

CORPORATE SERVICES POLICY ADVISORY COMMITTEE MEETING

Date: Monday 11 September 2023
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Bartlett (Chairman), Cannon, Conyard, Cooke, Mrs Gooch (Vice-Chairman), Harper, Hinder, S Thompson and Webb

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

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 12 July 2023 | 1 - 7 |
| 9. Forward Plan relating to the Committee's Terms of Reference | 8 - 13 |
| 10. 1st Quarter Finance, Performance and Risk Monitoring Report | 14 - 66 |
| 11. Medium Term Financial Strategy and Budget Proposals | 67 - 110 |

INFORMATION FOR THE PUBLIC

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 4 p.m. one clear working day before the meeting (i.e. by 4 p.m. on Thursday 7 July). You will need to tell us which agenda item you wish to speak on.

If you require this information in an alternative format please contact us, call **01622 602899**. To find out more about the work of the Committee, please visit the [Council's Website](#).

Issued on Friday 1 September 2023

Alison Broom

Alison Broom, Chief Executive

MAIDSTONE BOROUGH COUNCIL

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

MINUTES OF THE MEETING HELD ON 12 JULY 2023

Present:

Committee Members:	Councillor Bartlett (Chairman) and Councillors Cannon, Conyard, Mrs Gooch, Harper, Hinder, S Thompson and Webb
Cabinet Members:	Councillor Perry (Cabinet Member for Corporate Services)
Visiting Members:	Councillors Cox, Kimmance and Russell

18. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Cooke.

19. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

20. URGENT ITEMS

The Chairman stated that he intended to take the following documents as urgent items to enable the report to be considered fully:

Appendices 1 and 2 to item 10 (Biodiversity and Climate Change Action Plan Update and Cost for Achieving Net Zero 2030) which were circulated on Friday 7 July 2023.

A Member expressed concern about the late circulation of these documents.

21. NOTIFICATION OF VISITING MEMBERS

Councillors Cox, Kimmance and Russell were present as Visiting Members for item 13 (Archbishops' Palace – Next Steps).

Councillor Cox was also present as a Visiting Member for items 10 (Biodiversity and Climate Change Action Plan Update and Cost for Achieving Net Zero 2030) and 12 (Medium-Term Financial Strategy 2024-2029).

22. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

23. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

24. EXEMPT INFORMATION

RESOLVED: That the public be excluded from the meeting should Members wish to discuss the information contained in the exempt Appendix to item 13 (Archbishop's Palace – Next Steps) because of the likely disclosure of exempt information for the reason specified having applied the Public Interest Test.

25. MINUTES OF THE MEETING HELD ON 14 JUNE 2023

RESOLVED: That the Minutes of the meeting held on 14 June 2023 be approved as a correct record and signed.

26. FORWARD PLAN RELATING TO THE COMMITTEE'S TERMS OF REFERENCE

RESOLVED: That the Forward Plan relating to the Committee's Terms of Reference be noted.

27. BIODIVERSITY AND CLIMATE CHANGE ACTION PLAN UPDATE AND COST FOR ACHIEVING NET ZERO 2030

Prior to the introduction of the report, the Chairman advised the Committee that references to achieving net zero by 2023 for the Council's operations should be amended to read by 2030.

Councillor Perry, the Cabinet Member for Corporate Services, introduced the report on the implementation of the Biodiversity and Climate Change Action Plan explaining that:

- The report provided updates on the progress of actions, details of the Council's carbon footprint and the estimated costs of achieving net zero emissions by 2030 for the Council's own operations.
- The report suggested retrofitting specific buildings, gradual transition to electric vehicles, maximising solar energy generation and exploring off-setting options.
- A priority area was the decarbonisation of Council properties. The Public Sector Decarbonisation Scheme had been announced and could be a potential source of funding. The deadline for the receipt of bids was not known yet, but last year was in September. The Committee was asked to recommend to the Cabinet that delegated authority be given to the Biodiversity and Climate Change Manager to submit a bid to the Scheme for funding to facilitate decarbonisation of key Council properties.

During the discussion reference was made to the following, which the Cabinet Member/Officers undertook to consider:

- The need when conducting the Borough Climate Impact Assessment to address flooding issues in the urban part of the town as well as the parish areas.
- The need when reviewing the Council's non-operational land to assess the potential for enhancing biodiversity to quantify the area in order to add context.

- The need to encourage more flexible working to reduce the Council's carbon footprint.
- The need to monitor and measure performance in delivery of the Action Plan and to see detailed costs and the updated Capital Programme. Information was required about what had been achieved to date, costs and savings, how long it would take to complete the Action Plan at the current rate of progress, to what extent would increasing staff resources speed up delivery, the scope for efficiencies through Borough and County Council co-operation and the identification of priority items. This would inform the development of key performance indicators to measure progress against targets with RAG ratings.

Concerns were expressed about the progress to date in achieving net zero for the Council's operations by 2030 and it was suggested that consideration should be given to expediting selectively implementation of the Action Plan by, for example, prioritising actions under the Council's control and which generate outcomes that facilitate the remainder.

RESOLVED to RECOMMEND to the CABINET:

1. That the Action Plan implementation updates and indicative costs of achieving net zero by 2030 for the Council's operations be noted and that implementation of the Action Plan be expedited selectively.
2. That delegated authority be given to the Biodiversity and Climate Change Manager to submit a bid to the Public Sector Decarbonisation Scheme for funding to facilitate decarbonisation of key Council properties.

Note: Councillor Cannon entered the meeting during consideration of this item (6.50 p.m.).

28. **CORPORATE PLANNING TIMETABLE**

Councillor Perry, the Cabinet Member for Corporate Services, introduced the report recommending that the existing Strategic Plan be retained and that the proposed corporate planning timetable be approved. The Cabinet Member explained that the current Strategic Plan was adopted in 2018, updated in 2020 and refreshed again last year with an update to the areas of focus for 2023/28 for each priority. He did not consider that any changes were required at this stage. To develop a new Strategic Plan would have a substantially greater impact on resources which, in his opinion, was unnecessary at this stage.

In response to a question about resourcing a refresh or creation of a new Strategic Plan in future, the Director of Finance, Resources and Business Improvement explained that work on the original Strategic Plan was carried out mostly in-house, so if it was decided to make changes in 2024/25, the effect would be that other projects would not be given such priority.

RESOLVED to RECOMMEND to the CABINET: That the Strategic Plan not be reviewed in 2023/24 and that the corporate planning timetable set out at section 3.3 of the report of the Director of Strategy, Insight and Governance be approved.

29. MEDIUM-TERM FINANCIAL STRATEGY 2024 - 2029 - INITIAL SCOPING AND ASSUMPTIONS

Councillor Perry, the Cabinet Member for Corporate Services, introduced the report setting out the background to be considered and the proposed approach to development of an updated Medium-Term Financial Strategy for 2024/25 – 2028/29 and a budget for 2024/25.

The Cabinet Member explained that:

- Notwithstanding this period of financial uncertainty, the Council's balance sheet position remained strong. Given the financial uncertainty, for planning purposes, it was appropriate to model the impact of different scenarios on the Council. It was considered prudent at this stage to adopt Scenario 4 as it represented a combination of continued high inflation and tight constraints on the Council's revenue raising capacity. However, the other scenarios would be modelled, and the implications considered when developing the detailed Medium-Term Financial Strategy.
- The revenue outturn for 2022/23 was a small underspend against the budget. Overspends, most significantly on temporary accommodation for homeless families, were more than offset by underspends elsewhere. Nevertheless, for next year, a budget gap of just under £1m was projected assuming that Council Tax increases are maximised within the constraints of the referendum limit (currently 3%) and that overall other income would increase by 5%.
- The usual pattern was for the Government to announce the local government finance settlement just before Christmas, which did tend to delay the budget setting process, but this year it was proposed to start the process much earlier with information brought to the Policy Advisory Committees and the Cabinet in September.
- Unallocated reserves totalled around £11m which exceeded the £4m minimum. However, he believed that the level of reserves should be higher to keep the Council's finances in a strong position and that the reserves should not be used to support the revenue budget.
- The report also included details of the current five-year capital programme, but this could change as there were a number of risks; for example, in connection with property acquisition.
- To conclude, given the considerable uncertainty about the future, a prudent approach to budget setting was required.

During the discussion:

- Members welcomed the proposal to start the budget setting process earlier than usual this year.
- A Member sounded a note of caution about the projections going forward being inflated to suggest a worse financial position than would actually be the case at the end of the financial year.

- Reference was made to the need for analytical data to inform decisions on the savings required and income generation over the next few years; the need to maintain a good level of reserves; the need to build up the Housing Investment Fund to ensure that the necessary subsidy is available to enable the Council to achieve the targeted number of affordable homes; and the need to make provision in the Capital Programme for a completely refurbished Leisure Centre or a new build.
- Reference was also made to the implications of the previous decision to fund ongoing new revenue budget expenditure in 2023/24 from one-off sources, which created further pressure to deliver savings in future years.
- The Director of Finance, Resources and Business Improvement advised the Committee that the Capital Programme set out in Table 6 of the report was the current Capital Programme agreed by the Cabinet and Council in February 2023 so one would not expect to see any new provision for the Leisure Centre in that Table. A Member reiterated the need to make provision for the future of the Leisure Centre in the Capital Programme.
- The Cabinet Member and the Finance Team were thanked for their work on the Council's finances.

RESOLVED to RECOMMEND to the CABINET:

1. That the issues and risks associated with updating the Medium-Term Financial Strategy be noted.
2. That the assumptions described in the report for planning purposes and to establish the remit for detailed budget development, in particular the assumptions set out in paragraphs 2.21 (Council Tax increases), 2.30 (Fees and Charges) and 2.40 (Housing Investment Fund), be approved.
3. That the proposed approach outlined to development of an updated Medium-Term Financial Strategy for 2024/25 – 2028/29 and a budget for 2024/25 be approved.

30. **ARCHBISHOPS' PALACE - NEXT STEPS**

Councillor Perry, the Cabinet Member for Corporate Services, introduced the report explaining that:

- As the owner of the Archbishops' Palace, the Council was now incurring running costs together with a loss of rent following the vacation of the building by Kent County Council (KCC). Knowing that KCC would be vacating, options for the future use of the building had been explored. However, Balfour Hospitality, the Council's preferred development partner, concluded that it would not be commercially viable to develop the building as a boutique hotel given the scale of investment required.
- It was now proposed that plans be developed for use of the building as a wedding and events venue. Market testing had established that this was likely to be a viable option in financial terms and it would meet the Council's objectives for the future use of the building. It would also be consistent with

the emerging Town Centre Strategy. Some capital investment would be required particularly for provision of a commercial kitchen.

In response to questions, the Officers advised the Committee that:

- The preferred development partner's exclusivity period expired in April and the Council was informed informally shortly before that they did not want to take the proposal forward.
- It was planned to report back to the Policy Advisory Committee and the Cabinet in November with the outcome of the process of inviting bids from potential operators and Members would be able to see whether the proposal was financially viable.
- Based on the latest market testing, no one to date had shown interest or expressed willingness to take forward a mixed-use culture and weddings development.

During the discussion:

- It was proposed and seconded that consideration of this matter be deferred for at least one meeting cycle until there is more clarity regarding the Town Centre Strategy in terms of a cultural quarter comprising All Saints Church, the Archbishops' Palace and the Archbishops' Stables.
- The Cabinet Member emphasised the need to move forward with a scheme to generate funds to cover the costs of running the building, which was the Council's responsibility, as soon as possible and expressed concern about the financial and economic viability of operating another café or cultural offering in conjunction with weddings and events.
- Reference was made to the need to adhere to the proposed timetable for the delivery of the project and it was suggested that discussions should take place with All Saints Church at the earliest opportunity.
- An amendment was moved and seconded that the recommendation set out in the report be agreed. When put to the vote, the amendment and the substantive motion were carried.

RESOLVED to RECOMMEND to the CABINET:

1. That Option 2 as set out in the report of the Interim Strategic Property Consultant, namely, to develop plans for use of the Archbishops' Palace as a wedding and events venue, be agreed.
2. That delegated authority be given to the Director of Finance, Resources and Business Improvement to select and appoint professional advisers to develop the plans; enter into contracts for applicable services as necessary; and invite offers from potential operators for a conditional agreement for lease.
3. That delegated authority be given to the Head of Legal Services to negotiate and complete all necessary legal formalities arising from the purchase of services and invitation for offers as set out above.

31. DURATION OF MEETING

6.30 p.m. to 8.25 p.m.







MAIDSTONE BOROUGH COUNCIL FORWARD PLAN FOR THE FOUR MONTH PERIOD 1 SEPTEMBER 2023 TO 31 DECEMBER 2023

This Forward Plan sets out the details of the key and non-key decisions which the Cabinet or Cabinet Members expect to take during the next four-month period.

A Key Decision is defined as one which:

1. Results in the Council incurring expenditure, or making savings, of more than £250,000; or
2. Is significant in terms of its effects on communities living or working in an area comprising two or more Wards in the Borough

The current Cabinet Members are:

 <p>∞ Councillor David Burton Leader of the Council DavidBurton@maidstone.gov.uk 07590 229910</p>	 <p>Councillor Paul Cooper Deputy Leader and Cabinet Member for Planning, Infrastructure and Economic Development PaulCooper@Maidstone.gov.uk 01622 244070</p>	 <p>Councillor John Perry Cabinet Member for Corporate Services JohnPerry@Maidstone.gov.uk 07770 734741</p>
 <p>Councillor Claudine Russell Cabinet Member for Communities, Leisure and Arts ClaudineRussell@Maidstone.gov.uk</p>	 <p>Councillor Patrik Garten Cabinet Member for Environmental Services PatrikGarten@Maidstone.gov.uk 01622 807907</p>	 <p>Councillor Lottie Parfitt-Reid Cabinet Member for Housing and Health LottieParfittReid@Maidstone.gov.uk 07919 360000</p>

Anyone wishing to make representations about any of the matters listed below may do so by contacting the relevant officer listed against each decision, within the time period indicated.

Under the Access to Information Procedure Rules set out in the Council's Constitution, a Key Decision or a Part II decision may not be taken, unless it has been published on the forward plan for 28 days or it is classified as urgent:

The law and the Council's Constitution provide for urgent key and part II decisions to be made, even though they have not been included in the Forward Plan.

Copies of the Council's constitution, forward plan, reports and decisions may be inspected at Maidstone House, King Street, Maidstone, ME15 6JQ or accessed from the [Council's website](#).


Members of the public are welcome to attend meetings of the Cabinet which are normally held at the Town Hall, High St, Maidstone, ME14 1SY. The dates and times of the meetings are published on the [Council's Website](#), or you may contact the Democratic Services Team on telephone number **01622 602899** for further details.



David Burton
Leader of the Council

Details of the Decision to be taken	Decision to be taken by	Relevant Cabinet Member	Expected Date of Decision	Key	Exempt	Proposed Consultees / Method of Consultation	Documents to be considered by Decision taker	Representations may be made to the following officer by the date stated
Public Sector Led Garden Community Update To provide an update.	Cabinet	Leader of the Council	25 Oct 2023	Yes	No Open	Corporate Services Policy Advisory Committee 11 Sep 2023	Public Sector Led Garden Community Update	William Cornall Director of Regeneration & Place williamcornall@maidstone.gov.uk
1st Quarter Finance, Performance and Risk Monitoring Report 10	Cabinet	Cabinet Member for Corporate Services.	20 Sep 2023	No	No Open	Communities, Leisure and Arts Policy Advisory Committee 5 Sep 2023 Planning, Infrastructure and Economic Development Policy Advisory Committee 6 Sep 2023 Housing, Health and Environment Policy Advisory Committee 7 Sep 2023	1st Quarter Finance, Performance and Risk Monitoring Report	Paul Holland paulholland@maidstone.gov.uk

Details of the Decision to be taken	Decision to be taken by	Lead Member	Expected Date of Decision	Key	Exempt	Proposed Consultees / Method(s) of Consultation	Documents to be considered by Decision taker	Representations may be made to the following officer by the date stated
						Corporate Services Policy Advisory Committee 11 Sep 2023		
Medium Term Financial Strategy 2024 to 2029 - Saving Proposals 11	Cabinet	Cabinet Member for Corporate Services.	20 Sep 2023	Yes	No Open	Communities, Leisure and Arts Policy Advisory Committee 5 Sep 2023 Planning, Infrastructure and Economic Development Policy Advisory Committee 6 Sep 2023 Housing, Health and Environment Policy Advisory Committee 7 Sep 2023 Corporate Services Policy Advisory Committee 11 Sep 2023	Medium Term Financial Strategy 2024 to 2029 - Saving	Mark Green, Adrian Lovegrove Director of Finance, Resources & Business Improvement, Head of Finance markgreen@maidstone.gov.uk, adrianlovegrove@maidstone.gov.uk

Details of the Decision to be taken	Decision to be taken by	Lead Member	Expected Date of Decision	Key	Exempt	Proposed Consultees / Method(s) of Consultation	Documents to be considered by Decision taker	Representations may be made to the following officer by the date stated
						Overview & Scrutiny Committee 19 Sep 2023		
Consideration of a proposal to extend and improvement works to Medway street carpark	Cabinet	Cabinet Member for Corporate Services.	25 Oct 2023	No	No Open	Corporate Services Policy Advisory Committee 11 Oct 2023	Consideration of a proposal to extend and improvement works to Medway street carpark	Katie Exon Head of Property and Leisure katieexon@maidstone.gov.uk
<p>  Council Tax Reduction Scheme 2024/25 Each year the Council is required to review it's annual localised Council Tax Reduction scheme. The report is required to go to Cabinet with a final approval by Full Council prior to 11 March. </p>	Cabinet	Cabinet Member for Corporate Services.	25 Oct 2023	Yes	No Open	Corporate Services Policy Advisory Committee 11 Oct 2023	Council Tax Reduction Scheme 2024/25	Zoe Kent Interim Head of Revenues & Benefits zoekent@swale.gov.uk

Details of the Decision to be taken	Decision to be taken by	Lead Member	Expected Date of Decision	Key	Exempt	Proposed Consultees / Method(s) of Consultation	Documents to be considered by Decision taker	Representations may be made to the following officer by the date stated
<p>Medium Term Financial Strategy 2024 to 2029 - Capital Programme</p> <p>Detail of the 5 year capital programme for inclusion in the budget for 2024/25 onwards.</p>	Cabinet	Cabinet Member for Corporate Services.	20 Dec 2023	Yes	No Open	Corporate Services Policy Advisory Committee 13 Dec 2023	Medium Term Financial Strategy 2024 to 2029 - Capital Programme	<p>Adrian Lovegrove, Paul Holland</p> <p>Head of Finance, adrianlovegrove@m aidstone.gov.uk, paulholland@maidst one.gov.uk</p>

Agenda Item 10

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

**11 September
2023**

1st Quarter Finance, Performance & Risk Monitoring Report 2023/24

Timetable	
Meeting	Date
Corporate Services Policy Advisory Committee	11 September 2023
Cabinet Meeting	20 September 2023

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Cabinet
Lead Head of Service	Mark Green, Director of Finance, Resources & Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager Carly Benville, Senior Information Analyst Orla Sweeney, Senior Policies & Communities Officer Charlotte Yarnold, Programme Manager (Strategic Planning) Uche Olufemi, Emergency Planning & Resilience Manager
Classification	Public
Wards affected	All

Executive Summary

This report sets out the 2023/24 financial and performance position for the services reporting into the Corporate Services Policy Advisory Committee (CS PAC) as at 30th June 2023 (Quarter 1). The primary focus is on:

- The 2023/24 Revenue and Capital budgets; and
- The 2023/24 Key Performance Indicators (KPIs) that relate to the delivery of the Strategic Plan 2019-2045.
- Corporate Risk Register

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

At the Quarter 1 stage the Council has incurred net expenditure of £2.916m against the approved profiled budget of £2.473m, representing an overspend of £0.444m. The projected year-end outturn position at this stage is an overspend of £0.274m.

Overall net expenditure at the end of Quarter 1 for the services reporting to CS PAC is £1.606m, compared to the approved profiled budget of £1.309m, representing an overspend of £0.297m.

At the Quarter 1 stage, the Council has incurred overall net expenditure of £2.411m against a budget allocation within the Capital Programme of £54.999m. The projected year-end net expenditure is £40.627m.

Capital expenditure at the end of Quarter 4 for CS PAC was £0.490m against a total budget of £17.605m.

Performance Monitoring

100% (2 out of 2) of the Key Performance Indicators for this Policy Advisory Committee achieved their Quarter 1 target. Across the other three Committees a number of targets were missed, mainly due to current issues with the economy, although there were improvements in a number of other areas.

Recovery & Renewal Update

One of the three areas of focus in the Recovery and Renewal Action has now been completed. This is shown in the update at Appendix 3.

UK Shared Prosperity Fund Update

An update on progress made against schemes using this funding is shown at Appendix 4.

Corporate Risk Update

Appendix 5 outlines all the Council's corporate risks. The corporate risk ratings and scores have remained largely consistent with the last report in May. There remains one black operational risk in respect of the waste collection contact costs.

Purpose of Report

The report enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues as at 30th June 2023.

This report makes the following recommendations to the Corporate Services Policy Advisory Committee:

1. That the Revenue position as at the end of Quarter 1 for 2023/24, including the actions being taken or proposed to improve the position, where significant variances have been identified, be noted;
2. That the Capital position at the end of Quarter 1 for 2023/24 be noted;
3. That the Performance position as at Quarter 1 for 2023/24, including the actions being taken or proposed to improve the position, where significant issues have been identified, be noted.
4. That the Recovery & Renewal Update, attached at Appendix 3 be noted.
5. That the UK Shared Prosperity Fund update, attached at Appendix 4 be noted.
6. That the Risk Update, attached at Appendix 5 be noted.

1st Quarter Finance, Performance & Risk Monitoring Report 2023/24

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council’s Medium-Term Financial Strategy which is linked to the Strategic Plan and corporate priorities.</p> <p>The Key Performance Indicators and strategic actions are part of the Council’s overarching Strategic Plan 2019-45 and play an important role in the achievement of corporate objectives. They also cover a wide range of services and priority areas.</p>	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Cross Cutting Objectives	This report enables any links between performance and financial matters to be identified and addressed at an early stage, thereby reducing the risk of compromising the delivery of the Strategic Plan 2019-2045, including its cross-cutting objectives.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Risk Management	This is addressed in Section 5 of this report.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Financial	<p>Financial implications are the focus of this report through high level budget monitoring. Budget monitoring ensures that services can react quickly enough to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.</p> <p>Performance indicators and targets are closely linked to the allocation of resources and determining good value for money.</p>	Senior Finance Manager (Client)

	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.	
Staffing	<p>The budget for staffing represents a significant proportion of the direct spend of the Council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.</p> <p>Having a clear set of performance targets enables staff outcomes/objectives to be set and effective action plans to be put in place.</p>	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Legal	<p>The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Committee to remain aware of issues and the process to be taken to maintain a balanced budget.</p> <p>There is no statutory duty to report regularly on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. One of the purposes of the Key Performance Indicators is to facilitate the improvement of the economy, efficiency and effectiveness of Council services. Regular reports on Council performance help to demonstrate best value and compliance with the statutory duty.</p>	Senior Legal Advisor – Corporate Governance
Information Governance	The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes.	Policy and Information Team
Equalities	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a	Equalities and Communities Officer

	policy or service change, should one be identified.	
Public Health	The performance recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	There are no specific issues arising.	Director of Finance, Resources 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, Resources and Business Improvement (Section 151 Officer)
Biodiversity and Climate Change	Sufficient budget has been allocated for the Council's short to medium term financial commitment to addressing the biodiversity and climate issues stipulated in the Biodiversity and Climate Change Action Plan.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

- 2.1 The Medium-Term Financial Strategy for 2023/24 to 2027/28 - including the budget for 2023/24 - was approved by full Council on 22nd February 2023. This report updates the Committee on how its services have performed over the last quarter with regard to revenue and capital expenditure against approved budgets.
- 2.2 This report also includes an update to the Committee on progress against its Key Performance Indicators (KPIs), and an updated covering corporate risks.
- 2.3 Attached at Appendix 1 is a report setting out the revenue and capital spending position at the Quarter 2 stage. Attached at Appendix 2 is a report setting out the position for the KPIs for the corresponding period. Attached at Appendix 3 is an update on progress against the Recovery & Renewal Plan and attached at Appendix 4 is an update on the UK Shared Prosperity Fund. Also attached at Appendix 5 is a report providing an update on corporate risks, in response to the former Policy & Resources Committee's

previous request for regular updates on this subject.

3. REVENUE AND CAPITAL BUDGETS

3.1 The tables below summarise the overall position as at 30th June 2023. Further details and an explanation of the significant variances are shown in Appendix 1.

Policy Advisory Committee	Full Year Budget 2023/24 £000	Budget to 30 June 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Corporate Services	12,289	1,309	1,606	-297	11,682	607
Planning, Infrastructure & Economic Development	565	619	556	62	615	-50
Housing, Health & Environment	11,414	632	795	-163	12,185	-771
Communities, Leisure & Arts	1,510	-87	-41	-46	1,570	-60
Net Revenue Expenditure	25,777	2,473	2,916	-444	26,051	-274

Revenue Budget

Policy Advisory Committee	Adjusted Estimate 2023/24 £000	Actual to June 2023 £000	Budget Remaining £000	Projected Total Expenditure £000	Projected Slippage to 2024/25 £000
Corporate Services	17,605	490	17,115	12,798	4,807
Planning, Infrastructure & Economic Development	656		656	306	350
Housing, Health & Environment	32,522	1,887	30,635	26,203	6,319
Communities, Leisure & Arts	4,216	34	4,182	1,320	2,758
Total	54,999	2,411	52,588	40,627	14,234

Capital Budget

4. AVAILABLE OPTIONS

4.1 The Committee is asked to note the contents but may choose to comment.

5. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

5.1 In considering the current position on the Revenue budget, the Capital Programme, and the KPIs at the end of June 2023, the Committee can choose to note this information or could choose to comment.

6. **RISK**

- 6.1 This report is presented for information only and has no direct risk management implications.
- 6.2 The Council produced a balanced budget for both revenue and capital income and expenditure for 2023/24. The budget is set against a continuing backdrop of limited resources and the continuation of 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 Cabinet the best opportunity to take actions to mitigate such risks.
- 6.3 Within the adverse variance reported to the Housing, Health and Environment PAC is a projected overspend in excess of £800,000 in relation to the provision of temporary accommodation. Expenditure in this area is unpredictable, and whilst current projections are that this overspend can be mitigated substantially through underspends elsewhere around the Council, this area of spend poses a very significant risk.
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7. **CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 7.1 The KPIs update ("Performance Monitoring") are reported to the Policy Advisory Committees (PAC) quarterly: Communities, Leisure & Arts PAC, Housing, Health & Environment PAC and Planning, Infrastructure & Economic Development PAC. Each committee also receives a report on the relevant priority action areas. The report was also presented to the Corporate Services PAC reporting on the priority areas of "A Thriving Place", "Safe, Clean and Green", "Homes and Communities" and "Embracing Growth and Enabling Infrastructure".
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8. **NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 8.1 The Quarter 1 Budget & Performance Monitoring reports are being considered by the relevant Policy Advisory Committees during September 2023.
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9. **REPORT APPENDICES**

- Appendix 1: First Quarter Budget Monitoring 2023/24
 - Appendix 2: First Quarter Performance Monitoring 2023/24
 - Appendix 3: Recovery & Renewal Update 2023/24
 - Appendix 4: UK Shared Prosperity Fund Update 2023/24
 - Appendix 5: Risk Update 2023/24
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10. **BACKGROUND PAPERS**

None.

APPENDIX 1 – FIRST QUARTER BUDGET MONITORING

Contents

Part A: First Quarter Revenue Budget 2023/24

- A1) Revenue Budget: Council
- A2) Revenue Budget: Corporate Services (CS PAC)
- A3) CS PAC Revenue Budget: Significant Variances
- A4) Other Revenue Budgets: Significant Variances
- A5) Virements

Part B: First Quarter Capital Budget 2023/24

- B1) Capital Budget: Council
- B2) Capital Budget: Corporate Services (CS PAC)
- B3) Capital Budget Variances

Part C: First Quarter Local Tax Collection 2023/24

- C1) Collection Fund
- C2) Collection Rates
- C3) Business Rates Retention (BRR)

Part D: Reserves & Balances 2023/24

- D1) Reserves & Balances

Part E: Treasury Management 2023/24

- E1) Introduction
- E2) Economic Headlines
- E3) Council Investments
- E4) Council Borrowing

Part A - First Quarter Revenue Budget 2023/24

A1) Revenue Budget: Council

Net Expenditure 2023/24 (@ 1st Quarter): Analysis by PAC

Policy Advisory Committee	Full Year Budget 2023/24 £000	Budget to 30 June 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Corporate Services	12,289	1,309	1,606	-297	11,682	607
Planning, Infrastructure & Economic Development	565	619	556	62	615	-50
Housing, Health & Environment	11,414	632	795	-163	12,185	-771
Communities, Leisure & Arts	1,510	-87	-41	-46	1,570	-60
Net Revenue Expenditure	25,777	2,473	2,916	-444	26,051	-274

Net Expenditure 2023/24 (@1st Quarter): Analysis by PRIORITY

Priority	Full Year Budget 2023/24 £000	Budget to 30 June 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Safe, Clean and Green	9,257	1,899	1,714	185	9,210	47
Homes and Communities	1,839	-1,208	-900	-308	2,857	-1,018
Thriving Place	1,543	529	618	-90	1,743	-200
Embracing Growth and Enabling Infrastructure	208	388	300	88	258	-50
Central & Democratic	12,931	864	1,184	-320	11,984	947
Net Revenue Expenditure	25,777	2,473	2,916	-444	26,051	-274

Net Expenditure 2023/24 (@ 1st Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget 2023/24 £000	Budget to 30 June 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Employees	25,416	6,415	6,235	179	25,345	71
Premises	7,148	2,795	2,891	-96	7,338	-190
Transport	561	123	101	22	561	0
Supplies & Services	17,386	3,595	3,408	187	17,381	5
Agency	8,932	1,732	1,682	50	8,932	0
Transfer Payments	35,439	7,479	7,301	178	35,439	0
Asset Rents	1,868	0	0	0	1,868	0
Income	-70,973	-19,666	-18,701	-965	-70,813	-160
Net Revenue Expenditure	25,777	2,473	2,916	-444	26,051	-274

'Transfer payments' include payments of housing benefit, which are falling with the introduction of Universal Credit. The underspend on transfer payments is offset by a reduction in reimbursement income from central government.

Net Expenditure 2023/24 (@ 1st Quarter): Analysis by CABINET MEMBER

Cabinet Member	Full Year Budget 2023/24 £000	Budget to 30 June 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Leader of the Council	1,240	337	364	-27	1,240	0
Planning, Infrastructure & Economic Development	-559	312	217	96	-509	-50
Communities, Leisure & Arts	1,510	-87	-41	-46	1,570	-60
Corporate Services	12,165	1,278	1,581	-303	11,558	607
Housing & Health	2,922	-1,201	-865	-335	3,740	-818
Environmental Services	8,500	1,833	1,660	173	8,453	47
Net Revenue Expenditure	25,777	2,473	2,916	-444	26,051	-274

A2) Revenue Budget: Corporate Services PAC

- A2.1 The table below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into CS PAC at the end of Quarter 1. The financial figures are presented on an accruals basis (i.e. expenditure for goods and services received, but not yet paid for, is included).
- A2.2 This table now shows the variance split between expenditure and income to give more of an insight into the nature of the variance.
- A2.3 These budget areas are all covered by the Cabinet Member for Corporate Services, with the exception of the two marked ** which are covered by the Leader of the Council.

CS Revenue Budget: NET EXPENDITURE (@ 1st Quarter 2023/24)

Cost Centre	Approved Budget for Year	Approved Budget to 30 June 2023	Actual as at 30 June 2023	Variance as at 30 June 2023			Forecast March 2024	
	Net	Net	Net	Expenditure	Income	Net	Forecast Net	Forecast Variance
	£000	£000	£000	£000	£000	£000	£000	£000
Maintenance of Closed Churchyards	11	3	0	3	0	3	11	0
Drainage	34	9	0	9	0	9	34	0
Climate change **	14	3	0	3	0	3	14	0
Street Naming & Numbering	-73	-18	-11	0	-8	-8	-73	0
Sandling Road Site	30	8	98	-80	-10	-90	230	-200
Maidstone House - Landlord	-173	-286	15	104	-406	-301	27	-200
Civic Occasions	46	28	29	-1	0	-1	46	0
Members Allowances	456	114	118	-4	0	-4	456	0
Members Facilities	18	5	3	1	0	1	18	0
Contingency	1,086	271	2	271	-2	269	1,086	0
Corporate Projects	0	0	27	-27	0	-27	0	0
Corporate Management	449	67	80	-14	0	-14	449	0
Unapportionable Central Overheads	962	224	214	10	0	10	922	40
Council Tax Collection	66	28	31	-3	0	-3	66	0
Council Tax Collection - Non Pooled	-331	57	58	1	-1	-0	-331	0
Council Tax Benefits Administration	-140	24	24	0	-0	-0	-140	0
NNDR Collection	2	1	2	-1	0	-1	2	0
NNDR Collection - Non Pooled	-230	13	33	-20	0	-20	-230	0
MBC- BID	1	-14	-19	3	1	4	1	0
Registration Of Electors	69	17	-43	9	51	60	69	0
Elections	164	165	247	-31	-51	-82	164	0
KCC Elections	0	0	20	-20	0	-20	32	-32
Emergency Centre	24	9	3	6	0	6	24	0
Medway Conservancy	134	134	134	-0	0	-0	134	0
External Interest Payable	2,203	0	55	-55	0	-55	1,380	823
Interest & Investment Income	-150	-38	-98	0	61	61	-600	450
Palace Gatehouse	5	1	1	-0	0	-0	5	0
Archbishops Palace	3	2	60	-48	-10	-58	53	-50
Parkwood Industrial Estate	-318	-74	-83	1	8	9	-318	0
Industrial Starter Units	-40	-31	-27	3	-7	-4	-40	0
Parkwood Equilibrium Units	-123	-76	-54	5	-26	-21	-123	0
Sundry Corporate Properties	-18	-5	-16	33	-22	11	-18	0
Phoenix Park Units	-232	-126	-128	3	-1	2	-232	0
Granada House - Commercial	-96	-52	-43	2	-10	-9	-96	0
MPH Residential Properties	-869	-217	-149	-45	-24	-68	-669	-200
Heronden Road Units	-207	-115	-137	-1	23	22	-207	0
Boxmend Industrial Estate	-109	-64	-58	1	-8	-6	-109	0
Wren Industrial Estate	-134	-82	-99	-7	24	17	-134	0
General Fund Residential Properties	-56	-14	-14	-1	1	0	-56	0
Pensions Fund Management	2,169	0	0	0	0	0	2,169	0
Non Service Related Government Grants	-4,661	-1,165	-1,164	0	-1	-1	-4,661	0

Cost Centre	Approved Budget	Approved	Actual as at 30	Variance as at 30 June 2023			Forecast March 2024	
	Net £000	Net £000	Net £000	Expenditure £000	Income £000	Net £000	Forecast Net £000	Forecast Variance £000
Rent Allowances	-114	-23	-119	422	-326	96	-114	0
Non HRA Rent Rebates	-9	276	439	-163	0	-163	-9	0
Discretionary Housing Payments	0	58	84	-26	0	-26	0	0
Housing Benefits Administration	-315	-75	-69	-4	-2	-6	-315	0
Democratic Services Section	291	73	68	5	0	5	291	0
Mayoral & Civic Services Section	127	32	30	2	0	2	127	0
Chief Executive	196	49	51	-2	0	-2	196	0
Biodiversity & Climate Change **	102	27	25	3	0	3	102	0
Director of Strategy Governance and Insight	147	37	30	7	0	7	147	0
Revenues Section	540	214	224	-10	-0	-10	540	0
Registration Services Section	96	24	24	0	0	0	96	0
Benefits Section	520	196	208	-12	0	-12	520	0
Fraud Section	42	-75	-85	6	4	10	42	0
Mid Kent Audit Partnership	222	62	-25	79	8	87	222	0
Director of Finance, Resources & Business Imp	146	37	38	0	-1	-1	146	0
Accountancy Section	901	247	206	40	-0	40	885	16
Legal Services Section	659	166	183	-2	-14	-17	659	0
Director of Regeneration & Place	154	39	38	1	0	1	154	0
Procurement Section	119	-4	0	0	-4	-4	119	0
Property & Projects Section	376	94	87	6	1	7	376	0
Corporate Support Section	319	79	82	-2	0	-2	319	0
Improvement Section	259	65	86	-21	0	-21	259	0
Executive Support Section	101	25	25	0	0	0	101	0
Mid Kent ICT Services	636	159	134	31	-6	25	636	0
GIS Section	132	33	33	1	-0	0	132	0
Director of Mid Kent Services	47	-59	-59	-0	-0	-0	47	0
Mid Kent HR Services Section	428	107	99	12	-4	7	428	0
MBC HR Services Section	100	30	30	0	-0	-0	100	0
Head of Revenues & Benefits	66	27	16	11	0	11	66	0
Revenues & Benefits Business Support	153	45	40	5	-0	5	153	0
Dartford HR Services Section	-16	-4	-4	0	0	0	-16	0
IT Support for Revenues and Benefits	1	0	0	-0	0	-0	1	0
Emergency Planning & Resilience	165	41	30	11	0	11	165	0
Head of Property and Leisure	118	30	28	2	0	2	118	0
Facilities Section	264	66	56	9	0	9	264	0
Salary Slippage 1PR	-279	-70	0	-70	0	-70	-279	0
Town Hall	127	43	9	33	-0	33	127	0
South Maidstone Depot	205	97	133	-36	0	-36	245	-40
The Link	53	80	92	-12	-0	-12	53	0
Maidstone House - MBC Tenant	468	275	275	-0	-0	-0	468	0
Museum Buildings	268	95	47	49	-0	49	268	0
I.T. Operational Services	664	177	201	-24	0	-24	664	0
Central Telephones	16	4	2	3	0	3	16	0
Apprentices Programme	74	18	9	9	0	9	74	0
Internal Printing	-1	2	-7	11	-2	9	-1	0
Debt Recovery Service	-29	50	0	51	-1	50	-29	0
Debt Recovery MBC Profit Share	-110	-28	-14	0	-13	-13	-110	0
General Balances	-200	-200	-200	0	0	0	-200	0
Earmarked Balances	4,371	-138	-84	-54	0	-54	4,371	0
Appropriation Account	1,876	0	0	0	0	0	1,876	0
Pensions Fund Appropriation	-2,169	0	0	0	0	0	-2,169	0
Totals	12,289	1,309	1,606	482	-779	-297	11,682	607



A3) CS Revenue Budget: Significant Variances

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. Variances will be reported to each of the Policy Advisory Committees on a quarterly basis throughout 2023/24.

A3.2 The table below highlights and provides further detail on the most significant variances at the end of Quarter 1.

CS PAC Variances (@ 1st Quarter 2023/24)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Corporate Services	£000		
Sandling Road Site – Running costs are exceeding the budgets, mainly for utility costs. There is also a shortfall in the rental income that was anticipated. The Council’s objective remains to ensure that this site is fully tenanted up to the point where it is handed over for redevelopment as part of the housing capital programme.		-90	-200
Maidstone House – There are shortfalls in rental income received against budget, as letting of floors 2 and 4 is behind schedule. Some building works have been required in order to meet current accommodation standards and to provide space that is attractive to tenants in the current market. Progress is being made, with agreements in place to for the letting of 40% of Floor 2 and planning under way for the conversion of floor 4.		-300	-200
External Interest Payable – The variance on this budget relates to the Minimum Revenue Provision (MRP) that is required to be made to cover the cost of borrowing for the capital programme. Slippage in the programme means that we have not borrowed as much as had been anticipated. The profiled budget assumes the MRP figure is charged at the end of the financial year.		-55	823
Interest & Investment Income – Due to the slippage in the capital programme and interest rates continuing to be high there is likely to be a significant increase in income received by the end of the financial year.	61		450
Archbishop’s Palace – Now the lease with Kent County Council has expired liability for the Business Rates now rests with Maidstone BC, but currently there is no budget for this. The profiled budget assumes the rates are due in the first quarter of the year.		-58	-50
MPH Residential Properties – The majority of the forecast variance relates to the temporary closure of Granada House for refurbishment works.		-68	-200

A4) Other Revenue Budgets: Significant Variances

A4.1 The tables below highlight and provide further detail on the most significant variances.

Planning, Infrastructure & Economic Development PAC Variances (@ 1st Quarter 2023/24)

	Positive Variance Q4	Adverse Variance Q4	Year End Forecast Variance
Planning, Infrastructure & Economic Development	£000		
PLANNING & ECONOMIC DEVELOPMENT			
Former Park & Ride Sites – These are budgets that were used to fund the Business Rates and running costs for the site. They are no longer required and will be removed for 2024/25.	80		100

	Positive Variance Q4	Adverse Variance Q4	Year End Forecast Variance
Planning, Infrastructure & Economic Development	£000		
PLANNING SERVICES			
Development Control (Majors) – Numbers of applications are down as developers are waiting for the Local Plan to be approved before they submit new ones.		-90	-150

Housing, Health & Environment PAC Variances (@ 1st Quarter 2023/24)

	Positive Variance Q4	Adverse Variance Q4	Year End Forecast Variance
Housing, Health & Environment	£000		
Homeless Temporary Accommodation – The ongoing economic crisis means that demand for this service continues to be high. Properties are continuing to be purchased to provide further accommodation which should reduce costs going forward.		-229	-818

Communities, Leisure & Arts PAC Variances (@ 1st Quarter 2023/24)

	Positive Variance Q4	Adverse Variance Q4	Year End Forecast Variance
Communities, Leisure & Arts	£000		
Lockmeadow Complex – There have been additional service charge costs for Love Food relating to 2022/23. Service charge costs continue to exceed budgeted levels, leading to a projected overspend for the year.		-34	-60

A5) Virements

A5.1 In accordance with the Council's commitment to transparency and recognised good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the CS PAC 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 1 are presented in the table below.

Virements (@ 1st Quarter 2023/24)

Temporary Reportable Virements

£

Renewal License funding Performance and Development	15,560
Fund HR officer -5 months	19,190
Fund Video Conferencing (Maidstone House)	3,760
From Recovery and Renewal Reserve	-38,510

Fund post in Visitor Economy Section	33,990
From Business Rates Pool Reserve	-33,990

Fund Homechoice Assistant	14,190
From Homelessness Prevention & TA Reserve	-14,190

Funding for NHS Event Celebration	3,500
From Contingency	-3,500

St Philips Community Centre Grant	17,000
From Business Rates Pilot Projects Reserve	-17,000

Revenue Funding for Capital - Temporary Funding	6,300
To fund Mote Park Car Park Resurfacing	-6,300

Fund Honorarium - Facilities Section	970
From Expenses Community Halls	-970

Permanent Reportable Virements

Fund Traveller Site Manager	42,230
From Marden Caravan Site (Stilebridge Lane)	-42,230

Fund Posts Housing & Inclusion	77,590
Homelessness Prevention & TA Reserve	-77,590

Part B - First Quarter Capital Budget 2023/24

B1) Capital Budget 2023/24 (@ 1st Quarter 2023/24)

Capital Programme Heading	Adjusted Estimate 2023/24	Actual to June 2023	Budget Remaining	Q2 Profile	Q3 Profile	Q4 Profile	Projected Total Expenditure	Projected Slippage to 2024/25
	£000	£000	£000	£000	£000	£000	£000	£000
Housing, Health & Environment								
Private Rented Sector Housing	3,948	766	3,182	1,000	1,092	957	3,815	133
1,000 Homes Affordable Housing Programme - Expenditure	8,618	1,617	7,001	600	760	970	3,947	4,671
1,000 Homes Affordable Housing Programme - Social Housing	-5,790	-2,371	-3,419	-2,100	-629	-690	-5,790	
Temporary Accommodation	15,879	1,573	14,306	5,355	3,791	5,161	15,879	
Commercial Development - Maidstone East	356		356	10	10	50	70	286
Heather House Community	319		319		50	100	150	169
Housing - Disabled Facilities Grants Funding	1,212	203	1,009	250	300	300	1,053	159
Acquisitions Officer - Social Housing Delivery Partnership	180	18	161	40	40	40	138	41
Street Scene Investment	50	37	13	13			50	0
Flood Action Plan	618	6	612		40		46	572
Installation of Public Water Fountains	15		15					15
Crematorium & Cemetery Development Plan	9	1	8				1	8
Continued Improvements to Play Areas	144	3	142				3	142
Parks Improvements	69	29	40	20		20	69	0
Gypsy & Traveller Sites Refurbishment	131		131	50			50	81
Waste Crime Team - Additional Resources	25		25	25			25	
Section 106 funded works - Open Spaces	517		517	150	175	192	517	0
Expansion of Cemetery	80		80	15	15	10	40	40
Expansion of Crematorium	340	6	334		100	234	340	-0
Purchase of New Waste Collection Vehicles	5,800		5,800			5,800	5,800	
Total	32,522	1,887	30,635	5,428	5,744	13,144	26,203	6,319
Communities, Leisure & Arts								
Mote Park Lake - Dam Works	188		188	50			50	
Museum Development Plan	389	22	367	28	202	89	341	48
Leisure Provision	3,100		3,100			500	500	2,600
Tennis Courts Upgrade	40	12	27	27			40	
Riverside Walk Works	250		250		50	200	250	
Mote Park Kiosk Refurbishment & Extension	250		250	10	10	120	140	110
Total	4,216	34	4,182	115	262	909	1,320	2,758

Capital Programme Heading	Adjusted Estimate 2023/24	Actual to June 2023	Budget Remaining	Q2 Profile	Q3 Profile	Q4 Profile	Projected Total Expenditure	Projected Slippage to 2024/25
	£000	£000	£000	£000	£000	£000	£000	£000
Corporate Services								
Asset Management / Corporate Property	1,396	118	1,278	210	210	410	948	448
Corporate Property Acquisitions	5,681		5,681		2,681	3,000	5,681	
Kent Medical Campus - Innovation Centre	73	0	73	73			73	-0
Lockmeadow Ongoing	365		365	100	50	50	200	165
Garden Community	1,633	124	1,510	60	200	250	634	1,000
Infrastructure Delivery	2,000		2,000		1,000	1,000	2,000	
Other Property Works	596	2	594		183	132	316	280
Biodiversity & Climate Change	2,961	14	2,948	116		674	804	2,157
Photovoltaic Panels	234		234			112	112	122
Feasibility Studies	81	42	38	15	15	8	80	0
Digital Projects	28		28			28	28	
Software / PC Replacement	413	61	352	110	110	132	413	0
Maidstone House Works	1,144	116	1,029	100	150	200	566	579
Automation Projects	185		185	65	65	55	185	0
New Ways of Working - Make the Office Fit for Purpose	31		31	31			31	0
Fleet Vehicle Replacement Programme	633	-1	633	200	200	233	632	0
Automation of Transactional Services	150	15	135	20	30	30	95	55
Total	17,605	490	17,115	1,100	4,894	6,314	12,798	4,807
Planning, Infrastructure & Economic Development								
Bridges Gyratory Scheme	206		206			206	206	
Town Centre Strategy	450		450			100	100	350
Total	656		656			306	306	350
TOTAL	54,999	2,411	52,588	6,643	10,899	20,673	40,627	14,234

B2) Capital Budget Variances (@ 1st Quarter 2023/24)

Corporate Service

Garden Community – Work continues to develop this project, with any unused funding to be carried forward into 2024/25.

Biodiversity & Climate Change – A number of projects have been identified and are being developed, including large scale tree planting, wetland restoration and works around the decarbonisation of the Council property estate. Unused funding will be carried forward to 2024/25 to fund other projects.

Communities, Leisure & Arts

Mote Park Lake Dam Works – This project is now substantially complete with just the final payment due to the contractor and has come in under budget.

Leisure Provision – Discussions are ongoing with the current operator regarding this budget, and at present it is anticipated that there will be some initial spend on improvements at the centre in the final quarter of the year. There will be a further update on the this in the 2nd quarter report.

Riverside Walk Works – The plans for this project are currently in development, and whilst it is hoped that it can be completed within the current financial year there is some uncertainty over the timing of the works, so it could slip into 2024/25. There will be a further update on the this in the 2nd quarter report.

Housing, Health & Environment

Private Sector Rented Housing/1,000 Homes Affordable Housing Programme - A number of schemes are at various stages of development at present, and further land/property acquisitions are likely to take place before the end of the financial year. Some schemes will also contain elements of both private rented and affordable housing so the costs may change depending on the mix at the sites where this happens.

Flood Action Plan - The flood action plan budget was set up to allow the Council to deliver, or contribute towards, schemes that would mitigate flood risk. At this stage, the only schemes that have been identified have been small scale natural flood management schemes. Officers are discussing with counterparts in the Environment Agency, Kent County Council and the Upper Medway Internal Drainage Board what can be done to promote appropriate and practical schemes in the future.

Planning, Infrastructure & Economic Development

Town Centre Strategy – The Town Centre Strategy is currently under development, and it is envisaged that capital works will be commissioned as part of this. The first tranche of work is likely to get under way in the final quarter of the year.

Part C - First Quarter Local Tax Collection 2023/24

C1) Collection Fund

- C1.1 A large proportion of the Council's income is generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- 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.
- C1.3 There are statutory accounting arrangements in place which minimise the in-year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets and the medium-term financial strategy.

C2) Collection Rates & Reliefs

- C2.1 The collection rates achieved for local taxation are shown in the table below.

Local Tax Collection Rates (Q1 2023/24)

Description	Target Q1 2023/24	Actual Q1 2023/24
Council Tax	27.48%	28.16%
Business Rates	30.97%	31.28%

- C2.2 The amount of Council Tax and Business Rates collected is marginally higher than the quarter 1 target.

C3) Kent Business Rates Pool

- C3.1 The council will continue to participate with other Kent authorities during 2023/24 to maximise the proportion of business rates growth it is able to retain. Forecasts from those in the pool have been requested and we will have an update once we receive all Business Rate quarter 2 figures. As in previous years, any funding will be allocated to spending which supports the delivery of the council's Economic Development Strategy.
- C3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. Business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. the impact of the removal of expanded reliefs to businesses affected by Covid-19, and the longer term impacts on local, national and global economies.

Part D - Reserves & Balances 2023/24

D1) Reserves & Balances

D1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2023 was £30.8 million. This includes £19.3 million set aside for specific purposes in Earmarked Reserves. The makeup of the balance, and the forecast movements during 2023/24 are presented in the table below.

D1.2 The closing balance enables a minimum general fund balance of £4.0 million to be maintained, as agreed by full Council in February 2023.

Reserves & Balances Quarter 1 2023/24

Earmarked Reserves and Balances	Balance as at 31/03/2023 £000	Contributions to/from Balances 2023/24 £000	Estimated Balance 31/03/2024 £000
Spatial Planning	(558)	558	0
Neighbourhood Planning	(77)	20	(57)
Planning Appeals	(229)	0	(229)
Trading Accounts	(0)	0	(0)
Civil Parking Enforcement	(370)	40	(330)
Future Capital Expenditure	(2,455)	0	(2,455)
Future Funding Pressures	(2,481)	(500)	(2,981)
Homelessness Prevention & Temporary Accommodation	(1,124)	135	(989)
Business Rates Earmarked Balances	(4,305)	451	(3,854)
Funding for Future Collection Fund Deficits	(2,504)	0	(2,504)
Commercial Risk	(500)	0	(500)
Invest to Save	(500)	0	(500)
Recovery and Renewal Reserve	(575)	250	(325)
Renewable Energy	(188)	(50)	(238)
Enterprise Zone	(0)	0	(0)
Major Works Sinking Fund	(213)	(200)	(413)
Housing Investment Fund	(3,216)	0	(3,216)
Total Earmarked Reserves	(19,297)	704	(18,593)
Unallocated Balances	(11,386)	0	(11,386)
Carry Forwards fr 22/23 to 23/24	(200)	200	0
Unallocated Balances	(11,586)	200	(11,386)
Total General Fund Reserves	(30,883)	905	(29,979)

Part E - Treasury Management 2023/24

E1) Introduction

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

The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 22nd February 2023, the Council approved a Treasury Management Strategy for 2023/24 that was based on this code. The strategy requires that Corporate Services Policy Advisory Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

E2) Economic Headlines

During the Quarter ended 30th June 2023, the Council's Advisors, Link Asset Services, reported:

- A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
- CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
- Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
- A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
- Interest rates rise by a further 75 basis points (bps) over the quarter, taking Bank Rate from 4.25% to 5.00%;
- 10-year gilt yields nearing the "mini-Budget" peaks, as inflation surprised to the upside.

E3) Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Their advice is set out in this section.

The PWLB interest rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Interest Rate Forecast

Link Group Interest Rate View	26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50	
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50	
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60	
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70	
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20	
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40	
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70	
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50	

BANK RATE

The latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

Bank Rate moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, we anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.

Moreover, we also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.

PWLB RATES

Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.

We view the markets as having recalibrated the level of reward required by investors to hold UK sovereign debt (c0.75% higher than in March).

E4) Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 22nd February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods

up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

The council held investments totaling £8.54m at the start of the year which have increased to £10.24m on 30th June 2023. Average level of funds available for investment during the quarter was £11.52m. All investments were held in either short term notice accounts or money market funds, to be readily available to fund the Council's liabilities, including the capital programme.

A full list of investments held at this time is shown at the table below.

Short-Term Investments (1st Quarter 2023/24)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	8,340,000			4.43%		£10,000,000
Lloyds Bank Plc	Call Account	1,900,000			4.90%		£5,000,000
Total Investments		10,240,000					

The Council outperformed the benchmark Sterling Overnight Investment Rate (SONIA) rate by 15 bps (Sonia Rate 4.37%, Council Investments 4.52% as at 30/06/2023). The Council's budgeted investment return for 2023/24 is £37,000, and performance for the year to date is £10,000 above budget.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2023.

E5) Council Borrowing

The Council held external borrowing amounting to £10m at the start of 2022/23. Total borrowing as at 30th June 2023 was £9m.

Due to the overall financial position and the underlying need to borrow for capital purposes (the Capital Financing Requirement - CFR), new external borrowing of £4m was undertaken in June and July (£2m in each month) from the Market. £5m of current borrowing has been repaid in May 2023. A breakdown is shown in the table below.

Council Borrowing (1st Quarter 2023/24)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Public Works Loans Board	Central Government	2,000,000	11/11/2021	11/11/2071	1.73%
Public Works Loans Board	Central Government	3,000,000	30/12/2021	30/12/2071	1.56%
North Northamptonshire Council	Local Authority	2,000,000	23/06/2023	23/02/2024	5.32%
Humber Bridge Board – Kingston Upon Hull	Local Authority	2,000,000	03/07/2023	03/10/2023	5.10%
Total Loans		9,000,000			

The Council has also committed to £80m future borrowing to fund the capital programme, currently forecasted at around £200m over the next 5 years. The loans were procured through a tendering process undertaken by Link Asset Service. Details of these can be found in the table below.

Committed Borrowing (1st Quarter 2023/24)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2064	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2074	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2025	13/02/2075	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2026	13/02/2076	2.87%
Total		80,000,000			

E6) Prudential and Treasury Indicators for 2023-24 as of 30th June 2023

The following table lists the Council's Prudential and Treasury Indicators showing budget for 2023/24 against the actual as at 31st March 2023.

Officers can confirm that the approved Treasury and Prudential limits within the Treasury Management Strategy Statement 2023/24 were not breached during the quarter ended 30th June 2023.





Prudential and Treasury Indicators




Treasury Indicators	2023/24 Budget £'000	31.03.23 Actual £'000
Authorised limit for external debt	79,683	17,473
Operational boundary for external debt	69,683	17,473
Gross external debt	60,992	10,000
Investments	32,000	8,540
Net borrowing	28,992	1,460
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	5,000	13,500
5 years to 10 years	0	5,000
10 years to 20 years	0	0
20 years to 30 years	0	0
30 years to 40 years	0	0
40 years to 50 years	5,000	5,000
Upper limit for principal sums invested over 365 days		
Year 1	2,000	2,000
Year 2	2,000	2,000
Year 3	2,000	2,000
Total	6,000	6,000

Prudential Indicators	2023/24 Budget £'000	31.03.23 Actual £'000
Capital expenditure	33,248	16,639
Capital Financing Requirement (CFR)	119,335	71,609
Annual change in CFR	31,287	5,406
In year borrowing requirement	31,597	4,000
Ratio of financing costs to net revenue stream	2,024	(505.90)

APPENDIX 2 – FIRST QUARTER PERFORMANCE MONITORING

Key to performance ratings

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









Direction	
	Performance has improved
	Previous data not captured
	Performance has declined
N/A	No previous data to compare

Performance Summary

RAG Rating	Green	Amber	Red	N/A ¹	Total
KPIs	2	0	0	3	5
Direction	Up	No Change	Down	N/A	Total
Last Quarter	0	0	2	3	5
Last Year	1	0	1	3	5

- 100% (2 of 2) the targetable quarterly key performance indicators (KPIs) reportable to this Committee achieved their Quarter 1 (Q1) target¹.
- Compared to last quarter (Q4 2022/23), performance for 0% (0 of 2) KPIs have improved, and for 100% (2 of 2) KPIs have declined¹.
- Compared to last year (Q1 2022/23), performance for 50% (1 of 2) KPIs have improved, and for 50% (1 of 2) KPIs have declined¹.

Corporate Services Q1 Performance

Performance Indicator	Q1 2023/24				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
Percentage of households receiving Council Tax Support (CTS)	12.63%			N/A	N/A
Maidstone: Percentage of Non-domestic rates collected	31.28%	30.97%			
Maidstone: Percentage of Council Tax collected	28.16%	27.48%			
Percentage of vacant MBC - owned commercial space (excluding property for development)	Annual Indicator				

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

Performance Indicator	Q1 2023/24				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
Percentage Change of Carbon Emissions from MBC Buildings/Fleet (Scope 1 and 2)	Annual Indicator				

THE WAY WE WORK

<p>Embedding new ways of working and ensuring the office is fit for purpose</p>	<p>£50,000 Recovery Fund £40,000 Capital Programme</p>	<p>Oct-23</p>	<p>TBC</p>	<p>Flexible office space that supports the new ways of working with the right technology and facilities.</p>	<p>Officers ability to work flexibly continues and remains under review.</p> <p>The M365 element of this work is continuing. Over 371 members of staff have more than 25 files within their OneDrive space already and by the end of Q4 2023 a significant proportion of staff are using OneDrive for Business instead of their "Y:" drive. 190 "Teams" are in use across the MKS partnership with an average of 11 users each and a total of 74 external users, indicating that collaboration is actively being used.</p> <p>Mobile applications have been developed using Total Mobile (Food Hygiene is currently under development), with more in the pipeline as the business looks to provide more use cases.</p>
<p>Ensure staff have the right equipment (office and home) to enable new ways of working</p>	<p>Capital Programme</p>	<p>Oct-21</p>	<p>TBC</p>	<p>Staff able to effectively work anywhere</p>	<p>Complete.</p>

Appendix 3 Recovery and Renewal Action Plan

Corporate Services PAC

Increased capacity within Data Analytics to provide support for recovery and renewal projects	£50,000 Recovery Fund	Jul-22	Jul-23	18 dashboards in place by 2023	Complete.
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UKSPF 2023/4 Quarter 1 Update:

In July 2023 the Department for Levelling up, Housing & Communities (DLUHC) confirmed that the End of Year Report submitted in May 2023 for the year 2022/23 was approved, this also confirmed our approach to the underspend from Year 1 is accepted. We have also returned the Memorandum of Understanding and should receive the grant for Year 2 shortly.

Rural Fund: The authority has been allocated £134,932 for this financial year, the first round for submissions was opened in April and closed in June. The submissions were reviewed by a panel in July, further information is required on those that have made it through the initial filtering stage, this includes detailed costings and project delivery timeline. The panel will then come back together in September to review and finalise Year 1 projects.

Year 2 projects and an update:

Intervention	Project	Detail	2023/24 budget	Amount spent:	£ Committed	Q1 Update:
E6: Local arts, cultural, heritage & creative activities	Project A - Building Pride in Place through promotion of the Town Centre and Events.	Creative communities fund for local organisations and groups to support events	£35,830	£30,000	£0	19 applications were received for the last round of which 11 will be awarded grants.
		Literature Festival	£15,000	£0	£0	The event will be held in October, organising and advertising for the event has begun. A company has been commissioned to support the delivery of the event.
		Iggy Sculpture Trail	£60,000	£510	£0	Locations for the sculptures has been agreed, and an artist to produce the sculptures has been commissioned. The trail will be supported by a digital trail app, that has been procured and is currently being designed.
		Equipment purchases to support events	£2,751	£62	£2,510	£2,510 has been committed to purchase a set of temporary exhibition walls, and 2 microphones have been purchased as well.
		Arts Carnival	£20,000	£20,000	£0	Due to adverse weather the original date for the Arts Carnival was cancelled, it has been rescheduled for Saturday 9 th September.

APPENDIX 4

		Partner for Elmer 2	£40,000	£0	£0	Contract is in the process of being signed.
	Project C- A Community Arts Hub & Maker Space	Feasibility Study	£5,000	£0	£3,200	The final feasibility report was received at the end of July.
E8: Campaigns to encourage visits and exploring of local area	Project A - Building Pride in Place through promotion of the Town Centre and Events.	Advertising budget to promote events across all channels	£15,000	£3,924	£0	The majority has been allocated to promote events later in the year.
		Borough Insight Events and Town centre focussed	£30,000	£0	£0	This will be spent on the Autumn 2023 edition of the magazine.
		Promotional video for business and events in TC	£5,000	£0	£0	This will be used later in the year to capture footage of events.
E9: Impactful Volunteering and/or Social action Projects	Project B- A Safe and Attractive Town Centre achieved through Greening and Lighting	An externally commissioned green Volunteering Project to Improve Town Centre Green Spaces, Increase Volunteering and Improve Wellbeing.	£60,000	£0	£0	Five sites have been worked with 18 volunteers involved. The sites are Maidstone Community Support Centre, Trinity House, Brenchley Gardens, Fairmeadow and planters in the Town Centre.
Management Overheads			£9,897	£2,474	£7,423	
Total:			£298,478	£57,480	£75,302	
				£132,782		



First Quarter Risk Update

2023/24

September 2023
Corporate Service PAC
Report Author: Uche Olufemi and Katherine Woodward
(Emergency Planning & Resilience Manager, Head of MidKent Audit)

Introduction

A key principle of good governance is managing the ***effect of uncertainties on the achievement of our objectives***. Having arrangements in place to identify and manage our risks increases the probability of achieving corporate and operational objectives by controlling risks in balance with resources. Good risk management also increases our ability to cope with developing and uncertain events and helps to instil a culture of continuous improvement and optimisation.

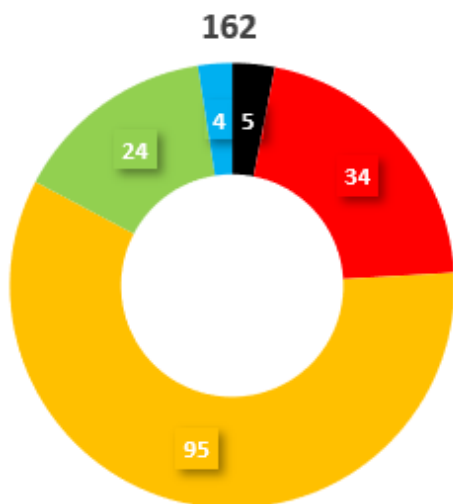
The Risk Management Framework sets out how the Council identifies, manages, and monitors risks. This includes the risk appetite statement, which articulates how much risk the Council is comfortable with and able to bear. The Council has recently updated the Risk Management Framework which will be taken to Audit, Governance and Standards Committee for approval in November.

The purpose of this report is to provide an update on the council's risk information considering any changes to existing risk and highlighting emerging ones. This report sets out the Council's corporate risks, describes the risks 'on the horizon' and includes the Council's operational risk profile, detailing the most significant operational risks.

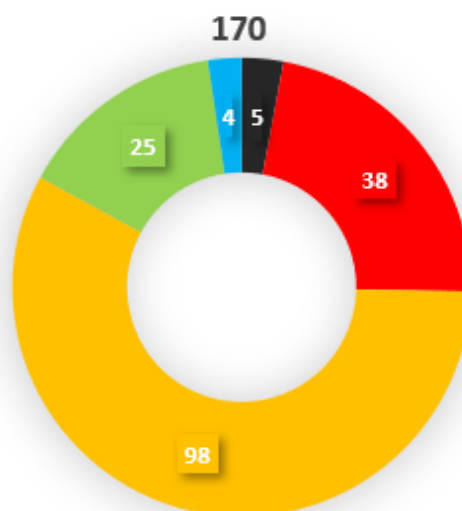
A workshop involving members and officers was held in June to refresh the Corporate Risk Register. No major changes were made to the register following this workshop.

The Council's overall risk profile is pictured in the charts below. These show an increase in the overall number of risks following additions to the operational risks.

Current Risk Rating (May' 23)



Current Risk Profile (Aug' 23)

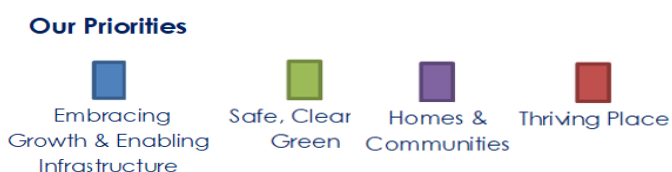


Corporate Risks

The Council's corporate risks are reported quarterly to the Corporate Services Policy Advisory Committee to ensure effective oversight and monitoring. The risks are reviewed and updated by risk owners including progress against any related risk actions.

The table below summarises the **15** risks on the corporate risk register. Further detail on the corporate risks, including a description of the risk and details of existing and planned key controls are included in Appendix A. Appendix B outlines the impact and likelihood scoring criteria.

No	Corporate risk	May' 23 Current Risk	Aug 2023		Corporate Priority			
			Current Risk	Mitigated Risk	✓	✓	✓	✓
1	Financial uncertainty	25	25	16	✓	✓	✓	✓
2	Election failure / challenge	20	20	16	✓	✓	✓	✓
3	Construction costs / contractor insolvency	20	20	16	✓		✓	✓
4	Housing pressures increasing	20	20	16	✓		✓	
5	Environmental damage	16	16	16		✓	✓	✓
6	Cost of Living Crisis	16	16	12		✓	✓	
7	Diminished local retail and leisure sector	16	16	12	✓			✓
8	Major unforeseen emergency	15	15	9	✓	✓	✓	✓
9	Major contractor, supplier, or tenant failure	12	12	12	✓	✓	✓	✓
10	IT network failure	12	12	9	✓	✓	✓	✓
11	Not fulfilling residential property responsibilities	12	12	9	✓		✓	
12	Ability to access / leverage new funding	12	12	9	✓	✓	✓	✓
13	Loss of workforce cohesion and talent	9	9	9	✓	✓	✓	✓
14	Reduced effectiveness of relationships with strategic partners	9	9	6	✓	✓	✓	✓
15	Governance changes	9	9	6	✓	✓	✓	✓



The corporate risk ratings and scores have remained largely consistent with last report in May. Changes have been reflected in the following corporate risks:

The following planned actions for **reduced effectiveness of relationships with strategic partners** have been completed and are now effective controls in place thereby reducing the mitigated risk score:

- regular programme of anchor institutions stakeholder meetings and engagement
- whole systems event was successful, and outputs have been reviewed resulting in actions to strengthen partnership working.

The **major unforeseen emergency** controls have been updated to capture measures in place such as resulting in a mitigated risk score:

- regular review of threats and risks through the Emergency Planning Group
- reporting Business Continuity improvements to the Corporate Leadership Team
- plans in place for dealing with different types of emergencies including water disruption incidents

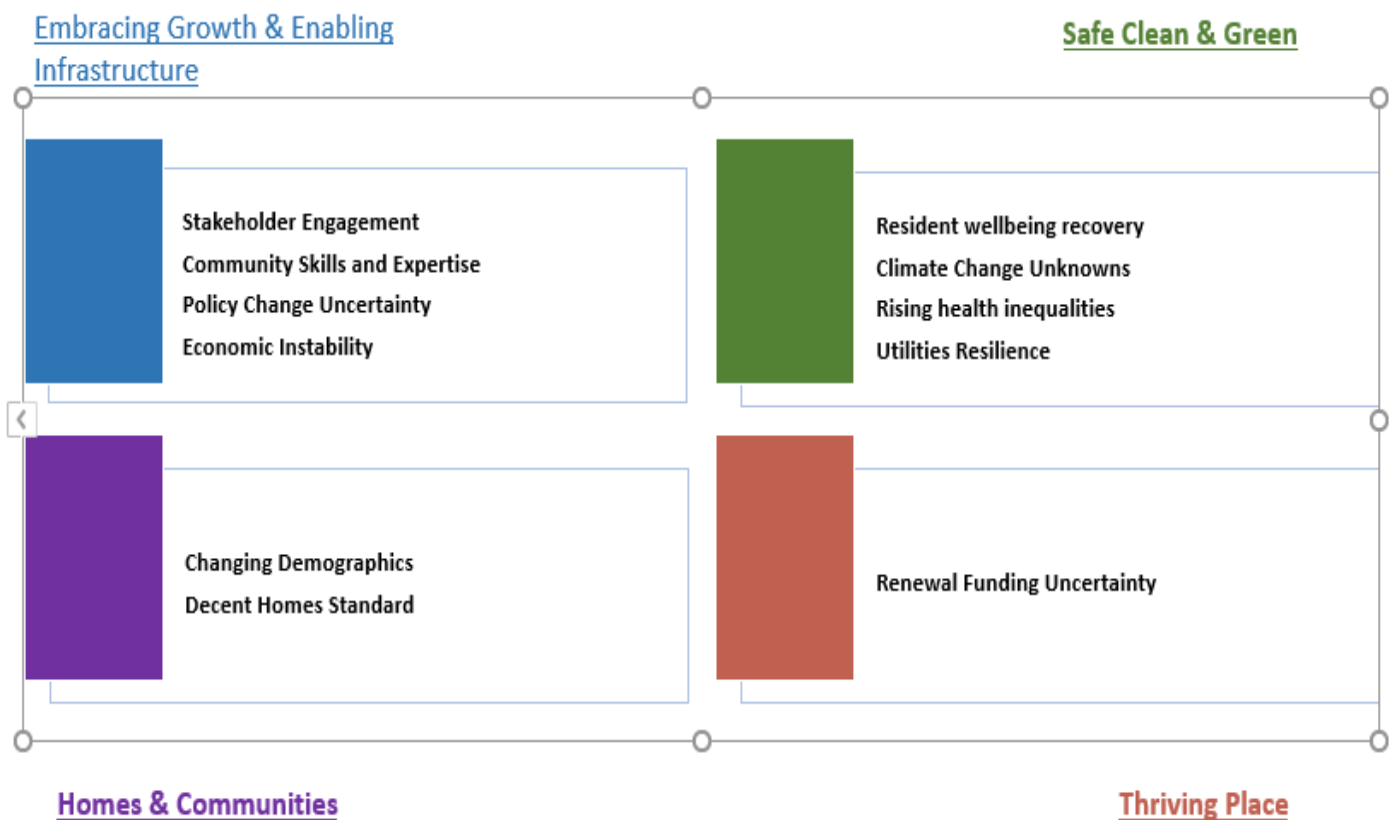
Construction costs/ contractor insolvency has been re-framed to reflect the continued rise in construction costs which could potentially lead to contractor insolvency and the inherent risk.

External Threats (horizon scanning)

Our horizon scanning process identifies external threats over which we have no direct control or ability to manage the impact on delivery of our priorities. Our response to these threats will be an important factor in how we develop our strategies, policies and how we translate that into service delivery.

The following continue to be current threats in the horizon. We will keep monitoring these threats and continue to provide updates as part of the quarterly audit report.

The diagram below summarises the external threats aligned to each of our priorities.



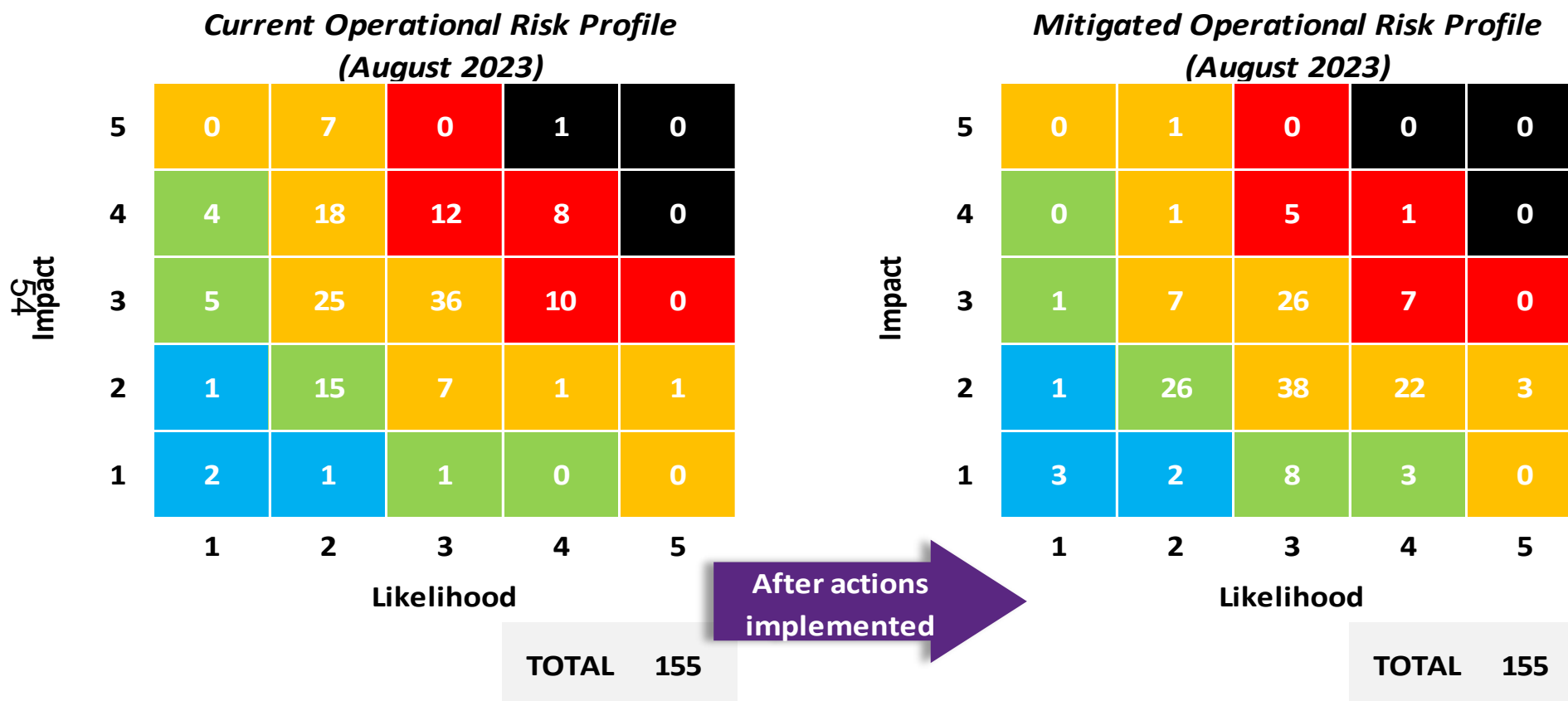
The following points provide some more detail on the threats outlined in the diagram above:

1. **Changing Demographics** – changes in local demographics as local residential development expands and census results become clearer, changes predicted to service provision.

2. **Climate change unknowns** – some of the implications of climate change are already captured within the corporate risk register. This reflects the possibility of other yet unknown implications from climate change.
3. **Community skills and expertise** – decline in diversity of skills and expertise within communities.
4. **Decent homes standard** – ability of Maidstone BC to ensure its homes meet new guidelines.
5. **Economic Instability** – uncertainty around employment rates, interest rates and inflation increase, and the affect this will have on the local economy, residents financial position and our operational and contractual costs and wage bill.
6. **Funding uncertainty** – ability of Maidstone BC to get funding which matches its aspirations and delivery goals.
7. **Policy change uncertainty** – potential for changes in legislation and other central government policy changes.
8. **Resident Wellbeing and recovery** – potential for residents in the borough to not have long term improvements to their wellbeing
9. **Rising health inequalities** – increasing inequality in access to health care provisions.
10. **Stakeholder engagement** – heightened sensitivity to Council plans leading to increased intolerance and complaints.
11. **Utilities Resilience** – loss of water, electricity, or telecoms over a wide area in the Borough.

Operational Risks

The following matrix sets out the operational risk profile of the Council including shared service risks. It shows the 'business as usual' position (**current risk**) and the position once all planned actions are implemented (**mitigated risk**). Compared to May 2023, the overall number of operational risks has increased from 147 to 155.



The 1 remaining black operational risk is detailed below:

Waste Collection Contract costs increase. Annual contract financial review could result in increase in costs associated with the contract, or contract not being viable for the contractor.			
Service Area: Environmental Services & Public Realm	Ownership: Jen Stevens	Current Score: 15 x L4	20
<p>Causes</p> <p>National HGV driver shortage is having impact on collection costs due to substantial pay increases to attract and retain staff</p> <p>New contract from 2023 could be financially unviable given the requirements set out in the specification and if the full extent of the carbon reduction requirements are to be realised e.g. full electric RCV fleet</p> <p>Consequences</p> <p>Financial burden on the council.</p> <p>Potential reconsideration of how the service is provided.</p>	<p>Existing Controls</p> <ul style="list-style-type: none"> • Agreed waste contract and T&Cs around termination of contract and changes to the contract • Opportunities to review fees and charges to residents in line with costs • Quarterly monitoring of property growth and estimation of growth included in budget • Budget set aside from fees and changes to cover garden waste increases • Monitoring with finance on financial position • Income from Council tax growth to cover increase in service • Updated MTFS with likely increases in contract costs 	<p>Risk Response</p> <ul style="list-style-type: none"> • New waste collection contract awarded 	
Next Risk review: September 2023	Risk direction over time: Reduced mitigated risk profile from 12	Mitigated Score: 14x L2	8

Appendix A Corporate Risk Register

The following table shows the detail of the Council's Corporate Risks including the current rating (business as usual position) and the rating after the introduction of planned controls (the mitigated rating).

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>General financial uncertainty. Unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation and contractor costs and deteriorating economic environment places further financial restrictions on the Council resulting in difficulty maintaining standards or meeting aims.</p>	Mark Green	<ul style="list-style-type: none"> • Agreed work programmes in transformation and commissioning • Budget monitoring in place • MTFS in place and monitored • Scenario planning in budget setting • Strategies for maintaining income (e.g. pricing policies and proactive management of property portfolio) • Holding reserves to mitigate impact of financial restrictions • Robust risk assessment of new business opportunities • Cost recovery through bidding for additional government support for one-off costs and strategic investments • Maximise Council Tax to referendum limit 	(5 x 5) 25	<ul style="list-style-type: none"> • Lobbying to avoid unfavourable financial changes to government funding • Identifying measures to address future budget gaps • Early start to budgetary process for 24-25 to agree key areas 	(4 x 4) 16
<p>56 Elections Act 2022 implications in terms of Voter ID, Postal Votes and Overseas Voters could lead to greater challenge or failure for a general election in the next three years (A GE has to be called by January 2025)</p>	Angela Woodhouse	<ul style="list-style-type: none"> • All usual election risk mitigations are in place including project planning, contingency planning, and risk assessments. • DES Manager on DLUHC BCN group working on Elections Act 2022 implementation and liaising with AEA. • Several actions completed around increasing the number of elections staff (including having staff on standby) and more targeted training. • Targeted communication plans and training for staff plus increasing the number of staff with electoral administration knowledge 	(5 x 4) 20	Contingency planning for post-election challenge impacts.	(4 x 4) 16

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>Changes to national shopping patterns and the after-effects of the pandemic leads to Maidstone town centre continuing to diminish as a retail and leisure destination, limiting the appeal of Maidstone town centre threatening social cohesion and business rates income.</p> <p>57</p>	William Cornall	<ul style="list-style-type: none"> Working with Key stakeholders including One Maidstone to safely reopen the High Street. Regular network meetings with town centre retailers Public realm improvement work Supporting One Maidstone Business Improvement District Acquisition of key property (Royal Mail former sorting office planning application to be submitted Q4 / Grenada House refurbishment works expected to commence Q4) Work commissioned to promote Maidstone as business destination Planning Guidelines documents have now been approved by SPI for the Five town Centre Opportunity sites. Planning permissions have now been granted on two of these and pre-application advice given in respect of land parcels on Maidstone Riverside. Active management of Lockmeadow to enhance the local economy Support delivered to the sector through Business Rates grants and assistance grants Town Centre Opportunity guidance published and actively being used 	(4 x 4) 16	<ul style="list-style-type: none"> Development of a Town Centre strategy to guide the reallocation of land uses within the Town Centre (including retail). This is now out to tender, with the successful firm expected to commence work in Jan 23, with a c 12-month commission. The Leader has agreed the LIP and it has been submitted; we are awaiting the outcome; we need to add reference to our successful bid to the safer Streets Fund which has secured £565k investment for community safety in the town centre The Council has now received a circa £1.2m Shared Prosperity Fund allocation for the next three years. Officers are in the process of preparing a draft investment plan for the monies for consideration by Members Town Centre Strategy now underway with "We Made That" appointed, with work scheduled to complete by Dec 2023. 	(3 x 4) 12
<p>Inflation continues to rise and a significant economic event (e.g. further pandemic impacts, BREXIT, supply chain issues) causes significant changes in construction costs which may also result in a contractor insolvency, as they are generally locked into delivering schemes at a fixed price, and so need to manage their exposure to rising costs in their supply chain. For the Council, this leads to a narrowing gap between build price and end of property values, increased costs to the Council and a possible time lag in delivery of 1000 affordable new homes, owing to a lack of capacity in the construction sector.</p>	William Cornall	<ul style="list-style-type: none"> Use of "off-site" and other Modern Methods of Construction where possible to ensure schemes are delivered efficiently Designing buildable efficient schemes Financial stability and overall exposure checks for contractor Performance bonds and quality monitoring Realistically set financial scheme approval hurdle rates Appointment of a single architect, employers agent and development management specialist as a consistent professional team to support the Council in it delivery of the 1,000 homes programme 	(4 x 5) 20	<ul style="list-style-type: none"> Exploration of suitable contractor frameworks to access. Managing exposure levels to different contractors as the programme gathers momentum. Delaying the letting of key contracts if tendering does not yield VFM proposals that are financially robust. <ul style="list-style-type: none"> Careful scheme design evolution to enhance the "buildability" of new projects. Internal team has been strengthened by the creation of three new roles 	(4 x 4) 16

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>Increased impacts from climate change (including flooding, severe storms, heatwaves and drought) causes environmental damage reducing residents' quality of life and increasing adaptation support required from the Council.</p>	<p>Angela Woodhouse</p>	<ul style="list-style-type: none"> Comprehensive Biodiversity and Climate Change Strategy and action plan has been developed and is being implemented across council Air Quality Action Plan in place Emergency planning arrangements Parks and open spaces strategy to reduce risk of damage from trees and nature based mitigation of climate impacts Budget available to deliver actions and additional funding allocated Communication / engagement activities to increase resilience and awareness of residents and businesses for adverse weather events Use of Severe Weather Impacts Monitoring System (SWIMS) to understand impacts of severe weather in borough Member of the Kent Climate Change Network Permanent Biodiversity and Climate Change Manager in post Permanent Biodiversity and Climate Change engagement officer in post to support public and business adaptation to climate change Part of Medway Flood Partnership and Kent Resilience Forum Strong governance arrangements in place with operational board chaired by Director of Strategy Insight and Governance, Fortnightly oversight meetings with the Leader and quarterly reports to Corporate Leadership Team, Policy Advisory Committee and the Executive KPIs in place and a dashboard of performance has also been developed 	<p>(4 x 4) 16</p>	<ul style="list-style-type: none"> Continue Implementation of the B&CC strategy and action plan to engage with public and businesses to adapt to and mitigate impacts of climate change Review of our own estate in line with ambition to be carbon neutral by 2030, and work with partners to reduce carbon, reduce surface run off and increase natural solutions to mitigate impacts of climate change and pollution Partner with KCC, other Kent districts and private landowners on widescale tree planting and nature recovery to mitigate impacts of climate change Emergency Planning Officer will be trained on SWIMS and take on the task of uploading impacts on SWIMS more regularly and with closer ties to KCC. Work with Medway Flood Partnership to identify and develop actions, including natural flood management (nature-based solutions and sustainable urban drainage), which can help to reduce flooding. Ensure Local Plan review considers level of current and future projected flood/drought risk and that new developments are planned accordingly. Work with the Kent Resilience Forum, spatial planners and other partners to enhance adaptation and emergency planning contingencies for severe weather and other climate impacts. 'Strengthening' of power and water supply and other critical infrastructure should be a priority alongside ensuring more resilient settlements 	<p>(4 x 4) 16</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>The broader housing and cost-of-living crisis leads to housing pressures increasing on the Council, affecting both costs associated with homelessness and ability to meet wider housing needs in the borough.</p>	<p>William Cornall</p>	<ul style="list-style-type: none"> • Homelessness prevention team in place with increased resource • Access to our own housing stock to use for temporary accommodation & market rented housing (within Maidstone Property Holdings) • Closer working with private sector & housing associations • Key policies are in place: Temporary Accommodation Strategy • Implementation of Housing Management Team • Council approval in place for MBC to develop up to 1000 affordable homes of its own • We work closely with the voluntary sector and community partners • Home Finders scheme in place and supported through Government funding • New Housing Strategy adopted • Undertaking roadshows with colleagues from Revs & Bens and other stakeholders to support those in financial/housing difficulty • Use of government grants specifically to support households in financial difficulty because of cost-of-living crisis <ul style="list-style-type: none"> • Maximise use of government grants to assist those in financial difficulty • Increase the use of OneView to identify households who may become homeless • Trinity now open offering Mon-Fri services for immediate intervention and support/guidance • capital programme for 23/24 allows for c30 TA units to be acquired this year • Officers have appointed BEAM to help secure move-on accommodation in the PRS 	<p>(4 x 5) 20</p>	<ul style="list-style-type: none"> • Leader of Council ambition to build 1000 new Council homes as soon as possible and plans to meet this aspiration have been approved and the programme is underway with the second major new land acquisition. Around 40% of the required plots are now either acquired or approved by the Executive. • Improve access to private rented sector through the MBC incentive scheme • The Council continues to work with Homes England to promote the 5,000 home Heathlands garden community through the Local Plan Review, with a view to the project delivering new homes from the late 2020's. • Review of the Home Finder Scheme offer to landlords to increase the supply of stock at our disposal. 	<p>(4 x 4) 16</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>60</p> <p>Major unforeseen emergency with national / international impact (e.g. new pandemic, environmental disaster)</p>	Alison Broom	<ul style="list-style-type: none"> • Strong existing emergency planning framework • Active engagement with Local Resilience Forum • Flexible, committed and appropriately trained workforce • Quarterly oversight & monitoring through the Emergency Planning Group (EPG) • Some financial reserves • Good partnership working as demonstrated during Covid-19 pandemic • Continued update to Business Continuity Plans and arrangements • Ongoing considerations of financial reserves which have been increased • Regular reports to CLT on improvements to the business continuity arrangements • Embedded arrangements over the quarterly review of emergency threats and risks through the Emergency Planning Group including horizon scanning and early warnings • Plans in place for dealing with different types of major emergencies, including water supply interruptions 	<p>(5 x 3) 15</p>	<ul style="list-style-type: none"> • Review and update of the Council's IT Disaster Recovery arrangements and Business Continuity Plans • Recovery and renewal funding allocated to strengthen work on community resilience 	<p>(3 x 3) 9</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>Security breach or system weakness leading to IT network failure results in wide-spread system unavailability, increased legal and financial liability and reputational damage.</p> <p>61</p>	<p>Georgia Hawkes</p>	<ul style="list-style-type: none"> • Regular backup programmes • External testing of IT security by specialists –resulting findings and actions are implemented and tested • ICT policies & staff training, including disaster recovery plan • Mandatory cyber security training was rolled out and completed • CLT monitoring of performance indicators, including ICT incidents • Nessus scanning software reporting daily on system vulnerabilities • New firewall tested and installed • Ongoing programme of awareness raising through Cyber events, training, and tests • Ongoing programme of IT campaigns including phishing • IT Business Continuity Plan which prioritises the systems that need to be bought back online. • Bulk messaging system to ensure adequate communication lines available. Gov.notify used and an awareness campaign run to encourage staff to sign up. • Cyber Security Incident BC Exercise undertaken in November 2022 • New role of Security manager is now in post to support the implementation of the Zurich Cyber Security report. 	<p>(4 x 3) 12</p>	<ul style="list-style-type: none"> • Business Impact Assessments have been reviewed and updated. These are being used to update all BC Plans • Consider how to implement the recommendations from Zurich Cyber security report . 	<p>(3 x 3) 9</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>Insufficient awareness / expertise leads to not fulfilling residential property responsibilities resulting in possible health & safety breaches.</p>	<p>William Cornall</p>	<ul style="list-style-type: none"> • New Contractors appointed DMS (repairs and voids) and Clareglow (gas) to deliver a more tailored service for the Council • Faithfull Farrell & Timms have been retained as a critical friend to allow the new housing management function to up skill. • The whole MBC residential portfolio is now being managed by a single team within Housing & Communities, where previously it was split between Housing & Property. • H&S KPIs are now recorded and reported through a permanent software solution. • The H&S KPIs are reported monthly to Corporate Leadership Team. • Good level of awareness from officers around H&S obligations and compliance • Excellent levels of compliance being reported to the CLT monthly. • New Residential Portfolio Manager, and associated team appointed and in place since Sept 22, working exclusively on housing management and compliance. 	<p>(4 x 3) 12</p>	<ul style="list-style-type: none"> • Eventual goal of real time reporting in terms of gas safety • Review of existing resources and skills underway to support the housing portfolio and management of properties. • Implementation of new specialist housing management software to support the growing portfolio. • The Council has almost completed a significant re-investment package of works of its two publicly owned G&T sites and works nearing completion 	<p>(3 x 3) 9</p>
<p>Failure of a major contractors, suppliers or tenants: As a result of market pressures one of the Councils contractors goes into liquidation / administration or seeks to negotiate an increase in the cost of the contract. Leading to disruption and increased costs.</p>	<p>Mark Green</p>	<ul style="list-style-type: none"> • Regular contract monitoring and communication with contractors • Procurement expertise made available through the Partnership with Tunbridge Wells • Financial performance and sustainability embedded into the procurement process • Contractor business continuity plans in place and alternative contractors may be available • 'Exit plan' included as a requirement in the ITT document for all relevant contracts 	<p>(4 x 3) 12</p>	<ul style="list-style-type: none"> • Ongoing financial performance and resilience checks of our suppliers and contractors • Risk register work being completed for each of the Council's strategic contracts • Increased consideration of in-house provision or alternative commissioning routes 	<p>(4 x 3) 12</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>Difficulties in recruiting and retaining the right skills and adapting to hybrid working leads to a loss of workforce cohesion and talent. This results in a loss of productivity.</p>	Georgia Hawkes	<ul style="list-style-type: none"> • Workforce strategy monitoring & reporting • Training & development programme (including hybrid working skills) • Occupational health, employee support and HSE Stress Survey • Recruitment process that includes ability to adjust pay and market supplement for hard to recruit jobs • Rewards package reviewed regularly • Commissioning specialist external support as required • Online onboarding of new staff • Use of ClearReview to encourage continuous conversations and clear objectives • Hybrid Policy and service review of hybrid working arrangements • Market Supplement Policy reviewed and updated • graduate microsite has been created to allow the council to recruit graduates in less skilled roles to provide the training to increase skill levels to progress in the role • SmartPath was used last year to offer additional support to managers 	<p>(3 x 3) 9</p>	<ul style="list-style-type: none"> • Review potential for different approaches to recruitment 	<p>(3 x 3) 9</p>
<p>Uncertainties relating to the Council's ability to access new funding and availability of PWLB loans. Increases difficulty securing and leveraging funding to help stabilise and support the delivery of our capital programme.</p>	Mark Green	<ul style="list-style-type: none"> • Access to professional networks to identify opportunities for funding • Experienced officer capacity • Good relationships with funding partners, e.g. Homes England • Obtaining forward borrowing • Maintaining good financial standing to ensure the council has good credit rating 	<p>(3 x 4) 12</p>	<ul style="list-style-type: none"> • Investment of one-off resources for putting together funding bids 	<p>(3 x 3) 9</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>As a result of significant changes to the Councils' governance (including moving to executive model and the boundary review) sound governance processes may not be maintained during the change or poor processes may be introduced. Leading to delays in decision making, reputational damage or legal implications.</p>	Angela Woodhouse	<ul style="list-style-type: none"> Monitoring Officer in place to oversee Council activities and provide advice Code of Conduct Timeline agreed for the Local Government Boundary Commission review and work overseen by the Director of Finance and Business Improvement Software to facilitate consultation on ward boundaries Templates and system for agendas and decision publication updated New constitution agreed and in place Training carried out with Officers and Members on the new governance arrangements 	(3 x 3) 9	<ul style="list-style-type: none"> Recruit two additional officers into Democratic Services to support the new model Log of issues kept by Democratic Services – contributed to by the Monitoring Officer, Democratic Services and Director of Strategy, Insight and Governance 	(3 x 2) 6
<p>Reduced effectiveness of relationships with strategic partners Financial constraints and requirements from Government or regulators change the priorities or commitments of our strategic partners or their capacity to work with us. This causes a dislocation with our work and increases Member pressure to highlight concerns.</p>	Alison Broom	<ul style="list-style-type: none"> Collaboration with Kent County Council via a variety of project teams including Town Centre Strategy The Community Safety Partnership with the Police and other key parties The West Kent Health and Care Partnership Board which includes Executive Board (officers) and Elected Members Forum with Participation in Kent One Public Estate Board Maidstone Health and Well-being Partnership Group Maidstone Inclusion Board Survey of all voluntary and community sector to understand changes in community need and demand for services Good integration with County-wide networks Anchor Institutions engaged in various projects including UK Shared Prosperity Fund Local Investment Plan Strengthened processes for continued horizon scanning with partners to understand changes in priorities and formulate an overview of all key partners Regular programme of Anchor Institutions and stakeholder meetings. 	(3 x 3) 9	<ul style="list-style-type: none"> Continue to explore ways to develop, grow and strengthen partner relationships 	(3 x 2) 6

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Planned Actions	Mitigated rating (I x L)
<p>More residents moving from comfortable and making ends meet into financial crisis. If the current cost of living crisis continues and potentially intensifies there will be an increase in the need for support and demand for services. Leading to increased financial pressures for residents of the Borough; Homelessness increased; Resident debt increased; Increased stress and mental health problems; Increased demand for support from us and the voluntary and community sector</p>	<p>Angela Woodhouse</p>	<ul style="list-style-type: none"> Anchor Institutions Partnership established and meeting regularly Project to increase engagement in volunteering underway Investment has been made in Trinity Foyer and it has opened as a Community Hub Love Where You Live & Get Involved project has been launched and continues to be delivered Financial Inclusive Strategy has been agreed The Community resilience fund first round of funding has been distributed across a range of VCS groups across the borough Agreed part funding with the Citizens Advice Bureau for a Debt Management post Community Sector newsletter established VCS repository is live and under review to ensure it is kept up to date 	<p>(4 x 4) 16</p>	<ul style="list-style-type: none"> Currently we have a financial inclusion strategy and a number of other initiatives focussed on prevention, sign posting and advice as well as reactive measures through the use of Household Support Fund and our Community Resilience Grant. Plan is to bring this work together under a new strategy and action plan, with identified and coordinated resourcing An action plan is in place, a welfare post has been appointed to and a hardship fund created. Several other actions are planned Review Financial Inclusion Strategy in light of cost-of-living crisis - Portfolio Holder cited, work underway including roadshows and webpages and the creation of a hardship fund. Full strategy review planned 	<p>(4 x 3) 12</p>

Appendix B Impact and Likelihood Definitions

Risks are assessed for impact and likelihood. So that we achieve a consistent level of understanding when assessing risks, the following definitions were agreed and have been used to inform the assessment of risks on the risk register.

RISK IMPACT

Level	Service	Reputation	H&S	Legal	Financial	Environment
Catastrophic (5)	Ongoing failure to provide an adequate service	Perceived as a failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor Service, 5+ days disruption	Significant adverse national publicity	Fails to prevent death, causes extensive permanent injuries or long term sick	Litigation expected and uncertain if defensible Breaches of law punishable by significant fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1+ yrs)
Moderate (3)	Unsatisfactory performance Service disrupted 3-5 days	Adverse national publicity of significant adverse local publicity	Fails to prevent extensive permanent injuries or long term sick	Litigation expected but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1 yr)
Minor (2)	Marginal reduction in performance Service disrupted 1-2 days	Minor adverse local publicity	Medical treatment required Long term injuries or sickness	Complaint or litigation possible Breaches of regulations or standards	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No performance reduction Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

RISK LIKELIHOOD

Level	Probability	Description
Almost Certain (5)	90% +	Without action is likely to occur; frequent similar occurrences in local government / Council history
Probable (4)	60% - 90%	Strong possibility; similar occurrences known often in local government / Council history
Possible (3)	40% - 60%	Might occur; similar occurrences experienced in local government / Council history
Unlikely (2)	10% - 40%	Not expected; rare but no unheard of occurrence in local government / Council history
Rare (1)	0% - 10%	Very unlikely to occur; no recent similar instances in local government / Council history

**CORPORATE SERVICES POLICY
ADVISORY COMMITTEE**

**11 September
2023**

Medium Term Financial Strategy and Budget Proposals

Timetable	
Meeting	Date
Corporate Services Policy Advisory Committee	11 September 2023
Cabinet	20 September 2023
Will this be a Key Decision?	Yes
Urgency	Not Applicable
Final Decision-Maker	Council
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Adrian Lovegrove, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2024/25 and setting next year's Council Tax. The report sets out a draft Medium Term Finance Strategy for 2024/25 – 2028/29 and budget proposals for services within the remit of the Committee. These proposals will then be considered by the Cabinet at its meeting on 20 September 2023.

The Cabinet will subsequently consider any remaining budget issues at its meeting on 7 February 2024, with a view to determining a final set of proposals for submission to Council on 21 February 2024.

Purpose of Report

Recommendation to Cabinet

This report makes the following recommendations to the Committee:

That the Cabinet be recommended to:

1. That the draft Medium Term Financial Strategy for 2024/25 to 2028/29 set out in Appendix A be approved.
2. That the budget proposals set out in Appendix B be approved.

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 supports the cross-cutting objectives in the same way that it supports the Council’s other strategic priorities.	Section 151 Officer & Finance Team
Risk Management	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	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 legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities. 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	Section 151 Officer & Finance Team

	<p>with the requirements of sections 31A and 31B to the Local Government Finance Act 1992 (as amended by sections 73-79 of the Localism Act 2011).</p> <p>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.</p> <p>Approval of the budget is a matter reserved for full Council upon recommendation by Policy and Resources Committee on budget and policy matters.</p>	
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.	Section 151 Officer & Finance 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 will be identified.	Equalities & Communities Officer
Public Health	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
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
Biodiversity and Climate Change	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

Medium Term Financial Strategy

- 2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council adopted a Strategic Plan for the period 2021 – 2045 in December 2018, and the existing MTFS for the period 2023/24 to 2027/28 reflects the Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.
- 2.2 A draft MTFS is attached to this report as Appendix A. As background, it comprises an assessment of the economic environment and the Council's own financial position. It will be seen that the Council faces a budget gap, given the expected impact of inflation on costs, compared with the lower projected rate of growth in Council resources.

Budget Savings

- 2.3 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2024/25 at the Council meeting on 21 February 2024. The draft MTFS describes how, in bridging the budget gap, the Council needs to balance the requirement to make savings or generate increased income against the key priorities set out in the Council's Strategic Plan.
- 2.4 The draft MTFS explains that all budgets are reviewed in detail to identify opportunities for savings, or increased income, which can be delivered with the minimum impact on the strategic priorities. To the extent that further growth is planned, above and beyond existing budgets, this would need to be offset by further savings.
- 2.5 The following growth and savings have been identified in the services falling within the remit of this committee and are shown in Appendix B.

Existing Savings approved February 2023

Property Investment strategy - £625,000 saving

New property acquisitions can promote economic development and generate extra income for the Council. The Council has a successful track record in recent years of property acquisitions, including the Lockmeadow Leisure Complex, Maidstone House and a number of industrial units, which have been fully justified in prudential borrowing terms and now generate significant income for the Council. There is £2.5 million per annum set aside in the capital programme for further such acquisitions. This funding will only be utilised for acquisitions which meet the council's investment criteria.

If suitable investments are identified, this would generate cumulative additional income of at least £625,000 per annum over the business planning period. On the other hand, if the capital budget were not fully spent, there would be a corresponding reduction in borrowing costs and

minimum revenue provision (MRP), so there would be no net adverse impact on the budget.

New Maidstone Property Holdings developments - £228,000 saving

Alongside the Affordable Housing programme, the Council develops Private Rented Sector housing for letting through its subsidiary Maidstone Property Holdings. As new developments are acquired or completed, additional income will be generated.

Whole Council elections - £60,000 saving

The Council has now agreed to hold whole council elections every four years. This will reduce the cost of holding elections over the four year electoral cycle. Following the boundary review, initiated in 2021, the first whole council elections will take place in May 2024.

Office accommodation - £55,000 saving

The acquisition of Maidstone House has already led to a saving in the occupancy costs previously incurred and to additional income from letting space in the building. It has been assumed that further income will be generated and/or savings achieved as occupancy levels improve, following investment in the building.

Transformation - Automation of transactional services - £50,000 saving

This specific proposal is to invest in voice recognition technology which would reduce the number of transactions dealt with via customer service advisors in the technical team. £50,000 is the net revenue saving and capital investment will be required in order to deliver this.

Corporate Property service improvements - £25,000 saving

A review of our Corporate Property service has identified that, following the growth of the property portfolio in recent years, there is scope for improvement in management of the portfolio, by strengthening the client side of property management and getting more value from external managing agents.

Deleting HR adviser post - £18,000 saving

Following a period of significant staffing changes in the two authorities that form the HR shared service, a reduction in the number of HR advisers is envisaged in 2025/26.

Review of finance structure - £15,000 saving

Changes in the structure of the finance team scheduled for 2024/25 will create a savings opportunity.

Mid-Kent Services - ICT efficiency improvements - £14,000 saving

A number of efficiency improvements are planned, including new working arrangements and automation of processes, for example in the way new devices are built and in dealing with IT help desk calls. As with all MKS savings, the benefit is shared with partners, and only the MBC share of the saving is shown here.

Transformation - Review of print and post - £10,000 saving

The Council continues to generate a large volume of paper correspondence and records. This project will generate savings, primarily through a reduction in postage costs.

New Savings and Growth

Finance - Additional interest income - £350,000 saving

This represents additional interest earned on the balance of cash held in the bank, and invested in line with our Treasury Management Strategy. This is a one year benefit as we will start spending the cash as we deliver the capital programme. This will eventually reduce the balance available to the minimum required for day-to-day working capital management. The saving assumes an average balance of £7.75m and an average interest rate of 4%.

Mid-Kent Services – Automated data handling for Council Tax - £55,000 saving

Advances in technology mean that robotics can be used to automate Council Tax processes such as Single Person discount awards and Council Tax moves. This would lead to a reduction in staff which will provide the saving. The savings are split between Benefits (£25,000 per annum) and Revenues (£30,000 per annum). The latter saving would be delivered part-way through 2024/25, so 6 months savings have been assumed in 2024/25.

Mid-Kent Services - Shared Revenues and Benefits service with Swale - £60,000 saving

A business case is being prepared for a three-way Revenues and Benefits Shared Service, ie adding Swale to the existing two-way Maidstone / Tunbridge Wells shared service. This would generate savings, mainly through spreading management capacity across a greater volume of work. The total estimated annual savings for Maidstone are £60,000, of which the first six months worth (£30,000) would fall in 2024/25 if the proposals are agreed by members of the three authorities concerned on currently projected timescales.

Mid-Kent Services - Transfer Risk Management to Emergency Planning - £29,000 saving

MKS has hitherto provide strategic risk management advice and support to the Council. The manager who provided this service has now left Mid Kent Internal Audit. The Council has the capacity and the skills to deliver this

service in-house, through the Emergency Planning and Business Continuity Team. This will additionally provide benefits through the service being delivered by staff who have day-to-day experience of planning for emergencies and considering how risks can crystallise in practice. Together with some modest efficiency savings in Mid Kent Audit, this will lead to a reduction of £29,000 in the Council's contribution to MKS. The Head of Service is content that Mid-Kent Audit's operating structure will remain sufficiently robust to continue delivering a core internal audit service to its four member authorities.

Corporate Property - Asset Management Plan for commercial property - £29,000 saving

The Corporate Property team is developing an Asset Management Plan for Commercial Properties which assumes a 5% reduction of current Revenue Repairs and Maintenance costs (reactive) based on greater investment in pre-planned capital expenditure. This will enable the Council's estate to be maintained in a more cost-effective way in the long run.

Corporate Property - Saving in Heather House running costs - £27,000

The Heather House Community Centre is due to be replaced by a new building, as it has been concluded that this is a more cost-effective solution than refurbishment. Accordingly, the existing building will be decommissioned later in 2023/24 and running costs will cease, generating a saving in 2024/25. An operator will be sought for the new community centre, but this will be on the basis that they will cover all running costs.

Mid Kent Services - Payroll service external income - £25,000 saving

The MKS payroll service operates a robust and well-established payroll system. The quality and reliability of the service offered has already led to Dartford Borough Council using MKS's service. It is considered that there is sufficient spare management capacity within the service to take on at least one further external customer, which would reduce costs by allowing overheads to be spread over a wider base.

Emergency Planning - Proposed partnership - £20,000 saving

Discussions are taking place with a neighbouring local authority about a shared Emergency Planning service. Maidstone's Emergency Planning service includes a Manager and a Resilience Officer. The service has considerable experience, having dealt with a range of incidents over the years, and has established robust systems and plans. A neighbouring authority has expressed an interest in joining a 50:50 partnership with Maidstone, whereby our service would add a further Resilience Officer to cover the additional workload and the Manager's time would be split between the two authorities, thus delivering a saving to Maidstone.

Mid-Kent Services - Internal audit - Efficiency savings - £19,000

The existing budget for internal audit continues to be based on the proportion of Mid Kent Audit work attributable to Maidstone Borough Council at the time when it joined the shared service, over ten years ago. In practice, in recent years the Head of Internal Audit has been able to issue an opinion without carrying out all the work for which a budget exists. Deleting the surplus budget would capture this efficiency saving.

Mid-Kent Services - ICT software savings - £8,000 saving

This proposal is to remove the software that controls asset management in favour of Microsoft InTune, which is included in our current Enterprise Agreement. The saving is £25,000 in total for the three-way shared service, of which MBC's share would be £8,000.

Biodiversity and Climate Change – Additional post to support property decarbonisation - £49,000 growth

It is proposed to create a new role of Energy Officer with the aim to both increase the capacity of the housing team to access and manage housing funding opportunities to improve energy efficiency in housing across the borough, as well as to enable the team to implement elements of the Biodiversity and Climate Change Action plan that relate to efficiency within Council operations, renewable energy and net zero targets.

Biodiversity and Climate Change – Revenue budget to support eco initiatives - £30,000 growth

The biodiversity and climate change action plan stipulates a number of actions for public engagement to increase climate resilience in the borough and support the public to reduce household energy consumption in line with the council's net zero commitments. The eco hub is an example of such engagement. However, currently there is no permanent revenue budget to support these initiatives (apart from the staffing budget for the team). This growth proposal would allow initiatives such as this to be funded. It would also support waste management and parks and open spaces in delivering public engagement to raise awareness of climate change impacts, reduce energy consumption and the borough's carbon footprint and to increase biodiversity and reduce waste.

- 2.6 Savings have been identified within the remit of the other Policy Advisory Committees, following a similar approach, and are included for information at Appendix C. If all the revenue budget proposals are approved, all other factors remaining equal, and assuming fees and charges are increased in line with the MTFs inflation assumption, this would allow the Council to set a balanced budget for 2024/25.
-

3. AVAILABLE OPTIONS

- 3.1 Agree the Medium Term Financial Strategy in Appendix A and the budget proposals relating to this Committee set out in Appendix B for onward submission to the Cabinet.
 - 3.2 Propose changes to the budget proposals.
 - 3.3 Make no comment on the budget proposals.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Cabinet must recommend to Council at its meeting on 7 February 2024 a balanced budget and a proposed level of Council Tax for the coming year. The overall strategy and the budget proposals included in this report will assist the Cabinet in doing this. Accordingly, the preferred option is that this Committee agrees the Medium Term Financial Strategy and the budget proposals at Appendices A and B respectively.
-

5. RISK

- 5.1 The Council's finances are subject to a high degree of risk and uncertainty. The draft MTFS includes an evaluation of the Council's financial resilience, from which it can be seen that it has adequate, but not excessive, reserves and is positioned well to manage the financial challenges that it faces.
 - 5.2 In order to address risk on an ongoing basis 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.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The Cabinet received an initial report on the MTFS at its meeting on 26 July 2023 and it agreed the approach set out in that report to development of an MTFS for 2024/25 - 2028/29 and a budget for 2024/25.
 - 6.2 Public consultation on the budget has been carried out, with a survey which is due to close on 28 August 2023. Details will be circulated to members once they are available and they are encouraged to review the findings and assess whether the budget proposals are consistent with public expectations and aspirations.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The timetable for developing the budget for 2024/25 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
September 2023	All Policy Advisory Committees	Consider 24/25 budget proposals and draft MTFS
20 September 2023	Cabinet	Agree 24/25 budget proposals and draft MTFS
5 February 2024	Corporate Services Policy Advisory Committee	Consider final budget proposals and MTFS
7 February 2024	Cabinet	Agree final budget proposals and MTFS for recommendation to Council
21 February 2023	Council	Approve 24/25 budget

8. REPORT APPENDICES

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

- Appendix A: Draft Medium Term Financial Strategy 2024/25 – 2028/29
- Appendix B: Budget Proposals 2024/25 – 2028/29 - Corporate Services PAC
- Appendix C: Budget Proposals 2024/25 – 2028/29 – Other PACs.

9. BACKGROUND PAPERS

There are no background papers.

MAIDSTONE BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2024/25 – 2028/29



CONTENTS

1. Overview and Summary of Medium Term Financial Strategy	1
2. Corporate Objectives and Key Priorities	3
3. Economic Environment	5
4. Current Financial Position	8
5. Scenario Planning	15
6. Planning Assumptions.....	16
7. Revenue Projections	23
8. Capital Strategy	25
9. Consultation and Next Steps	27

1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

- 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's Strategic Plan, agreed in December 2018, covers the period 2019 to 2045. The Strategic Plan incorporates four key objectives: embracing growth and enabling infrastructure; homes and communities; a thriving place; and safe, clean and green. Further details are set out in **Section 2**.
- 1.2 Delivering the Strategic Plan depends on the Council's financial capacity and capability. Accordingly, the MTFS considers the economic environment and the Council's own current financial position. The external environment (**Section 3**) is challenging because of high inflation and the state of the UK's public finances. In assessing the Council's current financial position (**Section 4**), attention is paid to its track record of budget management, current financial performance and the level of reserves that it holds.
- 1.3 It is imperative that the MTFS both ensures Maidstone Council's continuing financial resilience and is sufficiently flexible to accommodate a range of potential scenarios. The Council has prepared financial projections under different scenarios, continuing a practice that has been followed for several years. Details of the different scenarios are set out in **Section 5**.
- 1.4 Planning assumptions for the different scenarios are set out in **Section 6**. A key assumption is the level of Council Tax, as this is the council's principal source of income. Increases in Council Tax are subject to a referendum limit, which at the time of writing (August 2023) is expected to be 3% for 2024/25. This is significantly less than the current rate of inflation, which means that there will be a budget gap, all other factors being equal. The position for future years is even more challenging, given that the expected reset of local government funding is unlikely to be favourable for Maidstone.
- 1.5 Fees and charges in aggregate make an equally important contribution to the Council's resources. Given the rise in the Council's input costs, it is important that these rise in line with inflation. For the purpose of the 2024/25 budget this has been assumed to be 5%.
- 1.6 The MTFS sets out financial projections based on these assumptions in **Section 7**. These are based on scenario 4, which assumes that inflation will remain elevated and central government continues to give the council limited funding flexibility. The table below shows projections for scenario 4, before taking account of the budget changes that are due to be considered by members at meetings of the PACs, Overview and Scrutiny Committee and Cabinet in September 2023.

Table 1: MTFS Revenue Projections 2024/25 – 2028/29

	24/25	24/25	25/26	26/27	28/29
	£m	£m	£m	£m	£m
Total Resources	53.7	54.7	56.4	58.5	60.2
Predicted Expenditure	55.3	59.2	61.0	61.9	62.7
Budget Gap	1.6	4.5	4.6	3.4	2.5
Existing Planned Savings	0.7	0.0	0.2	0.1	0.1
Savings Required	0.9	4.5	4.4	3.3	2.4

In accordance with legislative requirements the Council must set a balanced budget. Section 7 concludes by setting out a proposed approach which will specifically address the budget gap in 2024/25. The position in future years is much more challenging and will require a more radical approach.

- 1.7 The Council's strategic priorities are met not only through day-to-day revenue spending but also through capital investment. The Council's programme of building 1,000 Affordable Homes is the centre-piece of the Capital Strategy. Capital investment therefore serves to deliver the Council's strategic priorities, but must remain affordable and sustainable. As set out in **Section 8** below, funds have been set aside for capital investment, using prudential borrowing, and further funding may be available by taking advantage of opportunities to bid for external funding.
- 1.8 The MTFS concludes by describing the process of agreeing a budget for 2024/25, including consultation with all relevant stakeholders, in **Section 9**.

2. CORPORATE OBJECTIVES AND KEY PRIORITIES

2.1 The Council has a Strategic Plan which was originally adopted by Council in December 2018. The Strategic Plan has been refreshed in light of the Covid-19 pandemic. Each year the Strategic Plan is refreshed as appropriate. For 2023/24, the Strategic Plan was updated to reflect the Council's ambition in regard to Biodiversity and Climate Change, the emerging Town Centre Strategy, community resilience, and delivering 1,000 Affordable Homes.

2.2 Cabinet agreed at its meeting on 26 July 2023 that no further review of the Strategic Plan would be required for 2024/25. The four key objectives remain as follows:

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

'Embracing growth and enabling infrastructure' recognises that we want Maidstone Borough to work for the people who live, visit and work; now and in the future. We want a Borough where there is a variety of jobs, housing need is met and infrastructure is in place to meet the growing needs of our residents and economy. We also want to ensure we lead and shape our place as it grows, including leading master planning and investing to bring about high quality housing and jobs in the Borough.

'Homes and communities' expresses that we want to have a place that people love and where they can afford to live. This means ensuring that there is a good balance of different types of homes, including affordable housing. We will have safe and desirable homes that enable good health and wellbeing for our communities. We will address homelessness and rough sleeping to move people into settled accommodation. We will work with our partners to improve the quality of community services and facilities including for health care and community activities. Residents will be encouraged and supported to volunteer and play a full part in their communities.

'A thriving place' is a Borough that is open for business, attractive for visitors and is an enjoyable and prosperous place to live for our residents. Maidstone is the Business Capital of Kent; we will continue to grow our local economy with high employment, good local jobs and thriving local businesses. We want our town and village centres to thrive and be fit for the future. We will lead investment in the County town and rural service centres through our regeneration projects and working with partners. We are proud of our heritage and will continue to grow our leisure and cultural offer

A 'safe, clean and green' place is one where we will keep Maidstone an attractive and clean place for all. Maidstone is a safe place to live and we want our residents to feel safe. We want to protect and where possible enhance our environment and make sure our parks, green spaces, streets and public areas are high quality by ensuring they are looked after, well managed and respected.

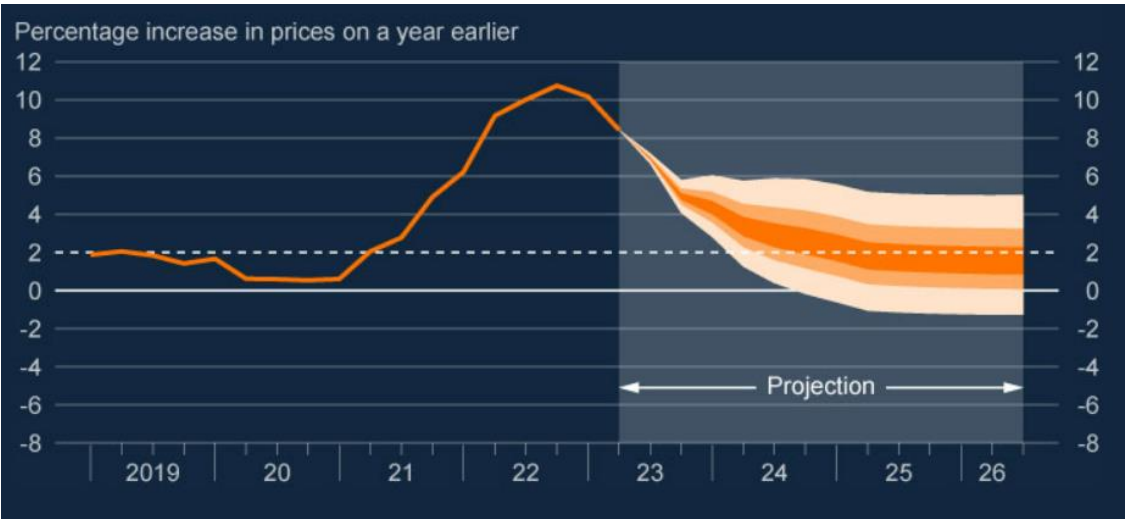
- 2.3 Since the adoption of the Strategic Plan in December 2018, the objective of 'Embracing growth and enabling infrastructure' has started to be realised, for example the completion of the Innovation Centre and development a new Garden Community.
- 2.4 Amongst initiatives to help make Maidstone a 'Thriving Place' have been MBC investment at Lockmeadow and on the Parkwood Industrial Estate, along with the emerging plans for developing a Town Centre Strategy. We will continue to leverage the Council's borrowing power, if appropriate in conjunction with partners, to realise our ambitions for the borough.
- 2.5 Our 'Homes and Communities' aspirations are being achieved by investment in temporary accommodation and the Trinity Centre and the Leader's commitment to build 1,000 new affordable homes.
- 2.6 The objective of a 'Safe, Clean and Green' place has been emphasised by the Council's commitment to a carbon reduction target and the capital investment to help enable this to be delivered and timely preparation for new waste management arrangements.
- 2.7 Within the framework of the existing Strategic Plan, the Council is therefore prioritising:
- development of the Local Plan and related strategies and policies, in particular the Town Centre Strategy
 - continued investment to make Maidstone a thriving place
 - investment in 1,000 new affordable homes
 - measures to enable the Council's carbon reduction target to be met.
- 2.8 The funding envelope within which these priorities must be delivered depends heavily on the Council's own revenue-generating capacity. The Council is largely self-sufficient financially, drawing most of its income from Council Tax and a range of other locally generated sources of income, including Parking, Planning Fees and the Council's property portfolio. However, it operates within the local authority funding framework set by central government, which is likely to impose tight constraints, and is affected by macro-economic conditions, in particular the rate of inflation. The two key variables in financial planning are therefore the restriction set by central government on the amount by which Council Tax can be increased and the rate of inflation. The financial implications are set out in section 6 below.

3. ECONOMIC ENVIRONMENT

Macro outlook

3.1 The UK economy has been battered by a series of shocks over the past three years. The Covid pandemic was followed by Russia’s invasion of Ukraine, which led to big increases in energy and food prices. The number of people available to work has not recovered from the Covid pandemic and productivity growth is low. This has led to high inflation, which is only just beginning to fall.

Figure 1: CPI inflation projection based on market interest rate expectations



Source: Bank of England Monetary Policy Committee report, August 2023

3.2 Whilst inflation is projected to fall to 2% by early 2025, Bank of England forecasts have proved consistently over-optimistic and there is a high risk that inflation levels will remain elevated.

Public Finances

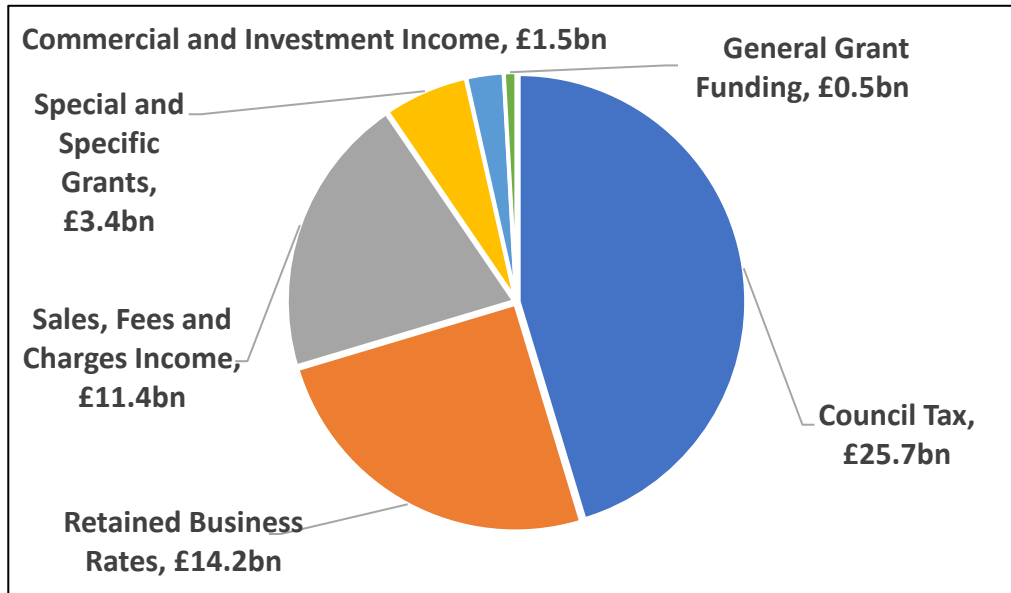
3.3 Slow growth and higher interest rates have negatively impacted the public finances. To address this, HM Treasury envisages a programme of fiscal consolidation over the next few years, with taxes set to rise to nearly 38% of GDP and increases in public service spending limited to 1% a year in real terms. This means that whoever is in government after the forthcoming general election will face very tough choices on tax and spending.

3.4 The overall public expenditure context is relevant for the council, because the local authority funding framework set by government is a crucial determinant of the Council’s financial position. This is primarily because central government restricts the amount by which Council Tax can be increased through the referendum limit and it determines the share of business rates that can be retained locally.

Local Government Funding

3.5 The main sources of local government funding nationally are set out below.

Figure 2: How Council Services are funded



Source: IFS, 'Does Funding Follow Need?', October 2022

- 3.6 In recent years, the reduction in direct central government funding for local government has been mitigated by increases in locally generated sources of income, with Council Tax rising by more than the overall rate of inflation. Upper tier authorities in particular have been able to raise additional tax through a social care precept. This has led the government's preferred measure of council spending, 'Council spending power', to increase, even though it may not reflect the actual resources available. However, funding has failed to keep up with the increased demands on council services, particularly for social care and housing.
- 3.7 The other main element of local government funding, beside Council Tax, is Business Rates. The 2010-15 Coalition Government transferred a notional 50% of locally-collected Business Rates income back to local government, but the requirement to adjust the amount of business rates retained between authorities, based on respective service needs, means that authorities with an active commercial sector and low perceived levels of need, like Maidstone, retain a low proportion of business rates (just 10% in Maidstone's case). It was originally intended to increase the 50% share of business rates retained locally to 75%, but this is no longer government policy.

- 3.8 The gradual squeeze on council funding means that an increasing number of councils are unable to set balanced budgets. This is formally signalled by the issue of a section 114 report. The councils that are most vulnerable tend to be those facing social care cost pressures, ie upper tier or single tier authorities, so it is likely that any additional support for local government in 2024/25 will be focused on them.

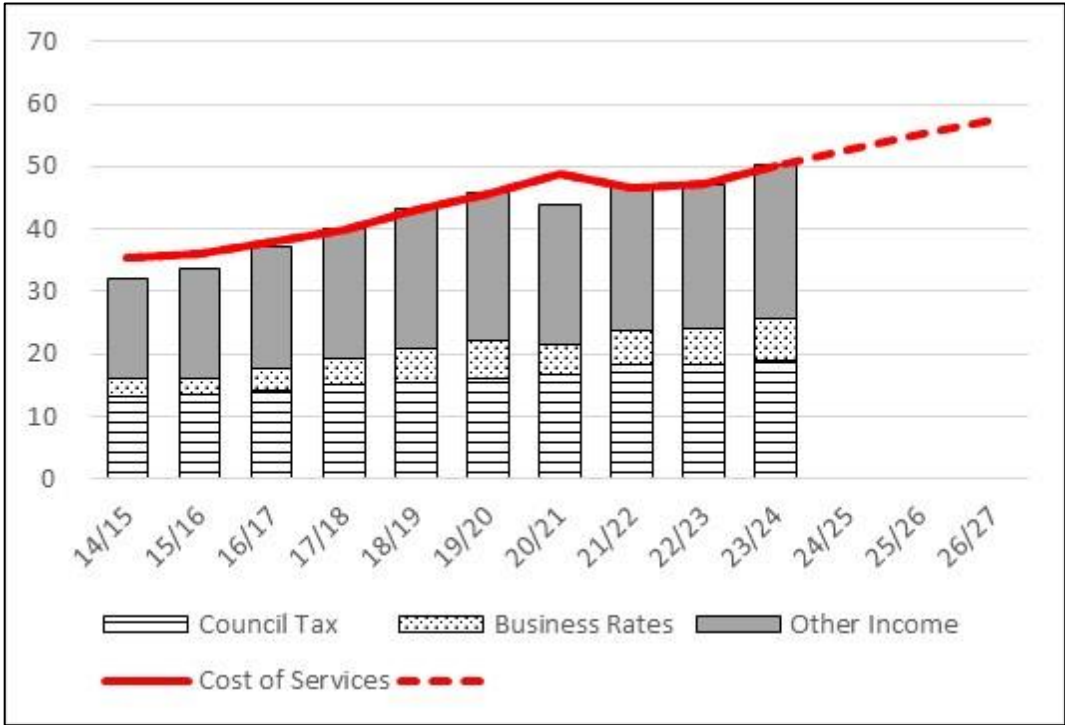
Conclusion

- 3.9 The UK economy faces low growth prospects and continued high inflation. This limits the scope for any increase in public expenditure. To the extent that the funding framework for local government will be flexed to alleviate financial pressures caused by expenditure growth, this is likely to benefit upper tier or single tier authorities, not lower tier authorities like Maidstone.

4. CURRENT FINANCIAL POSITION

- 4.1 As a lower tier authority, Maidstone Borough Council is not subject to the extreme pressures currently faced by upper tier authorities arising in particular with respect to adults’ and children’s social care.
- 4.2 The Council is broadly self-sufficient financially. It ceased receiving direct government support in the form of Revenue Support Grant (RSG) in 2016/17 and relies mainly on Council Tax and a range of other locally generated sources of income, including parking, planning fees and the property portfolio, to fund ongoing revenue expenditure. During the pandemic, income fell and expenditure increased, but the consequent budget gap, being the difference between cost of services and aggregate income, was covered with direct government funding. This is illustrated in the graph below.

Figure 3: Sources of Council funding



- 4.3 The Council’s financial resilience can be assessed using CIPFA’s Resilience Index. The screen shot below shows Maidstone’s scores for 2021/22 (the most up to date data).

Figure 4 – CIPFA Resilience Index for the Council in 2021/22



Source: <https://www.cipfa.org/services/financial-resilience-index/resilience-index>

4.4 There are a number of measures captured by the Resilience Index that contribute to financial resilience, according to CIPFA, based on the Revenue Outturn data submitted to central government for 2021/22.

Reserves:

- sustainability of reserves
- level of reserves
- change in reserves
- level of unallocated reserves
- level of earmarked reserves
- change in unallocated reserves
- change in earmarked reserves.

Indebtedness:

- interest payable / net revenue expenditure
- gross external debt.

Financial profile:

- fees and charges as a % of service expenditure
- council tax requirement as % of net revenue expenditure
- growth above the government's business rates baseline.

4.5 CIPFA also considers that financial resilience depends on the quality of management, as evidenced by:

- quality of financial management, including use of performance information
- effective planning and implementation of capital investment
- ability to deliver budget savings if necessary
- risk management.

An assessment is set out below of how the Council performs on these measures.

Reserves

- 4.6 Indicators of financial stress relating to reserves for Maidstone are generally towards the 'lower risk' end of the spectrum, as compared with our peers. As at 31 March 2023 the Council had unallocated General Fund reserves of £13 million. This corresponds to three months of service expenditure, thus providing an adequate but not excessive level of 'cushion' against unforeseen events.
- 4.7 It should be noted that 'earmarked reserves' are shown as being towards the higher end of the risk spectrum, meaning that the Council holds lower earmarked reserves than many of its peers. Given that such reserves are, by definition, 'earmarked', it is not necessarily the case that high levels of earmarked reserves should be regarded as reducing risk. Drawing on such reserves could mean diverting them from the projects for which they were intended. A high level of earmarked reserves could also indicate a failure in project delivery.
- 4.8 It is nevertheless the case that the council needs to build up its Housing Investment Fund, which comes within the category of earmarked reserves. This is because the affordable housing programme requires a revenue subsidy, which needs to be in place before properties are transferred to a Housing Revenue Account (see paragraph 8.7 below).
- 4.9 Reserves are shown below within the context of the council's overall financial position, as represented by its most recent balance sheet (previous year shown for comparative purposes).

Table 2: Maidstone Borough Council balance sheet (unaudited)

31st March 2022 £000		31st March 2023 £000
185,324	Long Term Assets	194,687
53,195	Current Assets	25,338
77,649	Current Liabilities	52,577
97,854	Long Term Liabilities	23,643
63,016	Net Assets	143,805
12,516	Unallocated General Fund Balance	12,983
21,375	Earmarked General Fund Balance	21,376
288	Capital Reserves	369
28,837	Unusable Reserves	109,077
63,016	Total Reserves	143,805

4.10 The main changes between the two balance sheet dates and the principal reasons are as follows:

- *Increase in long term assets:* A number of additional properties were purchased during 2022/23.
- *Decrease in current assets:* These have reduced as the short-term liquid investments held at the start of the year have been used to fund the capital programme and make Support for Energy payments to eligible households along with some other Covid-19 related payments.
- *Decrease in current liabilities:* The decrease in liabilities is mainly owing to the deployment of government grants, previously held as liquid investments pending use for the purposes described above.
- *Decrease in long term liabilities:* There has been a significant reduction in the pensions liability. This has come about due to a change in the discount rate used, which is linked to short-term interest rates, which rose between March 2022 and March 2023.
- *Increase in unusable reserves:* This arises because the pension asset / liability in the balance sheet is treated as unusable. As the liability has fallen (see above) so the level of reserves increases.

4.11 The unallocated general fund balance within usable reserves represents the Council's core reserves. It is an essential part of the Council's strategic financial planning, as this amount represents the funds available to address unforeseen financial pressures.

4.12 For local authorities there is no statutory minimum level of unallocated reserves. It is for each Council to take a view on the required level having regard to matters relevant to its local circumstances. CIPFA guidance issued in 2014 states that to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters, as well as internal risks such as the achievement of savings.

4.13 Maidstone Council historically set £2 million as a minimum level for unallocated reserves. In the light of the heightened risk environment facing the Council, it was agreed from 2021/22 that this minimum should be increased to £4 million. In practice, the level of unallocated reserves held is higher, at £13 million, thus providing a reasonable, but not excessive, level of additional assurance.

Indebtedness

4.14 The Council has a relatively low level of external debt. As at 31 March 2023 this amounted to £10 million (included within liabilities in Table 2). Although the Council has expanded its property portfolio in recent years, this has largely been funded from internal sources.

- 4.15 The CIPFA Resilience Index shows interest payable compared with net revenue expenditure as being towards the higher risk end of the spectrum. However, this is somewhat misleading, because the figure used for interest payable comprises just £100,000 payable on external debt and £1.8 million representing a notional interest charge on pension liabilities.

Financial profile

- 4.16 Three of the metrics used by CIPFA indicate the authority's underlying financial profile. These largely reflect the strengths and weaknesses of the local economy and are usually of very long historical standing.

Fees and charges as a % of service expenditure measures the extent to which an authority can cover service expenditure through fees and charges. It is beneficial, for example, if an authority can generate substantial parking income. Maidstone tends towards 'higher risk' on this measure, possibly indicating that it is not exploiting such sources of income as effectively as it could do.

Council tax requirement as % of net revenue expenditure measures the extent to which Council Tax income covers revenue expenditure. Maidstone is very low risk on this basis, as it can cover revenue expenditure fully through council tax income, without being dependent on external income or government funding.

Growth above baseline measures the rate of business rates growth as compared to the government's baseline. An area with a strong local economy would perform well on this metric. Maidstone is in the middle of the risk spectrum.

Financial management

- 4.17 The Council has a strong track record of managing finances within the agreed budgets. The revenue out-turn for 2022/23 is set out below, showing that the Council ended the year spending just £212,000 (1%) less than the agreed budget for the year.

Table 3: 2022/23 Revenue Out-turn

Service	Budget £000	Actual £000	Variance £000
Economic Development	620	720	-100
Planning	2,112	2,444	-332
Parking	-1,410	-1,865	455
Corporate Services	10,894	10,270	624
Housing & Health	2,726	3,711	-985
Environmental Services	6,874	6,364	510
Communities, Leisure & Arts	1,414	1,375	39
Total	23,231	23,019	212

- 4.18 Financial management at Maidstone Borough Council contains a number of elements. Officers and members are fully engaged in the annual budget setting process, which means that there is a clear understanding of financial plans and the resulting detailed budgets
- 4.19 Detailed financial reports are prepared and used on a monthly basis by managers, and on a quarterly basis by elected members, to monitor performance against the budget. Reports to members are clear, reliable and timely, enabling a clear focus on any areas of variance from the plan.
- 4.20 Financial reports are complemented by performance indicators, which are reported both at the service level to the wider leadership team, and at a corporate level to members. Member reports on performance indicators are aligned with the financial reports, so that members see a comprehensive picture of how services are performing.
- 4.21 Financial management and reporting is constantly reviewed to ensure that it is fit for purpose and meets the organisation's requirements. Quarterly financial reports to members have been redesigned over the last two years to make them more user-friendly.
- 4.22 Where variances arise, prompt action is taken to address them. Action plans are put in place at an early stage if it appears that there is likely to be a budget overspend.
- 4.23 The authority consistently receives clean external and internal audit opinions.

Capital investment

- 4.24 The Council has a capital programme amounting to around £200 million over the next five years. The main element within the programme is the housing programme. Site acquisitions to date provide the capacity to deliver around 500 units. These will comprise a mix of tenures but a significant element will contribute to the overall target of delivering 1,000 affordable homes over the next ten years.
- 4.25 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code, which requires that capital investment should be funded in a way that is prudent, affordable and sustainable. Accordingly, an investment appraisal is undertaken prior to any site acquisitions for the housing programme.
- 4.26 The capital programme is largely funded through external sources, so it depends on the availability of funding, whether through Public Works Loan Board borrowing or other sources of finance. The Council has locked in £80 million of future borrowing, to be drawn down between 2024 to 2026, in order to mitigate the funding risk.
- 4.27 Member oversight is ensured, first by inclusion of schemes in the capital programme that is approved as part of the annual budget setting process. Subsequently, prior to any capital commitment being entered into, a report

setting out details of the capital scheme is considered by the relevant service committee.

- 4.28 The Council has a corporate project management framework that applies to projects included within the capital programme. This provides for designation of a project manager and sponsor and includes a mechanism for progress on major projects to be reported to a Strategic Capital Investment Board.
- 4.29 So far as the housing programme is concerned, effective delivery of the programme is assured through an experienced in-house client team, which sources appropriate external skills (architects, employers' agents, contractors) to implement individual schemes. Each scheme is monitored from a financial and operational viewpoint and financial monitoring of capital projects is incorporated within the quarterly reports to Service Committees.

Ability to deliver budget savings

- 4.30 The Council has a good track record of delivering budget savings, whilst sustaining and investing in services. Savings initiatives are planned so far as possible across the five-year period of the MTFs, rather than the focus being simply on achieving whatever savings are necessary in order to balance the budget for the coming year.
- 4.31 A common criticism of local authority financial planning is that proposed savings are often over-optimistic and are not based on realistic evidence of what is achievable. The Council aims to mitigate this risk with a robust process for developing budget savings proposals:
- New and updated savings proposals are sought on a regular annual cycle, with Service Managers typically briefed on the savings remit in August/September
 - Savings proposals are then developed over a period of around two months
 - Savings proposals have to be formally documented and signed off by the Service Head who will be responsible for delivering them.
- 4.32 Once savings have been built into the budget, their achievement is monitored as part of the regular financial management process described above.

Risk management

- 4.33 The Council's MTFs is subject to a high degree of risk and uncertainty. 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.

4.34 The major risk areas that have been identified as potentially threatening the Medium Term Financial Strategy are as follows, in ranking order.

- Inflation rate is higher than 2% government target
- Capital programme cannot be funded
- Constraints on council tax increases
- Failure to contain expenditure within agreed budgets
- Financial impact from major emergencies such as Covid-19
- Planned savings are not delivered
- Business Rates pool fails to generate sufficient growth
- Collection targets for Council Tax and Business Rates missed
- Adverse impact from changes in local government funding
- Financial impact from IT security failure
- Pension liability cannot be funded
- Other income fails to achieve budget
- Fees and Charges fail to deliver sufficient income
- Litigation costs exceed budgeted provisions
- Increased complexity of government regulation
- Shared services fail to meet budget
- Council holds insufficient balances

4.35 The Council has implemented JCAD risk management software, which allows individual service areas to log and monitor risks. By reviewing risks on a regular basis in this way, it is expected that any major new risks will be identified and appropriate mitigations developed.

Conclusion

4.36 When assessed against the CIPFA criteria for financial resilience, the Council can be seen to have adequate reserves in the short term and to be positioned well to manage the financial challenges it will face. The following section considers whether this position is sustainable.

5. SCENARIO PLANNING

5.1 As Maidstone’s financial position is dependent on government policy and on broader economic factors such as inflation, neither of which can be predicted with any certainty, it is appropriate to model the impact of different scenarios on the Council. Following a similar approach to that adopted when developing the current 2023/24 – 2027/28 Medium Term Financial Strategy, the following four scenarios can be sketched out.

<p>Scenario 1: Inflation falls, limited funding flexibility</p> <p>The rate of price inflation falls in line with BoE forecasts, but government maintains existing constraints on local government finances in order to reduce debt and create capacity for tax cuts.</p>
<p>Scenario 2: Inflation falls, some funding flexibility</p> <p>Inflation falls in line with BoE forecasts, and government adopts more accommodative local government finance settlements to help councils address demand pressures.</p>
<p>Scenario 3: Inflation remains elevated, some funding flexibility</p> <p>Inflation only reaches the target level of 2% at the end of the MTFS planning period. Owing to the continued high level of inflation, government relaxes constraints on local government finances to allow council services to be protected.</p>
<p>Scenario 4: Inflation remains elevated, limited funding flexibility</p> <p>Inflation only reaches the target level of 2% at the end of the MTFS planning period, but government maintains the existing level of constraints on local government finances.</p>

Scenario 4 is the most challenging of those sketched out above, as it represents a combination of continued high inflation and tight constraints on the Council’s revenue raising capacity. For planning purposes, we consider it prudent at this stage to adopt Scenario 4. However, the other scenarios will be modelled and the implications considered when developing the detailed Medium Term Financial Strategy.

5.2 The next section sets out planning assumptions under each of the above scenarios.

6. PLANNING ASSUMPTIONS

6.1 In drawing up financial projections, assumptions need to be made about what future scenarios might mean. The key dimensions are:

- (a) the Council Tax base;
- (b) the level of Council Tax;
- (c) retained Business Rates, which in turn depends on overall business rates and government policy on distributing Business Rates income;
- (d) other local income, eg fees and charges;
- (e) the cost of service delivery, which is subject to the effect of inflation on input prices.

Each of these is considered in more detail below.

Council Tax base

6.2 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.

6.3 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below:

Table 4: Number of Dwellings in Maidstone

	2018	2019	2020	2021	2022
Number of dwellings	70,843	71,917	73,125	75,034	76,351
% increase compared with previous year	1.74%	1.52%	1.68%	2.61%	1.76%

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

6.4 The Council tax base is also affected by collection rates and the number of households benefitting from the Council Tax Reduction Scheme. Typically these factors do not vary significantly between years but in the event of a major downturn in the economy, collection rates could be expected to fall and more households would be eligible for the Council Tax Reduction Scheme.

6.5 Future growth assumptions for each scenario are set out below.

Council Tax base growth assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	1.5%	1.5%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	1.5%	1.5%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	1.5%	1.0%	1.0%	1.0%	1.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	1.5%	1.0%	1.0%	1.0%	1.0%

Level of Council Tax

6.6 The level of council tax increase for 2024/25 is a decision that will be made by Council based on a recommendation made by the Cabinet. In practice, the Council’s ability to increase the level of council tax is limited by the need to hold a referendum for increases over a government set limit. In 2023/24, the limit was 3%. The Council approved the maximum possible increase. The rationale for this approach was that:

- pressures on the Council’s budget mean that even a marginal difference in Council Tax income is of value;
- the referendum limit might revert to a lower level in later years;
- because the starting point for calculating the referendum limit in any given year is the previous year’s Council Tax, agreeing a lower increase reduces the Council’s room for manoeuvre in later years.

6.7 Given that CPI inflation was 8.7% for the year to May 2023, it is hard to see the referendum limit being reduced from the current level of 3%. A prudent assumption (Scenario 4) would therefore be that the referendum limit will be 3% in 2024/25, but after the General Election that is due to take place by January 2025, the government will seek to bear down on inflation by restricting the limit to 2%, being the target level of inflation¹.

6.8 Future growth assumptions for each scenario are set out below.

¹ The Leader of the Labour Party announced in March 2023 that a Labour government would freeze Council Tax in 2024/25, using the proceeds of a windfall tax on oil and gas companies. Presumably this means that central government would reimburse local authorities with an amount equivalent to that by which they would have increased tax locally.

Council Tax increase assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	3.0%	2.0%	2.0%	2.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%

- 6.9 A key MTFS assumption is that Council Tax increases are maximised within the constraints of the referendum limit.

Retained business rates

- 6.10 Under the current business rates regime, local government in aggregate retains 50% of business rates income. However, most of the 50% share collected locally is lost to Maidstone, because it is redistributed to other authorities through a system of tariffs and top-ups.

Table 5: Baseline Business Rates Income 2023/24

	£000	%
Baseline Business Rates income	62,333	100
Government share	-31,166	-50
Kent County Council / Kent Fire & Rescue Authority	-6,233	-10
Government tariff	-21,551	-35
Baseline Business Rates income retained by MBC	3,382	-5

To the extent that business rates income exceeds the baseline, this growth element is retained locally, subject to a levy payable to central government by tariff authorities like Maidstone.

- 6.11 The Council has been able to minimise the levy payable on business rates growth through its membership of the Kent Business Rates Pool. This is because the levy payable by some pool members (district councils) is offset against the top-up received by the major preceptors (Kent County Council and Kent Fire and Rescue).
- 6.12 Business rates pool income is allocated, in accordance with the Pool Memorandum of Understanding between Kent authorities, as follows.

Maidstone Borough Council – used for specific projects that form part of the Economic Development strategy. £250,000 of this amount is top-sliced in the budget for ED salaries and spatial planning.	30%
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Growth Fund – In Maidstone this is split 50:50 between MBC and Kent County Council for the regeneration of the Town Centre and is deployed at Maidstone East and Sessions House / Invicta House respectively.	30%
Kent County Council	30%
Contingency - To compensate Kent local authorities who do not benefit directly from pool membership (eg because their business rates growth is lower than the baseline)	10%

6.13 There are a number of factors affecting the future pattern of business rates income:

- Government uses the share of business rates that local authorities are allowed to retain as a mechanism for directing resources towards the areas of perceived need (hence Maidstone, as a relatively prosperous area, only retaining 5% of baseline business rates). This resource allocation has remained broadly unchanged since 2014, when the current local government funding system was introduced, but a 'fair funding review', which will update the resource allocation, has been mooted for several years. In practice it is now unlikely to be implemented before 2026/27.
- The government share of business rates and the tariff (see Table 4 above) are fixed £ amounts, based on a predetermined business rates baseline. This has benefited the Council over the past ten years, as the rate of business rates growth has been greater locally than general price inflation, and the Council has benefited from this excess growth. However, the reverse could be the case if there is a downturn in total business rates income.
- As part of any change to the funding system, the business rates baseline is expected to be adjusted. This will give a higher baseline for the Council, with the result that the accumulated business rates growth of the past ten years, which (subject to the levy) is currently retained locally, would be lost.

6.14 These factors are generally likely to have an adverse impact on business rates income. However, the government has indicated that changes such as implementation of the fair funding review and a revision of the baseline would be implemented over a period of time, dampening any immediate adverse impact.

6.15 Future growth assumptions for each scenario are set out below.

Business rates growth assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	-2.0%	-2.0%	-2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	0.0%	0.0%	0.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	3.0%	0.0%	0.0%	0.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	5.0%	2.0%	-2.0%	-2.0%	-2.0%

Other income

- 6.16 Other income, in aggregate, is now a major contributor to the Council’s total revenue budget. The main components of other income are set out below:

Table 6: Projected Other Income 2023/24

	£ million
Fees and charges	10.5
Property rental income	7.1
Shared services trading income	3.7
Other income	2.8
TOTAL	24.1

The Council has a policy that guides officers and councillors to set the appropriate level of fees and charges based on demand, affordability and external factors. Given the current inflationary environment, it is important to target an appropriate overall increase in the amount of fees and charges to mitigate the expected increase in the Council’s input costs. The alternative would be for the Council to have to make further savings, potentially reducing the level of services that it provides to residents.

- 6.17 Note that some fees and charges are set by central government and are not necessarily increased annually. Rents may only change at the point of periodic rent reviews.
- 6.18 Future growth assumptions for each scenario are set out below. These correspond to the inflation level projected for the respective scenarios, on the basis that it is reasonable to expect income to increase in line with expenditure. A key MTFS assumption is that overall income from fees and charges increases in line with expected increases in the Council’s input costs.

Other income growth assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%

Cost of services

- 6.19 The cost of services is subject to inflation. Service cost increases tend to lag behind published inflation indices, but they are likely to follow the same pattern. Salaries account for around 50% of total input costs, and market pressures are likely to mean that inflation will impact salaries in the medium term. Many other costs, in particular contract costs, are directly linked to inflation indices.
- 6.20 As described above, there is considerable doubt about whether inflation will fall as quickly as official forecasts suggest. Accordingly, the preferred scenario 4 adopts a more prudent approach than simply following the Bank of England forecast.

Cost of services growth assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%

For the purposes of detailed budget planning, a more granular approach is taken to forecasting budget growth, and specific percentages are applied to the different categories within cost of services.

7. REVENUE PROJECTIONS

- 7.1 Strategic revenue projections for scenario 4 are summarised in table 7 below. In light of the many uncertainties around future funding, it is important to note that projections like these can only represent a 'best estimate' of what will happen. These projections will be updated as more information becomes available, prior to a final version of the projections being included in the updated Medium Term Financial Strategy.

Table 7: MTFS Revenue Projections 2024/25-2028/29

	24/25	25/26	26/27	27/28	28/29
	£m	£m	£m	£m	£m
Scenario 4					
Total Resources	53.7	54.7	56.4	58.5	60.2
Predicted Expenditure	55.3	59.2	61.0	61.9	62.7
Budget Gap	1.6	4.5	4.6	3.4	2.5
Existing Planned Savings	0.7	0.0	0.2	0.1	0.1
Savings Required	0.9	4.5	4.4	3.3	2.4

- 7.2 Issues contributing to the budget gap of £900,000 in 2024/25 are inflation and £700,000 of additional growth in 2023/24 which was funded from one-off resources and is now built into base budgets. In 2025/26 and future years, the potential loss of funding from a local government funding reset and the cost of borrowing for the capital programme lead to much larger budget gap figures.
- 7.3 Note that all these assumptions assume that Council Tax income is increased by the maximum possible given the referendum limit, and fees and charges are increased in line with inflation. In all cases, the budget gap would be greater if these measures were not taken. See below for illustrative figures for 2024/25.

	£000
'Do nothing' budget gap	2,023
Increase Council Tax by 3%	-573
Increase Other Income by 5%	-525

Budget gap per Strategic Revenue Projection 925 (see Table 7 above)

- 7.4 In summary, it is assumed here that Council Tax is increased by the maximum possible, which in Scenario 4 is 3%; and that in order to deliver a 5% increase in other income, fees and charges are increased appropriately. To the extent that individual categories of fees and charges are not increased by this amount, compensating additional increases would need to be found elsewhere.

Approach to balancing the budget

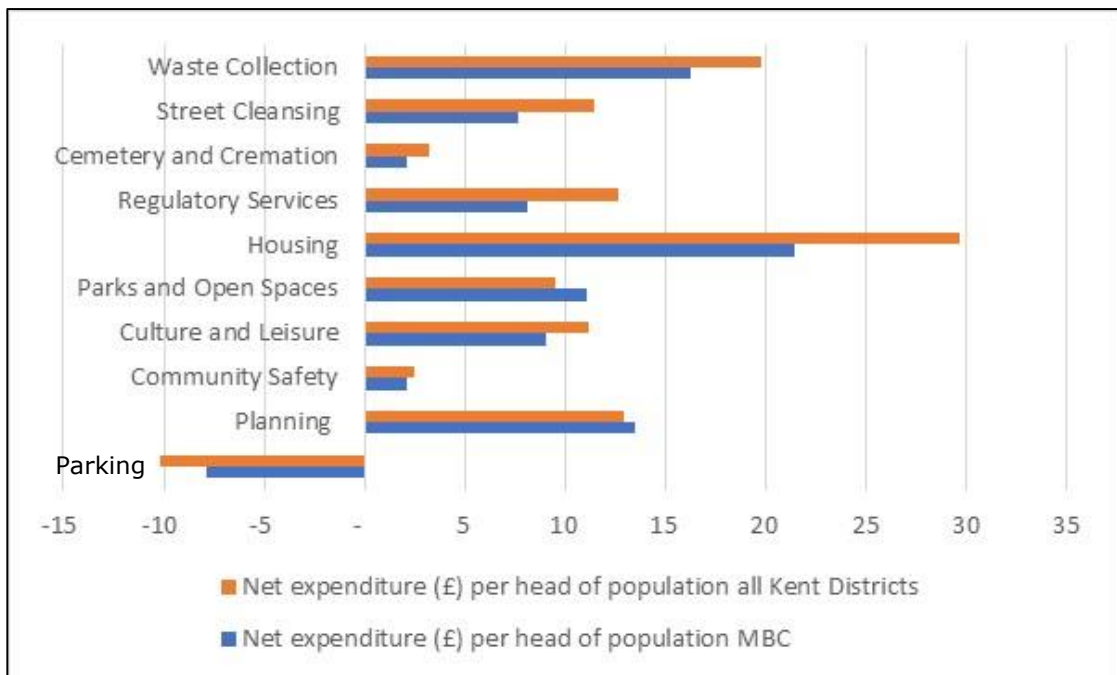
- 7.5 The immediate priority in setting a balanced budget for 2024/25 is to close the budget gap of £925,000 for next year. In line with the Council's usual

practice, savings proposals have been sought from service managers. Whilst individual proposals may not amount to significant sums, in aggregate they may contribute substantially to meeting the deficit.

7.6 It can be seen from the table above that savings on a much greater scale will be required in subsequent years. Assuming that the projections remain broadly unchanged, this will demand a much more thoroughgoing review of Council budgets, and potentially service reductions. In seeking areas where there may be potential for making savings, it is worth comparing the Council's most recent spending data with those of its peers – the other district Councils of Kent. This is not to imply that this Council is over-spending or under-spending in particular areas. Rather, it is intended to put our allocation of expenditure against the different priorities in context.

Figure 5: Expenditure per head of population

Source: Local Authority 2021/22 Revenue Outturn returns



7.7 From this it can be seen that MBC spends more than its peers on:

- Parks and Open Spaces
- Planning and Development
- Parking (ie income is lower than average).

6.7 Work will need to take place over the coming year so that savings proposals are ready for the start of the 2025/26 budget process.

8. CAPITAL STRATEGY

8.1 The capital programme plays a vital part in delivering the Council’s strategic plan, since it is only through long term investment that our ambitions for the borough, in particular the 1,000 Affordable Homes programme, can be realised. The capital programme has an impact on revenue, because of the cost of borrowing and the annual charge (Minimum Revenue Provision – MRP) that the Council is required to make to set aside sufficient money to fund the repayment of borrowing.

8.2 The profile of the current five year capital programme is as follows.

Table 8: Capital Programme 2023/24 – 2027/28

	23/24	24/25	25/26	26/27	27/28	Total
	£000	£000	£000	£000	£000	£000
Affordable Housing	6,123	20,080	22,825	25,487	22,442	96,958
Social Housing Grant	-5,790	-3,120	-1,290	-8,250	-6,060	-24,510
Private Rented Sector	3,090	6,765	6,832	9,578	6,861	33,125
Temporary Accommodation	12,000	12,000	8,000	0	0	32,000
Disabled Facilities	800	800	800	800	800	4,000
Housing – Other	675	1,325	974	543	100	3,616
Environment	6,970	880	730	580	590	9,750
Communities, Leisure & Arts	4,329	3,700	3,350	1,000	1,000	13,379
Planning & Infrastructure	206	0	0	0	0	206
Corporate Services	10,514	7,280	5,423	5,249	4,903	33,369
Total	38,917	49,710	47,644	34,986	30,636	201,893

8.3 As the level of investment increases, the revenue cost of borrowing increases. Ultimately this is offset by income, to the extent that capital schemes generate income, eg in the form of housing rents. However, there is a period during which capital schemes need to be funded before they start to generate income.

8.4 There are a number of risks associated with the capital programme which potentially will impact the revenue account, to the extent that capital expenditure is abortive or leads to the write-down of capital investments:

- Construction price
- Contractor failure / liquidation
- Availability / cost of finance (currently the Council has arranged £80 million of funding, but the availability and cost of finance when this is exhausted is not known).

- 8.5 Finally, there is a specific requirement in relation to the Affordable Housing programme to provide the necessary subsidy for tenants. The requirement for a subsidy arises because affordable housing (ie housing to be let at a rent of no more than 80% of the Local Housing Allowance) does not achieve the normal rate of return that is required on Council investments in order to satisfy the prudential borrowing rules.
- 8.6 In order to avoid the Council facing an ongoing revenue burden from subsidising affordable housing tenants, and to avoid setting deficit budgets in the Housing Revenue Account (HRA) when it is established, it is assumed that a capital sum of around £50,000 per unit must be set aside for each unit of affordable housing. Note that there are strict rules about the HRA ringfence, above all the fact that the HRA cannot set a deficit budget. The capital sum must be set aside **before** housing units are transferred into the HRA. Otherwise, the HRA would run a deficit for every unit of housing transferred in, because of the excessive cost of funding housing stock that is transferred into it.
- 8.7 If the target of 1,000 affordable homes is to be achieved over a ten year period, the Council needs to set aside funds now to provide the necessary subsidy. An opportunity to provide this subsidy, without impacting core revenue spending, is available thanks to the government's continued deployment of one-off resources each year to local authorities in the form of New Homes Bonus and Services Grant. In 2022/23, an initial tranche of £3.2 million was earmarked from New Homes Bonus and transferred to a Housing Investment Fund. Although there is no assurance that such grants will continue to be available into the future, if the Council is to provide affordable homes as part of its capital programme, it needs to maximise the amount of one off resources, eg New Homes Bonus and Services Grant, that are transferred into the Housing Investment Fund. Note that there is a risk that New Homes Bonus will reduce in future, as housing growth falls, so any other one off resources will likely be required as well.
- 8.8 It is proposed that a key MTFs assumption is that one-off resources such as New Homes Bonus and Services Grant are earmarked for the Housing Investment Fund.

9. CONSULTATION AND NEXT STEPS

- 9.1 Each year the Council carries out consultation as part of the development of the MTFS. A budget survey is being carried out and is due to close on 28th August 2023. The results will be reported to members to aid their consideration of the budget proposals.
- 9.2 Consultation with members will take place in September 2023 on detailed revenue budget proposals. Individual Policy Advisory Committees will consider the budget proposals relating to the services within their areas of responsibility, and Overview and Scrutiny Committee and Cabinet will consider the budget proposals for the Council as a whole.
- 9.3 Proposed fees and charges for 2024/25 will be considered by the Policy Advisory Committees and Cabinet later in the Autumn; capital budget proposals will be considered by the Corporate Services PAC and Cabinet in January 2024. The final budget will be presented to Council on the 21st February 2024.

Revenue Budget Proposals 2024/25 - 2028/29

Service	Proposal	24/25	25/26	26/27	27/28	28/29	Total
		£000	£000	£000	£000	£000	£000
Existing Savings							
Corporate Property	Property Investment Strategy	-125	-125	-125	-125	-125	-625
Housing	New Maidstone Property Holdings developments	-228					-228
Elections	Whole council elections	-60					-60
Corporate Property	Office accommodation savings	-55					-55
Transformation	Automation of transactional services	-50					-50
Corporate Property	Service improvements	-25					-25
HR	Deleting HR adviser post		-18				-18
Finance	Review of structure	-15					-15
MKS ICT	Efficiency improvements			-14			-14
Transformation	Review of print and post including handling and processing cheques	-10					-10
Finance	Investment income - reversal of earlier saving		50				50
	Sub-total	-568	-93	-139	-125	-125	- 1,050
New Savings							
Finance	Additional interest income	-350	350				0
Mid Kent Services	Automated data handling for Council Tax	-40	-15				-55
Mid Kent Services	Shared Revenues and Benefits service with Swale	-30	-30				-60
Mid Kent Services	Transfer Risk Management to Emergency Planning	-29					-29
Corporate Property	Asset Management Plan for commercial property	-29					-29
Corporate Property	Saving in Heather House running costs	-27					-27
Mid Kent Services	Payroll service external income	-25					-25
Emergency Planning	Emergency Planning partnership	-20					-20
Mid Kent Services	Internal audit - Efficiency savings	-19					-19
Mid Kent Services	ICT software savings	-8					-8
Biodiversity & Climate Change	Additional post to support property decarbonisation	49					49
Biodiversity & Climate Change	Revenue budget to support eco initiatives	30					30
	Sub-total	-498	305	0	0	0	-193
OVERALL CHANGE IN BUDGET (£000)		-1,066	212	-139	-125	-125	-1,243

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 2024/25 - 2028/29

Service	Proposal	23/24	24/25	25/26	26/27	27/28	Total
		£000	£000	£000	£000	£000	£000
Museum	Museum business rates saving	-35					-35
Strategy, Insight and Governance	Sell internal printing services externally	-5	-5				-10
OVERALL CHANGE IN BUDGET (£000)		-40	-5	0	0	0	-45

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.

Policy Advisory Committee

Revenue Budget Proposals 2024/25 - 2028/29

Service	Proposal	24/25	25/26	26/27	27/28	28/29	Total
		£000	£000	£000	£000	£000	£000
Existing Savings							
Garden Waste	Changes to charging arrangements	-80		-80			-160
	Sub-total	-80	0	-80	0	0	-160
New Savings							
Environment and Public Realm	Withdrawal from Kent Resource Partnership	-10					-10
Environment and Public Realm	Disposal of PC at Mid Kent Shopping Centre	-8					-8
Housing	Housing grant maximisation	-150					-150
Housing	Reduce landlord incentive budget	-35					-35
Housing	Temporary accommodation growth	600					600
Housing	Temporary accommodation savings	-400					-400
Community Safety	Remove surplus budgets	-11					-11
	Sub-total	-14	0	0	0	0	-14
OVERALL CHANGE IN BUDGET (£000)		-94	0	-80	0	0	-174

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.

Policy Advisory Committee

Revenue Budget Proposals 2024/25 - 2028/29

Service	Proposal	24/25	25/26	26/27	27/28	28/29	Total
		£000	£000	£000	£000	£000	£000
Existing Savings							
Land Charges	Migration of land charges register to HM Land Registry	-30	63				33
Land Charges	Staff reduction	-13					-13
MK Planning Support	Process improvement and automation		-15				-15
	Sub-total	-43	48	0	0	0	5
New Savings							
Spatial Planning and Economic Development	Additional contribution from Business Rates Pool	-150					-150
Parking	Delete residual Park and Ride site costs	-100					-100
Development Management	Additional CIL recharge for administration	-50					-50
Parking	Sandling Road Car Park running costs (one year only)	-50	50				0
	Sub-total	-350	50	0	0	0	-300
OVERALL CHANGE IN BUDGET (£000)		-393	98	0	0	0	-295

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.