

- the reason the overpayment occurred
- whether the overpayment is recoverable,
- who it is being recovered from,
- the amount of the overpayment
- how it has been calculated
- the period of the overpayment,
- how it will be recovered; and
- advise you of your right to dispute or appeal the decision.

You will be sent an invoice showing the amount due and how it can be paid. If you think the overpayment is not owed by you, you should contact us without delay. You have one month to appeal the overpayment. If you are unable to pay the full amount of the overpayment, you should contact us to come to an arrangement for payment by instalments.

If you do not pay the overpayment or contact us, you will be sent a reminder of the amount outstanding with seven days to pay. If you are suffering hardship, you must contact us as soon as you are able to enable us to consider your case. It will be necessary for you to complete an income and expenditure form so we can consider affordability. Every case will be considered on its own merits when discretion needs to be used. Decisions on the action to be taken will be made by the Housing Benefit Overpayment recovery team.

The Council may recover overpayments by:

a) Putting in place an agreement to repay by instalments; we will seek sufficient information about your means, health and household circumstances to reach a fair agreement on the amount you can afford to repay. We will also take into account our duty to the public to recover public funds as quickly as possible. You can seek to repay the overpayment by instalments. Instalment agreements will be subject to a review at least once a year and more often if a debtor's circumstances change. If you fail to keep to any instalment plan agreed with you, then we may take action to seek repayment by another method of debt enforcement.

b) Deduction from ongoing Housing Benefit - recovery may be made direct from your Housing Benefit by a series of deductions over a number of weeks (depending on the amount of the overpayment and the recovery rate being used). If we are recovering an overpayment by deduction from ongoing weekly Housing Benefit we are limited to the weekly amounts specified in law. There are maximum recovery rates which we must adhere to when recovering from ongoing Housing Benefit entitlement. You may voluntarily offer to repay more than the specified amounts so the debt can be cleared sooner.
c) Deduction from certain Department of Works and Pensions (DWP) benefits.
d) Deduction from certain DWP benefits payable to the partner, as long as the claimant and partner were a couple at both the time of the overpayment and when deductions are being made.
e) Applying to another local authority to ask them to deduct the overpayment from the claimant's ongoing housing benefit entitlement in their area.
f) Recovery from housing benefit paid to a landlord/agent for another tenant, i.e. when the landlord has been classed as responsible for repayment of a debt (sometimes known as 'Blameless Tenant' recovery).
g) Civil proceedings (County Court) - we will use the powers to register the overpayment at the County Court. Where a court order has been obtained we can also use a third-party freezing order (recovery from bank accounts), attachment of earnings and benefits or authorise action by the court bailiff to seize goods. A flat rate County Court fee will be added to the debt which could result in a County Court Judgment against the debtor. Where another organisation is responsible for collecting the debt on our behalf such as the Department for Work and Pensions, County Court, or another local authority the debtor will need to communicate with that organisation to agree repayment arrangements in accordance with their policies and procedures.
h) Obtaining a Direct Earnings Attachment (DEA) - we are able to apply for recovery of the amount you owe by deduction from earnings. If we send your employer a direct earnings attachment order, your employer must comply and deduct amounts in accordance with a national schedule of percentages of earnings.

We will always expect you to contact us if you have any repayment problems but if you fail to co-operate or do not let us know of any problems making payment, we may take whatever measures are reasonable to enforce recovery of the debt.

Advice and Support

People with debt may have other debt problems and may already have advisors or may be in need of debt advice. We will work with debtors and their advisors to put in place reasonable repayment plans.

We may also direct people to seek independent advice to exercise their statutory rights, maximise their income and manage their debts.

How to contact us

By email – overpayments@midkent.gov.uk

By telephone – 01622 602311

Via the intranet/website – www.maidstone.gov.uk

Section 4 – Parking (Civil Parking Enforcement)

Where a Penalty Charge Notice (sometimes known as a parking ticket) is issued by the Council or a third-party acting on their behalf and remains outstanding with no payment made, the charge will progress according to the national system set out in the Civil Enforcement of Parking Contraventions (England) General Regulations 2007.

When a Penalty Charge Notice (PCN) is issued, the vehicle owner may pay and if this occurs within 14 days then the payment is made at a discounted rate and the matter is closed. If the PCN is not paid after 14 days then the charge will revert to the full value.

After 28 days from issue of the PCN, Maidstone Borough Council (the issuing authority) will issue Notice to Owner documentation to the Registered Keeper of the vehicle (as registered with the Driver and Vehicle Licensing Agency [DVLA]).

After 56 days from issue of the PCN, a statutory notice Charge Certificate may be issued and the payment amount increases by 50%.

14 Days after the Charge Certificate is issued the Council may then apply to the Traffic Enforcement Centre (TEC) to register the case and recover the increased penalty charge as if it were payable under a County Court order. A fee of £8 is payable for the registration of each case.

Once TEC confirm registration of each case, we will send an order to the motorist advising that s/he must either pay the amount outstanding or send to the Traffic Enforcement Centre a Witness Statement to refute the need to pay the penalty charge within 21 days.

Subsequent to a valid witness statement being submitted responsibility for the enforcement process moves from the Council to the Traffic Enforcement Centre

Where the motorist has been served with an order for recovery of the unpaid PCN and fails to pay the penalty charge or to complete the Witness Statement, the Council can ask the Traffic Enforcement Centre for authority to prepare a warrant of execution. The warrant must be produced within seven days and has a lifespan of 12 months although applications can be made for another warrant if the debt has not been recovered within 12 months. The warrant authorises a certificated enforcement agent to seize and sell goods belonging to the motorist to the value of the outstanding amount plus the cost of executing the warrant.

A warrant of execution is the normal means of collecting unpaid debts. These will be handled by the Council's enforcement agent (previously known as bailiffs) – details are set out in sections 1 and 2 above.

However, there are circumstances in which the council can use other means to collect the amount owing.

The other means of enforcement are:

- an attachment of earnings order – an order deducting money from the motorist's earnings to discharge the amount outstanding;
- a third-party debt order – preventing the motorist withdrawing any money from his or her bank or building society account until the outstanding debt is paid and requiring the bank or building society to discharge the debt using money in the motorist's account; and
- a charging order – preventing the motorist selling his or her house or land unless the outstanding debt is paid.

The Council can also ask the defendant's local County Court to issue an oral examination. This is a way of finding out about the motorist's income and expenses in order to decide on the most appropriate means of enforcement.

If it wishes to issue an Order to Obtain Information from a Judgement Debtor or to enforce judgement using one of the methods above the Council must ask the Traffic Enforcement Centre to transfer the case to the motorist's local County Court.

A motorist's credit rating will not be affected by enforcement proceedings, as the debts will not be entered in the Register of County Court Judgements, either while the case is at the Traffic Enforcement Centre or on transfer to another County Court for non- warrant enforcement.

How to Contact Us:

Parking Services Team Telephone: 01622 602313 or 01622 602385

http://www.maidstone.gov.uk/home/other-services/find-and-contact-us

Section 5 – Commercial Waste

Payments for commercial waste collections are made through direct debit arrangements. This is a condition of entering into a contract for this service.

Where this arrangement is not honoured up to three reminders about payment will be made, the first via a phone call and, if needed, two further reminders by e-mail. Failure to pay within 28 days will result in suspension or cancelling of the contract and, where relevant, removal of bins.

Recovery of the outstanding debt will be through the sundry debt process described in section 9 below

How to contact us

Commercial Services Support Officer

Telephone: 01622 602666

Email: commercialwastesolutions@maidstone.gov.uk

Section 6 – Crematorium

Funeral Directors are invoiced for the cost of services at the crematorium and cemetery monthly.

Invoices should be paid within 14 days.

Where payments are outstanding Funeral Directors are contacted for payment via reminder invoices.

The Bereavement Services Manager chases payments that are over 90 days old directly with the Funeral Directors. While the payment is outstanding for an extended amount of time, the service is withheld until the debt is settled.

How to contact us

Bereavement Services Manager

Telephone: 01622 602967

Email: BereavementServices@maidstone.gov.uk

Section 7 – Commercial Rent/and Licence Fees

Commercial Rent is for buildings that are rented out by the Council and managed by the Property Team.

Invoices are sent out monthly or quarterly.

Payment Terms

Unless otherwise stated, all invoices are due for payment immediately. If payment is not received the following process is followed

- A first reminder will be issued after 28 days from the invoice date
- A second reminder will be issued 42 days from the invoice date if payment is not received.
- A final reminder will be issued 56 days from the invoice date if payment is not received.
- Options for payment will be explored with the tenant. These include arrangements for a payment plan or to terminate the lease of the property and take Legal action to reclaim the debt through the courts.

How to Contact us

E-mail property@maidstone.gov.uk

01622 602517

Section 8 - Economic Development

Charges are made for marketing, advertising, lease and licence payments, venue and room hire.

Payment is obtained up front wherever possible to avoid bad debts occurring.

Where this has not occurred, the invoice will state the payment deadline. If payment is not made by the deadline a reminder will be sent. If the bill remains unpaid recovery through our sundry debt process (see section 9) will be followed.

Business Terrace

Venue hire: Seminar Room, Meeting Room, virtual office and hot desks are paid for in advance online. Invoices may be raised for known established organisations such as the NHS where debt recovery is rarely an issue.

Licences for offices: two consecutive missed payments without good reason agreed with Economic Development Business Centre Coordinator will result in the termination of contract with a payment plan agreed – if a payment plan is not in place, escalation to legal proceedings. Liability is limited as the most expensive office is £600 per month + VAT, personal liability possibility where start-up companies are not registered on Companies House.

Leases for offices: after three consecutive missed payments, without good reason agreed with Economic Development Business Centre Coordinator, if no payment plan is in place escalated to legal proceedings if agreed on Operational Project Board – resulting in termination of contract and escalated debt recovery. Liability ranges from £250 per month + VAT to £3,177. Only companies registered via Companies House with limited liability are able to take a lease.

How to Contact us

Economic Development Business Centre Co-ordinator

Telephone: 01622 602609

Email: GetStarted@Maidstone.gov.uk

Section 9 – Sundry Debt

Sundry debts arise when charges are made for services e.g. green waste collection and building regulations work are not paid.

Invoices will be raised to the customer promptly and include sufficient detail, including relevant dates and amounts, VAT and a clear description of the goods or service supplied.

Unless otherwise stated, all invoices are due for payment immediately.

- A first reminder will be issued after 21 days from the invoice date if payment is not received.
- A second reminder will be issued 31 days from the invoice date if payment is not received.
- A final reminder will be issued 41 days from the invoice date if payment is not received.
- Non-payment may result in withdrawal of the service or removal of the goods supplied, and legal proceedings to recover the debt through the courts.

Certain customers may be unable to pay the debt in full. In these instances, their case will be assessed according to the type of debt and their ability to pay.

The Council will consider a payment plan to allow mutually agreeable payments to be paid by regular instalments

The payment plan should generally last for a maximum of 12 months, with minimum instalments of £10.

If an instalment of an agreed payment plan is not received within 21 days of the due date, then the reminder process as outlined above will commence.

Payment Methods

The Council offers the following methods to pay an invoice:

- On our Website at www.maidstone.gov.uk/pay
- By Phone – 24-hour automated payment line. Call 01622 602544 and choose option 6
- BACS / Internet Banking – Sort code: 30-00-02, Bank Account: 00574428

For regular payments the council also accepts payment by direct debit.

Write Offs

The Council recognises that where a debt is irrecoverable, prompt and regular write-off of such debts is good practice. The Council will seek to minimise the cost of write-offs by taking all necessary action to recover what is due. All debts will be subject to the full recovery procedure as set out in the Recovery of Sundry Debt procedure summarised above.

Section 10 – Housing

The Housing Service lets residential, supported and hostel accommodation in discharging its duties under the housing legislation.

The procedures for the recovery of possession and debts in relation to this accommodation are specific to the housing duty owed to the person who owes the Council money.

Here is a link to guidance on this topic:
https://www.maidstone.gov.uk/__data/assets/pdf_file/0005/325508/Temporary-accommodation-rent-arrears-policy-Feb-2020.pdf

Other debts accrued in relation to loans made to individuals, e.g. homelessness prevention loans, will be treated as sundry debts – see section 9 above.

How to Contact Us

Housing Accommodation Team

Telephone: 01622 602525

Email: AccommodationTeam@maidstone.gov.uk

Section 11 Further advice

For debt advice you can contact:

Citizens Advice Bureau: 2 Bower Terrace, Tonbridge Road, Maidstone ME16 8RY
Tel: 03448487978

Crosslight Debt Advice: Derwent Rd, Tonbridge TN10 3HZ
Tel: 01732 300425

Other free debt advice agencies are available.

Council Tax Protocol

Revised Collection of Council Tax Arrears Good Practice Protocol

Agreed by:

Citizens Advice, June 2017

Local Government Association, June 2017

Council Tax Protocol

We agree to adopt this protocol in ....
as our public commitment to its principles of fairness, partnership working and transparency in local authority debt collection:

Signature

..

Local authority representative

Signature

..

Local Citizens Advice / advice agency representative

Signature

..

Enforcement agency representative

(*where relevant*)[1]

Signature

..

External contractor representative

(*where relevant*)[1]

Date:

[1] Enforcement agents and external contactors may sign this protocol if they and the authority agree that it is appropriate.

Council Tax Protocol

Revised collection of council tax arrears good practice protocol

Council tax payers receive a better level of service when local authorities[2], enforcement agencies and debt advice agencies work closely together. Early intervention and proactive contact with people struggling with bill payments can help prevent them incurring further charges and help alleviate stress. It can also potentially help reduce both collection costs and calls on local public services, particularly mental health services.

This good practice protocol makes a number of suggestions on how local partnerships can be strengthened and residents better supported. Developed through partnership work between the national bodies representing advice agencies, local government and enforcement agencies throughout England and Wales, it builds upon the previous protocol, which government recommended local authorities adopt in their 2013 guidance. The protocol reflects best practice at local level and is intended to facilitate regular liaison on practices and policy concerning council tax debt collection. In setting down clear procedures and keeping them regularly under review, all parties can ensure that cases of arrears are dealt with appropriately whilst complaints are handled efficiently.

By signing the protocol and adopting the practices set out below, local authorities, enforcement agencies and advice agencies can help taxpayers pay their council tax bills while accessing debt advice when needed.

[2] Where we use the term ‘local authorities’, this should also be read to cover a local authority’s external contractors, where the local authority has contracted out the administration of some or all of its council tax collection process.

Partnership

To foster more effective partnership working:

1. Local authorities, enforcement agencies and advice agencies should meet regularly to discuss practical and policy issues with a recommendation to meet quarterly at officer level and annually with elected members.
2. All parties should have dedicated contacts accessible on direct lines and electronically so that issues can be taken up quickly.
3. All parties should promote mutual understanding by providing training workshops, undertaking exchange visits and sharing good practice.
4. As local authorities are responsible for the overall collections process, they should ensure all their staff, external contractors and enforcement agencies receive the appropriate training, particularly on vulnerability and hardship.
5. Advice agencies, enforcement agencies and local authorities should work together to develop a fair collection and enforcement policy, highlighting examples of vulnerable people or those who find themselves in vulnerable situations, and specifying clear procedures in dealing with them. Contractual arrangements with enforcement agents should specify procedures for the local authority to take back cases involving vulnerable people.
6. Local authorities should consider informal complaints as debtors may be afraid to complain formally where enforcement agent activity is ongoing. Informal complaints received from advice agencies can indicate problems worthy of further investigation both locally by the local authority and by referral to national bodies.

Information

To improve the information supplied to council tax payers about the billing process, how to get support and debt advice and to promote engagement:

1. All parties should work together to produce letters that clearly and consistently explain how council tax bills have been calculated (including any Council Tax Support award). Council tax bills should make clear council tax is a priority debt and explain the consequences of not making payment by the date specified. As far as possible within the constraints of systems, where a taxpayer has council tax arrears, the letters should explain how the debt has been accumulated and over which time period, the layout and language of bills and letters should be easy to understand, with any letters including a contact phone number and email address. All information should also be made available online in a clear format.

2. Local authorities should consider reviewing payment arrangements and offer more flexible options, including, subject to practicality, different payment dates within the month, spreading payments over 12 months and, potentially, different payment amounts to assist those on fluctuating incomes. This can allow people to budget more effectively.

3. Local authorities and enforcement agents should publicise local and national debt advice contact details on literature and notices. Advice agencies can help by promoting the need for debtors to contact their local authority promptly in order to agree payment plans. Parties can work together to ensure the tone of letters is not intimidating but encouraging of engagement.

4. Local authorities should ensure that enforcement agencies have appropriate information about the council tax debts they are recovering, so they can put this in letters they send to debtors and answer any questions.

5. Local authorities should consider providing literature about concerns council tax debtors may have about enforcement agents and enforcement. Information could cover charges enforcement agencies are allowed to make by law, how to complain about enforcement agent behaviour or check enforcement agent certification and further help available from the local authority or advice agencies.

6. All parties should work together to review and promote better engagement by council taxpayers. This should include information on how bills can be reduced through reliefs, exemptions and council tax support schemes, advising taxpayers that they should contact the local authority if they experience financial hardship and the consequences of allowing priority debts to accumulate. Information and budgeting tools should be made available on local authority and advice agency websites, via social media and at offices of relevant agencies. This is an opportunity for joint campaign work.

Recovery

If a council tax bill is not paid, then the local authority's recovery process comes into play. While local authorities strive to make early contact with a debtor, the first point of engagement by a debtor often only occurs when an enforcement agent visits the premises. Greater effort should be made at or before the Tribunal Courts and Enforcement Act's compliance stage, including debt and money advice referrals and to assess whether vulnerability or hardship applies, so as to avoid escalating a debt. Therefore:

1. Local authorities and enforcement agencies should work in partnership with advice agencies on the content, language and layout of all documents, produced by the local authority and agents acting on its behalf which are part of the enforcement process. This should aim to ensure that the rights and responsibilities of all parties, particularly those of the debtor, are clearly set out.

2. Enforcement agents should provide the debtor with a contact number and email address should they wish to speak to the local authority.

3. Local authorities should keep all charges associated with recovery under regular review to ensure they are reasonable and as clear and transparent as possible and reflect actual costs incurred. Enforcement agents should only make charges in accordance with council tax collection and enforcement regulations, particularly the Tribunal Courts and Enforcement Act.

4. Local authorities should periodically review their corporate policy on debt and recovery, particularly what level of debt (inclusive of liability order fees) should have accrued before enforcement agent action, as enforcement will add additional costs to a debt.

5. As part of their corporate policy on debt and recovery, local authorities should have a process for dealing with cases that are identified as vulnerable, bearing in mind that different local authorities may have different definitions of a vulnerable person or household. Any local definition of vulnerability should be developed in consultation with advice agencies and enforcement agencies and, wherever possible, the local authority should aim to publish clear guidelines on what constitutes vulnerability locally. Where a local authority's vulnerability criteria apply, In these cases, debts should be considered carefully before being passed to enforcement agencies. Where enforcement agents or other parties identify a vulnerable household, recovery action will be referred to the local authority.

6. Local authorities should regularly review and publish their policies which cover hardship, including how these relate to council tax arrears.

7. Where a household is in receipt of Council Tax Support, the local authority should consider matters carefully and determine whether to pass such cases to enforcement agents, based on the individual circumstances of the case.

8. The debtor may have outstanding claims for Universal Credit, Council Tax Support or other benefit(s) which are contributing to their arrears. Local authorities can suspend recovery once it is established that a legitimate and relevant claim is pending.

9. Local authorities and their enforcement agents should consider offering a 28 days hold or "breathing space" on enforcement action if debtors are seeking debt advice from an accredited advice provider.

10. Procedures should exist for debt advisers to negotiate payments on behalf of the taxpayer at any point in the process, including when the debt has been passed to the enforcement agent. In some cases, the debtor may only contact an advice agency following a visit from the enforcement agent.

11. Local authorities and enforcement agents should consider accepting and using the Standard Financial Statement (SFS) or Common Financial Statement in assessing ability to pay as long as this is consistent with securing value for money for all council tax payers.

12. Each case should be examined on its merits and repayment arrangements need to be affordable and sustainable, while ensuring that the debt is paid off within a reasonable period. Where appropriate, local authorities should provide the flexibility to spread repayments over more than a year, including beyond the end of a financial year.

13. Local authorities should prioritise direct deduction from benefits or attachment of earnings in preference to using enforcement agents. This avoids extra debts being incurred by people who may already have substantial liabilities.

14. Clarity should be provided to the debtor and enforcement agency as to which debts are being paid off, in what amounts and when, especially where a debtor has multiple liability orders. Where appropriate, debts should be consolidated before being sent to enforcement agents.

15. Local authorities should publish a clear procedure for people to report complaints about all stages of recovery action. Local authorities will regularly monitor and, subject to requirements of commercial confidentiality and the Data Protection Act, publish the performance (including complaints) of those recovering debts on their behalf and ensure that contractual and legal arrangements are met.

Free, confidential advice. Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk

Published June 2017

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.

Policy and Resources Committee	**12 February 2020**

Performance Panel Membership and Appointment

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Angela Woodhouse, Head of Policy, Communication and Governance
Lead Officer and Report Author	Ryan O'Connell, Democratic and Electoral Services Manager
Classification	Public
Wards affected	All

Executive Summary

The Policy and Resources Committee terms of reference set out that the appraisals for the Chief Executive and Directors will be carried out by a five member panel of the Policy and Resources Committee. This report sets out the appointment of that panel.

Purpose of Report

Decision

This report makes the following recommendations to this Committee:

1. Approve the setup and seat allocation of the Performance Panel; and
2. The wishes of the Group Leaders be accepted with regard to Membership of the Panel.

Timetable	
Meeting	***Date***
Policy and Resources Committee	12 February 2020

Performance Panel Membership and Appointment

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The proper carrying out of the appraisals of the Chief Executive and Directors will have an indirect impact on all corporate priorities.	Democratic and Electoral Services Mgr
Cross Cutting Objectives	The proper carrying out of the appraisals of the Chief Executive and Directors will have an indirect impact on all corporate objectives.	Democratic and Electoral Services Mgr
Risk Management	See section five below.	Democratic and Electoral Services Mgr
Financial	None	Democratic and Electoral Services Mgr
Staffing	None	Democratic and Electoral Services Mgr
Legal	All appointments to Committees need to be made in accordance with the relevant regulations and the constitution. In particular the allocation of seats and the appointment of councillors to committees is a statutory requirement, set out in the Local Government and Housing Act 1989, section 15. The Council has a duty to allocate seats to certain committees and ensure that the allocation is proportional to the seats attained for the Council. The appointment to these committees should reflect the wishes of the political groups in accordance with the Local Government (Committees and Political Groups) Regulations 1990.	Team Leader (Corporate Governance), MKLS
Privacy and Data Protection	None	Democratic and Electoral Services Mgr
Equalities	None	Democratic and Electoral Services Mgr
Public Health	None	Democratic and Electoral Services Mgr

Crime and Disorder	None	Democratic and Electoral Services Mgr
Procurement	None	Democratic and Electoral Services Mgr

2. INTRODUCTION AND BACKGROUND

2.1 This is the first year of using the new arrangements for carrying out the appraisals of the Chief Executive and Directors, agreed as part of the committee structure review last year. Part of the changes introduced were that the functions of the Employment Committee were split between the Democracy and General Purposes Committee and Policy and Resources Committee.

2.2 Carrying out the appraisals became the responsibility of the Policy and Resources Committee and the terms of reference for the committee state:

Function(s)	**Delegation of Functions**
To review annually the performance of the Chief Executive and Directors, to agree targets for the coming financial year, and agree any corrective action which may be required relating to the previous financial year.	Panel comprising 5 Councillors

2.3 This report therefore seeks to establish the panel to allow the appraisals for the Chief Executive and Directors to take place ahead of the appraisal process for the rest of the officers. This allows the objectives and direction set to cascade down through the authority.

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3. AVAILABLE OPTIONS

3.1 The Committee could agree to appoint a panel in accordance with the rules of political balance. This would produce a seat allocation as follows:

> Two Conservative Group, two Liberal Democrat Group and one seat with equal claim from the Labour Group and the Independent Group.

3.2 The Committee would need to establish who the final seat is allocated to between the Labour Group and the Independent Group due to the equal claim for the seat between two Groups.

3.3 Alternatively, the Committee could agree to an alternative arrangement for the five Member panel making it politically unbalanced but as close to balanced as possible whilst meeting the wishes of Group Leaders. It should be noted that any vote on any arrangement that is not in political balance will automatically be lost if a single member objects to it (in accordance with the Local Government and Housing Act 1989).

3.4 Once the seats have been allocated it is for Group Leaders to make the appointments to the panel from the Members of the Committee.

3.5 The Committee could request an amendment to the constitution to go to Council on 26 February 2020 to appoint a different number of members of the panel, but this could delay the arrangement and timing of the appraisals. Additionally, increasing the panel's size would undermine the original purpose of establishing a panel, which was to limit the number of Members involved in the process to make it more effective and focussed.

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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 That the Committee agree the seat allocation for the five members Performance Panel that it wants, noting that a politically balanced seat allocation for 5 seats creates a Membership of two Conservative Group, two Liberal Democrat Group and an equal claim to the final seat for the Labour Group and Independent Group. It is for the Committee to determine the Membership and seats on its own sub-committee (which the panel is classified as); and

4.2 That the wishes of the Group leaders are accepted for the Members and Substitute Members of the Panel as it is for Group Leaders to determine such appointments.

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5. RISK

5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 None.

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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 Meetings of the Panel will be arranged to conduct the appraisals for Chief Executive and Directors.

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8. REPORT APPENDICES

None

9. BACKGROUND PAPERS

None