

**Revenue Outturn 2017/18 – Allocation of Underspend and
Business Rates Pool surplus**

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

Executive Summary

1. As reported to the last meeting of this Committee, the Council ended 2017/18 with an overall underspend against its revenue budget, amounting to £185,000. Recommendations for allocation of these funds have been received from Heritage, Culture and Leisure Committee and have been invited from the other two Service Committee. Policy and Resources Committee is asked to determine the allocation of the underspend.
2. It was also reported at the last meeting of the Committee that the surplus from the Kent Business Rates Pool in 2017/18, which the Committee has previously agreed be used to implement the Economic Development Strategy, amounted to £319,000. This report sets out proposals for use of the surplus.

This report makes the following recommendations to this Committee:

1. That the Committee allocates the 2017/18 revenue underspend of £185,000 as set out in paragraph 1.5.
2. That the Committee approves the proposals for use of the surplus on the Kent Business Rates Pool as set out in paragraph 1.13.

Timetable

Meeting	Date
Policy and Resources Committee	24 July 2018

Revenue Outturn 2017/18 – Allocation of Underspend and Business Rates Pool surplus

1. INTRODUCTION AND BACKGROUND

Revenue Underspend

- 1.1 The overall financial outturn for the Council for 2017/18 was a revenue underspend of £185,000. Within this underspend there were individual budget variances, both favourable and unfavourable. Explanations for variances within individual cost centres which exceed £30,000 have been provided in accordance with the Council's constitution and were considered by the relevant service committees in June 2018.
- 1.2 Overspends have been offset against underspends to arrive at the overall underspend for the Council of £185,000. It is common practice to rely on underspends to offset overspends, while recognising that if a service is overspending persistently then there may be an underlying problem, requiring remedial action and/or an adjustment to the budget.
- 1.3 Allocation of the £185,000 underspend falls to Policy and Resources Committee, given its financial remit. However, it was appropriate to seek the views of individual Service Committees on how this money is spent. The options available were as follows.
 - Identify one or more one-off projects required to deliver Council strategic objectives, relating to functions within its remit, for which funding would not otherwise be available
 - Add the underspend to revenue reserves. This is the default position if the underspend is not allocated to specific projects. If employed in this way, the underspend would provide additional resources for the Council, to be called on as necessary in the future.
 - Make no recommendation.
- 1.4 The proposals received to date are as follows.

Heritage, Culture and Leisure Committee

At its meeting on 5 June the Committee recommended that an allocation of up to £75,000 be used to review a number of areas. It subsequently agreed to delegate authority to its Chair and Vice-Chair to work on the details. It is now proposed that:

- £40,000 be allocated to fund a 12-month fixed term Heritage & Culture Officer, who would enable and facilitate a more vibrant culture and heritage scene in the borough, working with partners; and

- £10,000 be allocated to procure specialist consultancy, if required, to support the expansion of local Nature Reserves and to investigate the feasibility of securing AONB status for the Greensand Ridge.

Strategic Planning, Sustainability and Transportation Committee

At its meeting on 10 July the Committee recommended that the underspend be added to revenue reserves to provide additional resources for the Council, to be called on as necessary in the future.

Communities Housing and Environment Committee

The Committee was due to consider this at its meeting on 17 July and the outcome will be reported at this evening's meeting.

1.5 Summary of proposals received to date

	£000
Heritage and Culture Officer	40
Specialist Nature Reserve/ AONB consultancy	10
Transfer to revenue reserves	135
Total	185

Economic Development Strategy

- 1.6 Maidstone Council's direct 30% allocation from the Kent Business Rates Pool surplus in 2017/18 amounts to £319,000. The Committee has previously agreed that these funds will be used to progress the Economic Development Strategy. Note that Economic Development does not have a separate budget for the initiatives that it undertakes and it relies on the Business Rates Pool to fund core and new activity.
- 1.7 Since the inception of the Business Rates Pool in 2014/15, the surplus has averaged around £80,000 per annum, but has been as low as £56,000 in one year. In order for the Economic Development service to plan core expenditure it relies on a surplus being carried forward to even out the troughs in the Pool receipts. Expenditure in previous years has been used for initiatives identified in the Economic Development Strategy including:
- Business in Maidstone website
 - Marketing database
 - Destination Management Plan
 - Promotion of Enterprise Zone
 - Cultural Strategy
 - Start-up support for Business Terrace.
- 1.8 Ongoing initiatives which it is proposed to fund from the 2017/18 surplus are as follows:
- Additional business support and advice for SMEs in the Business Terrace
 - Support for BID business plan and ballot (repayable in the event that the BID ballot is successful)

- Grant to One Maidstone
- Destination Management Plan update
- Thames Gateway Kent Partnership membership.

It is estimated that a budget of £120,000 will be required for these initiatives and related activities in the current year.

- 1.9 This leaves nearly £200,000 unallocated from the 2017/18 surplus. This is very welcome, but it needs to be considered in the light of prospects for future business rates income and hence the availability of ongoing support for economic development initiatives. It is therefore worth explaining the background to the funding currently allocated to economic development.
- 1.10 The current local government funding regime, introduced in 2013/14, allocated 50% of business rates income to local authorities. The system assumed a notional business rates baseline in 2013/14, being the amount of business rates that the government considered would be collected in each local authority area. This baseline has increased by inflation each year, with growth above and beyond the baseline being retained by local authorities, subject to a 50% levy.
- 1.11 Maidstone Council has benefited significantly since 2013/14 both from the initial 50% business rates growth and from the further growth retained in the local area through the Kent Business Rates pool. However, in 2020/21 a new local government funding regime will be introduced. It is expected that the business rates baseline will be re-set, based on a new assessment of needs. A 'fair funding review' is in progress which will form the basis of this assessment.
- 1.12 This means that Maidstone Borough Council will lose the cumulative growth from which it has benefited since 2013/14, and there is a strong likelihood that the funding currently available for implementing the Economic Development Strategy will not be available after 2020/21. It is therefore proposed that £199,000 of the 2017/18 Business Rates pool surplus is set aside as a contingency to enable economic development expenditure to continue at the rate of approximately £100,000 per annum for a further two years from 2020/21.
- 1.13 The proposed allocation of the surplus may be summarised as follows:

	£000
Economic Development initiatives as set out in paragraph 1.8 above	120
Contingency to enable ongoing Economic Development activity from 2020/21 onwards	199
Total	319

- 1.14 Further surpluses may arise in 2018/19 and 2019/20, being the final two years of the current local government funding regime. Members will be invited at the time whether to set aside more money in the contingency described above or whether it is appropriate to release some for specific projects.

- 1.15 A further 30% of the Kent Business Rates Pool surplus is spent in consultation with Kent County Council and has been earmarked for the Maidstone East development. A report on the Maidstone East development is due to come to this Committee in September 2018 and proposals for the 2017/18 surplus will be set out there.
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2. AVAILABLE OPTIONS

Revenue Underspend

2.1 Option 1

Allocate the underspend of £185,000 as set out in paragraph 1.5.

2.2 Option 2

Substitute alternative proposals for allocation of the underspend.

2.3 Option 3

Add all the underspend to revenue reserves.

Economic Development Strategy

2.4 Option 1

Allocate the surplus of £319,000 as set out in paragraph 1.13.

2.5 Option 2

Substitute alternative proposals.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

Revenue Underspend

- 3.1 If the Committee is content that the proposals set out in paragraph 1.5 are genuinely required in order to meet the Council's strategic objectives, and would not otherwise be funded, the Committee is recommended to choose Option 1. Otherwise it is recommended that Option 3 is chosen.

Economic Development Strategy

- 3.2 Option 1 is the preferred option, as it enables a sustainable approach to implementation of the Economic Development strategy.
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4. RISK

- 4.1 The Council has produced a balanced budget for both capital and revenue expenditure and income for 2018/19. The Council's reserves are considered to be adequate. The risk of using the £185,000 underspend and the £319,000 Business Rates pool surplus as set out in the recommendations in this report, rather than holding these monies in reserve, is not therefore considered to be excessive.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The three Service Committees have input to the discussion on allocation of the underspend at their meetings in June (Heritage, Culture and Leisure) and July (Communities, Housing and Environment and Strategic Planning, Sustainability and Transportation). Economic Development is within the direct remit of this Committee.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The overall outturn for the year ended 31 March 2018 will be reported as part of the Council's Statement of Accounts, which will be presented to the Audit, Governance and Standards Committee for approval at its meeting on 30 July 2018. The Statement of Accounts will be audited and is due to be approved by 31 July 2018 at the latest.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Council's budget is set in accordance with the Council's Medium Term Financial Strategy which is linked to the strategic plan and corporate priorities.	Director of Finance & Business Improvement
Risk Management	This has been addressed in section 4 of the report.	Director of Finance & Business Improvement
Financial	Addressed in report.	Director of Finance & Business Improvement
Staffing	None.	Director of Finance & Business

		Improvement
Legal	The Council has a statutory obligation to maintain a balanced budget. This report informs the committee of a revenue underspend for 2017/18 and a surplus arising from the Kent Business Rates pool and recommends options that assist in maintaining a balanced budget for the current financial year.	Mid Kent Legal
Privacy and Data Protection	No specific issues arise.	Director of Finance & Business Improvement
Equalities	Equalities implications will be considered as part of each project identified for funding allocation in line with the Council's strategic priorities.	Equalities and Corporate Policy Officer
Crime and Disorder	No specific issues arise.	Director of Finance & Business Improvement
Procurement	No specific issues arise.	Director of Finance & Business Improvement

8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.