

MAIDSTONE BOROUGH COUNCIL
REVENUE & CAPITAL ESTIMATES
2023/24

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STATEMENT OF ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. INTRODUCTION

- 1.1 Section 25 of the Local Government Act 2003 requires that a local authority's Chief Finance Officer must report on:
- the robustness of the estimates made for the purposes of the budget calculations; and
 - the adequacy of the proposed financial reserves.
- 1.2 The authority must have regard to this report when making decisions about the calculations in connection with which it is made, these decisions being to set a budget and to agree the level of Council Tax.
- 1.3 The following statement seeks to fulfil this requirement in respect of the 2023/24 budget setting process for Maidstone Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of the process.

2. ROBUSTNESS OF ESTIMATES

Background

- 2.1 The budget contains estimates of future income and expenditure, which like any future events are subject to risk and uncertainty. The external environment at present is particularly challenging because of economic outlook and the high level of inflation.
- 2.2 The financial framework within which the Council operates is set by central government. Whilst the government has announced for 2023/24 the Council Tax referendum limit and the share of business rates to be retained locally, the position for future years is unclear, which makes longer term forecasting difficult.
- 2.3 The budget reflects careful consideration and prudent judgements about the risks posed by these elements of uncertainty, drawing on the lessons of previous years and seeking to take into account all relevant factors.
- 2.4 The Council's exposure to risk is mitigated by a strong financial position, with adequate but not excessive levels of reserves, and a track record of effective financial management.
- 2.5 The context for the budget setting process is described more fully in the Council's Medium Term Financial Strategy (MTFS), which is included as section 8 of this Appendix. The MTFS covers both revenue and capital budgets and underpins the budget setting process over the coming five year period. It sets out in financial terms how the Council will deliver its Strategic Plan given the resources available.

Budget preparation

- 2.6 A structured approach has been taken to preparing the budget estimates. They are the outcome of an exhaustive process, which commenced with Members agreeing underlying assumptions and a plan for developing a Medium Term Financial Strategy at the meeting of the Executive on 20 July 2022. Given the high degree of uncertainty about the medium term financial position, various potential scenarios were tested.
- 2.7 Where possible, future financial projections have been validated against current performance as reported through the Council’s regular quarterly budget monitoring. The budget estimates have been reviewed in the light of the latest budget monitoring information. Where appropriate, allowance has been included in respect of additional expenditure and shortfalls in income where these are likely to continue into 2023/24.

Factors considered in drawing up MTFS and setting budget

- 2.8 The table below sets out the specific factors that have been taken into account in the process of drawing up the MTFS and setting the 2023/24 budget.

The Council's corporate objectives and key priorities	The estimates are intended to support the priorities within the Council’s Strategic Plan and to maintain service delivery. The MTFS addresses emerging new priorities within the framework of the Strategic Plan.
Consultation with the community	The results of the 2022 Residents’ Budget Survey have been taken into account when developing the budget proposals.
Consultation with Policy Advisory Committees	The Policy Advisory Committees were consulted on the budget proposals at their meetings in January 2023.
The level of funding likely from Central Government	<p>The Council no longer receives Revenue Support Grant, but it is due to receive £4.7 million in unringfenced government grants in 2023/24 (New Homes Bonus, Services Grant and Funding Guarantee). It is proposed to allocate £300,000 of this for spatial policy and planmaking and £400,000 to increase the salary budget envelope.</p> <p>As the Council cannot assume that these grants will continue at the present level in the future, it would be prudent to treat them as one-off funding and not deploy them to meet ongoing commitments. There is therefore a risk in using £400,000 to increase the salary budget envelope, as this represents an ongoing commitment to paying staff at a higher level.</p>

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Retained element of business rates	Since 1 April 2013 a proportion of business rates income has been retained by the Council. The amount of business rates income due to the Council under existing arrangements has been projected using prudent assumptions and has been reflected in the Strategic Revenue Projections. Additional income is anticipated as a result of the Council's participation in the Kent Business Rates Pool and is earmarked as a separate exercise from the main budget setting process.
Council Tax Base	The recommended council tax base for 2023/24 is 67,161.69, a 1.9% increase in the tax base over the 2022/23 figure.
Level of Council Tax	The level of Council Tax is an important determinant of the Council's financial resilience. A low Council Tax base and/or a low level of Council Tax have been demonstrated from analysis of local authority accounts to signal lack of resilience. It is therefore appropriate for the Council to maximise Council Tax income within the constraints imposed by the government's referendum limits. The recommended £8.19 increase in Band D Council Tax does this.
The Council's Capital Programme	<p>The Council's capital programme is based on the principles of prioritisation, affordability and deliverability. The Council has adopted a Medium Term Financial Strategy for capital which sets out the planning process and priorities for capital. The revenue costs of the capital programme are reflected in the Strategic Revenue Projections.</p> <p>The Affordable Housing Programme, within the overall capital programme, will also require a separate revenue subsidy. Accordingly, the 2023/24 budget includes a transfer to the Housing Investment Fund, to be used to subsidise the Affordable Housing Programme. It should be noted that the transfer is less than would be required annually on current projections to fulfil the Council's aspirations to provide 1,000 affordable homes over a ten year period.</p>
The Prudential Code and its impact on Capital Planning	The Council uses a number of sources for the financing of its capital expenditure. The main source in the past has been New Homes Bonus but external borrowing will be the principal source of funding in future years. Borrowing will be undertaken in line with the requirements of the Prudential Code, which aims to ensure, within a clear framework, that the capital expenditure plans of the authority are affordable, prudent and sustainable. These principles are set out in the Capital Strategy.

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Availability of funding for capital programme	It is assumed that funding will continue to be available for the capital programme. Historically the main source of funding for local authorities has been the Public Works Loan Board. The Council has also locked in £80 million of private sector borrowing at a competitive rate, to be drawn down between 2024 and 2026.
Interest Rates	Interest costs and returns on future borrowing have been assumed based on the advice of the Council's treasury management advisors as set out in the Treasury Management Strategy.
Financial resilience	Maidstone Borough Council is in a strong financial position and holds adequate reserves, as is evidenced by its score in CIPFA's latest Financial Resilience Index, which gives the Council an average position of 5 amongst a comparator group of 13.
Adequacy of Balances	At the start of 2023/24 it is anticipated that the uncommitted general fund balance will be £11.4 million. This is equivalent to 49% of net income.
Earmarked Reserves	The Council maintains a series of Earmarked Reserves to manage the resources set aside for specific activities. At the start of 2023/24 these reserves are projected to be £10.8 million. Details are set out in Section 5 of the Budget Book.
Pay and Price Inflation	The MTFS takes account of the impact of inflation on service expenditure, based on current predictions of the future level of inflation. Included within service budgets is suitable provision for these increases. Additionally there is a corporate contingency to address the risk of higher inflation than assumed in the base case projections.
Fees and Charges	The Council's strategy is to maximise income, subject to market conditions, opportunities, comparable charges elsewhere and the impact of charges on the delivery of key objectives. The Council has approved a policy on the use of fees and charges and service managers have regard to that policy when proposing changes to fees and charges. Increased levels of fees and charges are incorporated in the 2023/24 budget where these have been proposed and subsequently agreed by Members.

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Growth Pressures	<p>The Budget for 2023/24 and the projections within the MTFS for the revenue budget reflect an estimate of potential additional expenditure and shortfalls in income to the extent that the Council is aware of these at the present time. New pressures are anticipated to emerge over the MTFS period and in consequence, the strategy will be updated at least annually. There is an expectation that expenditure on expanding and improving services should be accommodated by direct charges to service users or reductions elsewhere within the Council's budget.</p>
Achieving budget savings	<p>The MTFS depends on the delivery of budgeted savings. The Council has a good track record of delivering planned savings and regular budget monitoring ensures that prompt action is taken where savings are delayed. The deliverability of future savings is assessed as part of the budget preparation process.</p>
Financial Management	<p>The Council's financial information, management and reporting arrangements are sound. Officers and members are fully engaged in the budget setting process. Financial performance is reported promptly to officers and members. Where variances arise, prompt action is taken to address them.</p> <p>The Council's external auditor has found the Council's budgetary control procedures to be sound and is satisfied with the overall internal financial control arrangements, the Council's arrangements for ensuring the legality of transactions and gave an unqualified opinion on the 2020/21 Accounts. It is anticipated that a similar position will be reported for future years.</p>
Insurance Arrangements and Business Continuity	<p>Risks identified via the preparation of Service Risk Registers have wherever possible been mitigated to an acceptable level. Any remaining risks have been transferred to an external insurance provider where possible. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council has a well-established Business Continuity Plan for key services.</p>

Corporate Governance and Risk Management	The Council has adopted a local Code of Corporate Governance based upon the requirements of the CIPFA/SOLACE Corporate Governance framework. This incorporates risk management and the Council has a risk management strategy involving the preparation of risk registers at a Corporate level and for each Service area. The Council has had an established and effective Audit Committee since 2007.
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3. Adequacy of Reserves

3.1 The Council maintains reserves as a financial safety net to allow for unforeseen circumstances. There is no statutory definition of a minimum level of reserves. Rather, it is accepted that minimum prudent level of reserves that the Council should maintain is a matter of judgement.

3.2 The Council has agreed a target for the minimum General Fund balance of £4 million, which is equivalent to approximately 10% of the Council's gross income or 20% of its net income.

3.3 The corporate risks faced by the Council, which might give rise to a call on reserves, include the following:

- Financial uncertainty
- Election failure / challenge
- Construction costs / contractor insolvency
- Housing pressures increasing
- Diminished local retail and leisure sector
- Environmental damage
- Major unforeseen emergency
- Major contractor failure
- ICT network failure
- Not fulfilling residential property responsibilities
- Ability to access / leverage new funding
- Loss of workforce cohesion and talent
- Governance changes
- Reduced effectiveness of relationships with strategic partners
- Resilience of the voluntary and community sector

These risks are kept under regular review and mitigations developed as appropriate.

3.4 Specific financial risks facing the Council include the following:

- Inflation rate is higher than the 2% government target
- Capital programme cannot be funded
- Constraints on council tax increases
- Planned savings are not delivered
- Financial impact from major emergencies such as Covid-19
- Business Rates pool fails to generate sufficient growth
- Adverse impact from changes in local government funding
- Collection targets for Council Tax and Business Rates are missed

- Financial impact from IT security failure
- Failure to contain expenditure within agreed budgets
- Fees and Charges fail to deliver sufficient income
- Other income fails to achieve budget
- Pension liability cannot be funded
- Litigation costs exceed budgeted provisions
- Increased complexity of government regulation
- Shared services fail to meet budget
- Council holds insufficient balances

These risks are likewise kept under regular review and mitigating actions taken. The financial risks, and an up to date evaluation of each, are reported to each meeting of the Audit, Governance and Standards Committee.

- 3.5 The Council's risk management strategy and policies seek to identify risks such as those outlined above and to promote appropriate mitigations. Nevertheless, there will remain a degree of residual risk, and it is for this reason that it is appropriate to hold reserves.
- 3.6 The uncommitted General Fund balance as at 31 March 2023 is projected to be £11.4 million. Other earmarked balances are expected to total £10.8 million. A balanced budget position is projected for the coming year (2023/24). In this way, the uncommitted General Fund balance can be maintained at £11.4 million in 2023/24.
- 3.7 The Council has a good track record of managing within budget. In any case, the Council has sufficient revenue reserves to ensure that the level of uncommitted General Fund balances will remain well above the minimum of £4 million at all times. The level of reserves will remain under regular review and is reported to Members as part of the quarterly budget monitoring process.
- 3.8 Taking into account the risks that the Council faces, and the overall scale and scope of the Council's activities, I therefore consider the level of reserves to be adequate but not excessive.

4. Conclusion

- 4.1 I am of the opinion that the approach taken in developing the 2023/24 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves.

Mark Green
Director of Finance, Resources
and Business Improvement

Date: 22 February 2023

Guidance from the Monitoring Officer

The Local Government Act 2003 (as amended) requires Council to adopt the annual budget which is recommended by the Executive. The Council has a statutory obligation to set a balanced budget differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficits estimated to be brought forward from previous years, and any amounts required to be transferred between funds required under the Local Government Finance Act 1992 and related legislation. In compliance with the principles of administrative law, members are required to take into account relevant considerations and disregard irrelevant ones. Any decision made must be one that only a reasonable authority, properly directing itself could have reached.

Members must act prudently taking into account the professional advice of officers, in particular the statutory obligations placed upon the Director of Finance, Resources and Business Improvement, the S151 officer. Members can make alternative proposals in achieving a balanced budget but are exposed to a personal risk if they disregard clearly expressed professional advice. Members are required to have regard to the guidance of the S151 officer on the budget estimates and adequacy of reserves. The wider duties placed on the Council relating to its financial affairs must be taken into account. This includes the distinction between revenue and capital expenditure specified within the Local Government and Housing Act 1989.

Prudential borrowing limits must be set by the Council having regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. The Code sets a framework for self-regulation of capital spending, enabling Councils to invest in capital projects without any limit, so long as they are affordable, prudent and sustainable taking into account prudential indicators which must be monitored. It is a criminal offence for a member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made – the Local Government Finance Act 1992, section 106. To avoid criminal liability, relevant members must make a declaration at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The member concerned must then abstain from voting.

The Local Government Finance Act 1988, Section 114 (3) provides that the chief finance officer of a Council (the S151 Officer) shall make a report to Council under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. It means that no new expenditure is permitted, with the exception of that funding statutory services. Existing commitments and contracts will continue to be honoured. Full Council must consider the implications within a period of 21 days from the issue of a Section 114 notice.

Having set a budget for the new municipal year, the Council is under a duty to monitor that budget during the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources.

REVENUE ESTIMATE 2022/23 to 2027/28

STRATEGIC REVENUE PROJECTION - SCENARIO 4

Continuing high inflation, increased spending pressures, recession, but local government retains flexibility for time being.

3% COUNCIL TAX

2022/23 £000		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
18,207	COUNCIL TAX	18,921	19,489	20,073	20,675	21,296
	INCREASE BY 1% TO 3%	186	186	186	186	186
	BUSINESS RATES					
3,967	RETAINED BUSINESS RATES	4,186	6,639	6,772	6,907	7,045
1,692	BUSINESS RATES GROWTH	2,453	133	135	138	141
	COLLECTION FUND ADJUSTMENT					
319	COLLECTION FUND ADJUSTMENT (COUNCIL TAX)	616	0	0	0	0
-2,333	COLLECTION FUND ADJUSTMENT (BUSINESS RATES)	-2,501	0	0	0	0
1,380	COLLECTION FUND SMOOTHING	1,916	0	0	0	0
23,232	RESOURCE - COUNCIL TAX AND BUSINESS RATES	25,777	26,446	27,166	27,907	28,668
23,167	OTHER INCOME	23,167	24,491	25,231	26,427	27,683
	FORECAST CHANGE IN INCOME	1,324	740	1,197	1,256	1,319
23,167	RESOURCES - OTHER INCOME	24,491	25,231	26,427	27,683	29,003
46,399	TOTAL RESOURCES AVAILABLE	50,268	51,677	53,594	55,590	57,671
42,155	CURRENT BUDGET / PROJECTED SPEND	45,975	49,481	51,968	54,593	57,362
	INFLATION & CONTRACT INCREASES					
	PAY, NI & INFLATION INCREASES	3,506	2,487	2,625	2,770	2,923
4,244	BUDGET SURPLUS / (GAP) - BEFORE PRESSURE AND SAVINGS	788	-291	-999	-1,772	-2,615
40	EXTERNAL BUDGET SAVINGS					
	PENSION DEFICIT FUNDING REDUCTION	-541	25	26	26	26
0	OTHER SERVICE PRESSURES					
	ONE OFF PROVISION - WASTE CONTRACTS	1,057	143	0	0	0
	TEMPORARY ACCOMMODATION	600	0	0	0	0
	VACANT PROPERTIES	152	0	0	0	0
	MEMBERS ALLOWANCES	50	0	0	0	0
	EXTERNAL AUDIT FEES	135	0	0	0	0
0	REVENUE COSTS OF CAPITAL PROGRAMME	0	1,058	2,656	2,728	2,936
1,300	CONTINGENCY FOR FUTURE PRESSURES	0	0	0	0	0
50	GENERAL GROWTH PROVISION	50	50	50	50	50
1,390	PRESSURE AND SAVINGS	1,504	1,276	2,732	2,804	3,012
43,545	TOTAL PREDICTED REQUIREMENT	50,984	53,243	57,325	60,166	63,298
2,854	BUDGET SURPLUS / (GAP)	-716	-1,566	-3,731	-4,576	-5,627
-324	NEW AND AMENDED SAVINGS / (GROWTH)	690	690	45	219	125
2,530	SURPLUS / (DEFICIT)	-27	-876	-3,686	-4,357	-5,502
76	CUMULATIVE SURPLUS / (DEFICIT)	49	-827	-4,513	-8,870	-14,372
0	COLLECTION FUND ADJUSTMENTS	1,885	0	0	0	0
0	BUDGET GAP EXCLUDING COLLECTION FUND ADJUSTMENTS	1,858	-876	-3,686	-4,357	-5,502

APPENDIX A**THE MAIDSTONE BOROUGH COUNCIL****STATEMENT OF COUNCIL TAX REQUIREMENT - 2023/24**

	£	£	BAND D £
MAIDSTONE BOROUGH COUNCIL NET SPEND		25,777,120	383.81
ADD:			
Parish Precepts		2,716,664	40.45
Collection Fund Adjustment (Business Rates)		585,000	8.71
DEDUCT:			
Collection Fund Adjustment (Council Tax)	-616,120		
Retained Business Rates	-4,186,101		
Business Rates Growth	-2,452,872		
Collection Fund Smoothing	0	-7,255,093	-108.02
TOTAL COUNCIL TAX REQUIREMENT		<u>21,823,691</u>	324.94
ADD PRECEPTS			
Kent County Council Precept		89,447,282	1331.82
Kent County Council Adult Social Care Charge		13,594,198	202.41
Kent Police & Crime Commissioner Precept		16,330,365	243.15
Kent & Medway Fire & Rescue Authority Precept		<u>5,863,216</u>	<u>87.30</u>
TOTAL COUNCIL TAX REQUIREMENT		<u>147,058,751</u>	<u>2,189.62</u>
MAIDSTONE BOROUGH COUNCIL (EXCLUDING PARISH PRECEPTS)			284.49
TOTAL COUNCIL TAX (EXCLUDING PARISH PRECEPTS)			2,149.17
TAX BASE			67,161.69

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES**REVISED ESTIMATE 2022/23 AND ESTIMATE 2023/24****COMMITTEE SUMMARY**

Committee	Original Estimate 2022/23	Revised Estimate 2022/23	Estimate 2023/24
	£	£	£
Corporate Services	8,830,090	9,277,520	8,241,630
Planning & Infrastructure	-267,900	-102,370	26,470
Communities, Housing & Environment	10,172,260	10,794,290	13,007,780
Economic Regeneration & Leisure	-166,360	-144,100	-159,980
	18,568,090	19,825,340	21,115,900
Transfers to Reserves	4,663,970	3,406,720	4,661,220
Net Revenue Expenditure	23,232,060	23,232,060	25,777,120

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Contingency	1,355,110	1,844,420	1,096,140		1,096,140
Unapportionable Central Overheads	1,499,050	1,487,680	961,570		961,570
Non Service Related Government Grants	-4,216,190	-4,216,190		-4,661,220	-4,661,220
Appropriation Account	1,781,780	1,867,790	1,861,790		1,861,790
Pensions Fund Appropriation	0	0	0		0
Balances, Pensions & Appropriation	419,750	983,700	3,919,500	-4,661,220	-741,720
Street Naming & Numbering	-73,350	-73,350		-73,350	-73,350
Building Control	-73,350	-73,350	0	-73,350	-73,350
Sandling Road Site	29,380	27,660	30,150		30,150
Business Support	29,380	27,660	30,150	0	30,150
Council Tax Collection	56,510	56,510	110,710	-44,530	66,180
Council Tax Collection - Non Pooled	-356,420	-356,420	68,440	-444,500	-376,060
Council Tax Benefits Administration	-152,120	-164,320		-164,320	-164,320
NNDR Collection	1,530	1,530	3,240	-1,430	1,810
NNDR Collection - Non Pooled	-233,630	-239,010	16,350	-256,760	-240,410
MBC- BID	670	670	18,860	-18,120	740
Registration Of Electors	51,020	60,600	71,150	-2,510	68,640
Elections	147,540	181,200	164,720	-460	164,260
External Interest Payable	2,262,550	2,232,550	2,202,550		2,202,550
Interest & Investment Income	-100,000	-100,000		-150,000	-150,000
Central Services to the Public	1,677,650	1,673,310	2,656,020	-1,082,630	1,573,390
Palace Gatehouse	-7,500	-3,000	4,730	-12,000	-7,270
Archbishops Palace	-97,110	-104,500	45,480	-42,360	3,120
Parkwood Industrial Estate	-287,040	-286,940	4,590	-305,990	-301,400
Industrial Starter Units	-16,500	-17,190	30,070	-48,470	-18,400
Parkwood Equilibrium Units	-76,670	-88,600	49,070	-142,250	-93,180
Sundry Corporate Properties	-236,590	-228,340	47,480	-227,290	-179,810
Phoenix Park Units	-216,000	-218,850	33,430	-263,030	-229,600
Granada House - Commercial	-93,230	-93,490	75,040	-174,420	-99,380
MPH Residential Properties	-830,140	-729,930	23,800	-881,050	-857,250
Heron Road Units	-147,670	-151,400	12,230	-171,150	-158,920
Boxmend Industrial Estate	-95,140	-99,660	14,900	-119,500	-104,600
Wren Industrial Estate	-120,150	-102,580	70,320	-178,540	-108,220
Commercial Investments	-2,223,740	-2,124,480	411,140	-2,566,050	-2,154,910
Corporate Projects	50,000	50,000	0		0
Corporate Management	476,770	413,610	825,540		825,540
Corporate Management	526,770	463,610	825,540	0	825,540
Democratic Services Section	262,980	266,080	288,040	-1,720	286,320
Mayor & Civic Services Section	117,730	117,350	125,080		125,080
Chief Executive	188,160	188,380	197,850		197,850
Head of Policy and Communications	116,420	45,120	0		0
Director of Strategy Governance and Insight	0	76,900	131,680		131,680
Registration Services Section	95,830	92,170	94,050		94,050
Director of Finance, Resources & Business Improvement	148,110	147,320	153,160	-4,890	148,270
Accountancy Section	818,820	833,670	910,140	-24,400	885,740
Director of Regeneration & Place	147,100	146,310	156,480	0	156,480
Procurement Section	113,170	113,170	132,860	-14,030	118,830
Property & Projects Section	565,940	344,640	369,820	-5,970	363,850
Corporate Support Section	283,260	287,480	314,560		314,560
Improvement Section	374,840	375,330	279,510	-27,310	252,200
Executive Support Section	91,250	92,610	98,970		98,970
Head of Commissioning and Business Improvement	109,840	27,900	0		0
Emergency Planning & Resilience	65,120	126,700	134,180	0	134,180
Head of Property and Leisure	0	40,990	115,790		115,790
Facilities Section	0	243,470	257,250		257,250
Salary Slippage	-284,570	-285,760	-253,970		-253,970
Corporate Support Services	3,214,000	3,279,830	3,505,450	-78,320	3,427,130
Civic Occasions	44,010	54,930	46,030		46,030
Members Allowances	408,000	408,000	455,540		455,540
Members Facilities	17,870	17,880	18,300	0	18,300
Democratic Representation	469,880	480,810	519,870	0	519,870
Emergency Centre	22,040	22,350	23,680		23,680
Emergency Planning	22,040	22,350	23,680	0	23,680
Drainage	32,440	32,440	34,070		34,070
Flood Defences & Land Drainage	32,440	32,440	34,070	0	34,070
Housing Benefits Administration	-339,450	-327,250	54,320	-369,200	-314,880
Housing Benefit Administration	-339,450	-327,250	54,320	-369,200	-314,880
General Fund Residential Properties	-77,120	-57,340	10,960	-66,880	-55,920
Housing Strategy	-77,120	-57,340	10,960	-66,880	-55,920
Medway Conservancy	127,990	127,990	134,390		134,390
Levies	127,990	127,990	134,390	0	134,390
Maidstone House - Landlord	196,970	-399,770	934,190	-1,347,270	-413,080
Town Hall	120,810	121,590	128,070	-1,500	126,570
South Maidstone Depot	170,630	219,860	177,360		177,360
The Link	119,940	54,540	336,250	-286,660	49,590
Maidstone House - MBC Tenant	274,710	673,620	776,530	-93,530	683,000
Museum Buildings	252,790	267,530	269,550	-1,170	268,380
Office Accommodation	1,135,850	937,370	2,621,950	-1,730,130	891,820
Maintenance of Closed Churchyards	10,500	10,500	11,030		11,030
Open Spaces	10,500	10,500	11,030	0	11,030
Rent Allowances	-115,330	-115,330	29,933,730	-30,047,800	-114,070
Non HRA Rent Rebates	-8,760	-8,760	1,102,410	-1,111,170	-8,760
Discretionary Housing Payments	1,450	0	231,980	-231,980	0
Rent Rebates	-122,640	-124,090	31,268,120	-31,390,950	-122,830
Revenues Section	531,330	565,280	980,800	-410,450	570,350
Benefits Section	507,390	507,970	855,810	-302,200	553,610
Fraud Section	31,920	49,790	252,970	-211,980	40,990

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Mid Kent Audit Partnership	211,660	203,950	701,890	-482,200	219,690
Legal Services Section	627,860	627,860	734,220	-74,790	659,430
Mid Kent ICT Services	573,840	571,180	1,691,410	-1,082,560	608,850
GIS Section	122,220	122,840	215,130	-86,000	129,130
Director of Mid Kent Services	48,370	44,710	146,820	-97,880	48,940
Mid Kent HR Services Section	399,500	396,780	686,870	-268,460	418,410
MBC HR Services Section	170,430	101,510	179,690	-2,240	177,450
Head of Revenues & Benefits	76,710	76,290	129,620	-45,220	84,400
Revenues & Benefits Business Support	108,670	99,270	401,480	-284,380	117,100
Dartford HR Services Section	-13,680	-14,750	62,990	-78,730	-15,740
IT Support for Revenues and Benefits	25,680	25,510	45,690	-18,300	27,390
I.T. Operational Services	624,630	633,310	664,490		664,490
Central Telephones	15,510	15,510	16,290		16,290
Shared Services	4,062,040	4,027,010	7,766,170	-3,445,390	4,320,780
Apprentices Programme	51,300	71,290	54,180		54,180
Internal Printing	-3,580	-3,580	56,000	-56,920	-920
Debt Recovery Service	-14,150	-17,920	1,016,570	-1,036,000	-19,430
Debt Recovery MBC Profit Share	-95,470	-132,340		-120,440	-120,440
Trading Accounts	-61,900	-82,550	1,126,750	-1,213,360	-86,610
Corporate Services	8,830,090	9,277,520	54,919,110	-46,677,480	8,241,630

CORPORATE SERVICES POLICY ADVISORY COMMITTEE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	859,770	822,540	863,670
Allowances	403,760	403,760	453,760
Benefits	34,491,910	34,497,690	31,268,120
Employee Direct	8,440,580	8,711,240	9,670,280
Employee Other	2,033,210	1,865,160	1,223,790
Equipment & Furniture	939,310	1,032,910	1,060,110
Fees & Charges	-1,033,960	-1,162,960	-1,175,760
General Insurances	14,510	14,400	15,110
Grants & Contributions Paid	2,360,450	2,346,960	2,301,700
Grants & Contributions Received	-42,869,160	-43,206,990	-40,314,840
Income Other	-1,003,330	-1,353,440	-1,432,960
Information & Communications	3,200	1,810	1,890
Leasing & Capital Charges	1,783,800	1,869,810	1,861,790
Premises Other	1,557,940	1,020,900	1,022,990
Printing & Stationery	104,610	103,680	107,250
Professional Services	502,660	822,340	944,990
Rent	-2,888,190	-3,704,400	-3,753,920
Repairs & Maintenance	521,780	828,820	795,390
Security & Protection	35,420	35,420	37,210
Subsistence & Training	181,800	124,760	190,770
Supplies & Services Other	1,742,700	3,143,810	1,996,510
Utilities	504,890	906,340	989,100
Vehicle & Transport	142,430	152,960	114,680
Corporate Services	8,830,090	9,277,520	8,241,630

PLANNING & INFRASTRUCTURE POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Building Regulations Chargeable	-354,290	-375,160	7,750	-402,540	-394,790
Building Control	-990	-990		-1,040	-1,040
Building Control	-355,280	-376,150	7,750	-403,580	-395,830
Land Charges	-264,690	-264,590	27,030	-290,400	-263,370
Central Services to the Public	-264,690	-264,590	27,030	-290,400	-263,370
Spatial Policy Planning Section	452,660	473,260	345,670		345,670
Head of Planning and Development	113,410	121,330	118,920		118,920
Building Surveying Section	457,530	472,150	511,880		511,880
Heritage Landscape and Design Section	212,950	343,280	347,780		347,780
CIL Management Section	64,260	55,500	102,820	-91,250	11,570
Development Management Section – Majors	298,260	293,270	314,060		314,060
Development Management Section – Others	971,580	1,077,190	1,144,950		1,144,950
Head of Spatial Planning and Eco	0	0	115,540		115,540
Parking Services Section	324,150	372,920	545,940	-141,560	404,380
Salary Slippage	-97,490	-97,490	-175,280		-175,280
Corporate Support Services	2,797,310	3,111,410	3,372,280	-232,810	3,139,470
Development Control Advice	-257,400	-292,700	0	-292,700	-292,700
Development Control Appeals	131,850	131,850	138,450		138,450
Development Control Majors	-510,640	-558,060	22,710	-579,740	-557,030
Development Control - Other	-640,420	-772,030	6,640	-778,400	-771,760
Development Control Enforcement	71,240	71,240	74,800		74,800
Development Control	-1,205,370	-1,419,700	242,600	-1,650,840	-1,408,240
Environment Improvements	6,960	7,480	7,310		7,310
Name Plates & Notices	19,440	19,440	20,420		20,420
Network & Traffic Management	26,400	26,920	27,730	0	27,730
On Street Parking	-310,400	-304,720	483,520	-797,550	-314,030
Residents Parking	-202,720	-202,320	65,370	-261,280	-195,910
Pay & Display Car Parks	-1,180,670	-1,203,350	628,450	-1,957,110	-1,328,660
Non Paying Car Parks	14,850	14,850	15,300	-10	15,290
Off Street Parking - Enforcement	-112,010	-107,030	188,800	-276,690	-87,890
Mote Park Pay & Display	-185,400	-195,380	40,140	-234,150	-194,010
Sandling Road Car Park	0	-670	54,410	-55,080	-670
Parking Services	-1,976,350	-1,998,620	1,475,990	-3,581,870	-2,105,880
Planning Policy	200,000	301,170	520,750	0	520,750
Neighbourhood Planning	-20,000	-20,000		-20,000	-20,000
Conservation	-11,390	-11,390	4,210	-15,600	-11,390
Planning Policy	168,610	269,780	524,960	-35,600	489,360
Park & Ride	137,160	135,920	109,040		109,040
Other Transport Services	-4,320	-4,220	33,210	-36,110	-2,900
Public Transport	132,840	131,700	142,250	-36,110	106,140
Mid Kent Planning Support Service	324,630	322,890	571,080	-221,220	349,860
Mid Kent Local Land Charges Section	84,000	93,990	236,690	-149,460	87,230
Shared Services	408,630	416,880	807,770	-370,680	437,090
Planning & Infrastructure	-267,900	-102,370	6,628,360	-6,601,890	26,470

**PLANNING & INFRASTRUCTURE POLICY ADVISORY COMMITTEE -
SUBJECTIVE ANALYSIS**

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	459,810	475,370	532,410
Employee Direct	3,339,530	3,721,360	4,015,520
Employee Other	144,530	155,530	-42,170
Equipment & Furniture	93,210	84,190	88,270
Fees & Charges	-5,323,950	-5,523,850	-5,743,850
General Insurances	17,240	16,950	17,270
Grants & Contributions Paid	19,670	19,670	20,470
Grants & Contributions Received	-489,770	-542,631	-527,660
Income Other	-245,820	-263,470	-322,980
Information & Communications	190	190	200
Premises Other	352,650	354,380	354,940
Printing & Stationery	30,820	15,640	17,130
Professional Services	498,330	492,141	791,450
Rent	-7,050	-7,050	-7,400
Repairs & Maintenance	231,660	262,920	255,610
Security & Protection	79,200	132,800	83,160
Subsistence & Training	2,690	17,280	2,820
Supplies & Services Other	416,760	378,510	400,280
Utilities	29,350	29,350	32,200
Vehicle & Transport	83,050	78,350	58,800
Planning & Infrastructure	-267,900	-102,370	26,470

COMMUNITIES, HOUSING & ENVIRONMENT POLICY ADVISORY COMMITTEE

	Original Approved Estimate 2022/23	Revised Estimate 2022/23	Estimate 2023/24 (Expenditure)	Estimate 2023/24 (Income)	Estimate 2023/24
	£	£	£	£	£
Cost Centre/Service					
Cemetery	68,050	32,870	218,520	-242,080	-23,560
National Assistance Act	-410	-410	2,310	-2,740	-430
Crematorium	-849,770	-840,160	560,760	-1,527,240	-966,480
Bereavement Services	-782,130	-807,700	781,590	-1,772,060	-990,470
Grants	165,950	165,950	165,950		165,950
Delegated Grants	2,140	2,140	2,140		2,140
Parish Services	144,490	137,130	144,490		144,490
Central Services to the Public	312,580	305,220	312,580	0	312,580
Social Inclusion	0	53,430	0	0	0
Community Development	0	53,430	0	0	0
Community Safety	29,030	31,030	32,590	0	32,590
PCC Grant - Building Safer Communities	0	0	31,880	-31,880	0
C C T V	72,680	39,310	37,450		37,450
Community Safety	101,710	70,340	101,920	-31,880	70,040
Performance & Development	11,930	41,930	47,520		47,520
Press & Public Relations	21,570	21,570	4,660	0	4,660
Corporate Management	33,500	63,500	52,180	0	52,180
Visitor Economy Section	120,210	156,160	96,140		96,140
Head of Environment and Public Realm	114,060	113,730	120,320		120,320
Bereavement Services Section	262,470	292,750	315,510		315,510
Community Partnerships & Resilience Section	464,020	511,890	539,840		539,840
Licensing Section	117,790	125,550	124,740		124,740
Environmental Protection Section	280,410	280,410	294,430		294,430
Food and Safety Section	274,720	274,720	288,460		288,460
Depot Services Section	887,520	905,890	967,170	-44,690	922,480
Communications Section	198,520	240,310	256,520	-440	256,080
Policy & Information Section	395,400	483,300	512,010	0	512,010
Head of New Business & Housing Development	0	7,230	242,820	-123,060	119,760
Head of Housing & Community Services	113,750	113,030	118,370		118,370
Homechoice Section	222,820	229,610	345,640	-110,200	235,440
Housing & Inclusion Section	275,100	340,970	1,139,830	-821,810	318,020
Housing & Health Section	281,400	280,150	591,610	-301,280	290,330
Housing Management	286,140	231,810	423,310	-179,540	243,770
Homelessness Outreach	3,760	45,400	418,960	-370,690	48,270
Customer Services Section	680,350	675,970	730,150	0	730,150
Salary Slippage	-190,280	-215,120	-439,110		-439,110
Corporate Support Services	4,788,160	5,093,760	7,086,720	-1,951,710	5,135,010
Festivals and Events	-24,970	-24,970	5,300	-31,520	-26,220
Culture & Heritage	-24,970	-24,970	5,300	-31,520	-26,220
Homeless Temporary Accommodation	287,380	287,380	1,080,750	-170,470	910,280
Homelessness Prevention	191,020	177,970	186,820	0	186,820
Aylesbury House	46,950	43,420	119,030	-69,140	49,890
Magnolia House	3,060	-470	52,270	-50,070	2,200
St Martins House	60	60	12,920	-12,240	680
Marsham Street	62,740	62,740	175,480	-104,220	71,260
Sundry Temporary Accommodation (TA) Properties	-12,340	-12,520	76,250	-84,430	-8,180
2 Bed Property - Temporary Accommodation	-32,700	-32,860	111,560	-137,760	-26,200
3 Bed Property - Temporary Accommodation	-70,650	-70,490	82,780	-147,180	-64,400
4 bed Property - Temporary Accommodation	10,140	6,740	50,600	-40,990	9,610
1 Bed Property- Temporary Accommodation	3,200	-3,550	10,760	-13,730	-2,970
Trinity	20,850	51,620	150,240	-119,000	31,240
Chillington House	-5,610	-5,650	11,510	-16,250	-4,740
Homelessness	504,100	504,390	2,120,970	-965,480	1,155,490
Housing Register & Allocations	14,090	14,090	14,790		14,790
Housing Advice	14,090	14,090	14,790	0	14,790
Strategic Housing Role	11,840	11,840	12,440		12,440
Housing Strategy	11,840	11,840	12,440	0	12,440
Parks & Open Spaces	976,600	914,340	1,177,620	-182,560	995,060
Playground Maintenance & Improvements	144,010	144,400	151,570		151,570
Parks Pavilions	45,620	33,550	48,190	-10	48,180
Mote Park	256,660	268,090	303,480	-16,980	286,500
Allotments	13,480	13,510	14,390		14,390
Open Spaces	1,436,370	1,373,890	1,695,250	-199,550	1,495,700
Marden Caravan Site (Stilebridge Lane)	19,460	19,430	52,300	-31,860	20,440
Ulcombe Caravan Site (Water Lane)	6,680	6,650	49,020	-42,000	7,020
Other Council Properties	26,140	26,080	101,320	-73,860	27,460
Private Sector Renewal	-47,100	-47,100	3,050	-50,000	-46,950
HMO Licensing	-20,380	-20,380		-20,380	-20,380
Private Sector Housing Renewal	-67,480	-67,480	3,050	-70,380	-67,330
Public Health - Obesity	0	0	0	0	0
Public Health - Misc Services	0	0	0	0	0
Public Health	0	0	0	0	0
Lettable Halls	-3,450	-3,470	7,830	-11,450	-3,620
Community Halls	49,630	47,800	70,330	-17,550	52,780
Recreation & Sport	46,180	44,330	78,160	-29,000	49,160
Recycling Collection	911,980	1,016,460	3,557,100	-1,619,690	1,937,410
Recycling	911,980	1,016,460	3,557,100	-1,619,690	1,937,410
Licences	-4,590	-4,590	25,520	-30,330	-4,810

COMMUNITIES, HOUSING & ENVIRONMENT POLICY ADVISORY COMMITTEE

	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Cost Centre/Service					
Licensing Statutory	-60,290	-60,290	85,080	-148,410	-63,330
Licensing Non Chargeable	8,110	8,110	8,520	0	8,520
Dog Control	28,700	28,700	34,240	-3,900	30,340
Health Improvement Programme	9,710	5,370	5,640		5,640
Pollution Control - General	13,360	24,240	24,640	-14,510	10,130
Contaminated Land	600	600	1,160	-4,000	-2,840
Waste Crime	41,690	-2,240	31,300	-32,300	-1,000
Food Hygiene	9,560	9,560	13,270	-3,570	9,700
Sampling	3,650	3,650	3,830		3,830
Occupational Health & Safety	-6,450	-6,450		-7,550	-7,550
Infectious Disease Control	1,170	1,160	1,390		1,390
Noise Control	1,210	1,220	1,280		1,280
Pest Control	-11,840	-11,840	160	-12,000	-11,840
Public Conveniences	312,870	394,230	319,770		319,770
Licensing - Hackney & Private Hire	-59,070	-59,070	79,060	-146,060	-67,000
Regulatory Services	288,390	332,360	634,860	-402,630	232,230
Street Cleansing	1,190,910	1,185,550	1,309,850	-42,500	1,267,350
Street Cleansing	1,190,910	1,185,550	1,309,850	-42,500	1,267,350
Commercial Waste Services	-49,830	-51,310	213,140	-265,480	-52,340
Trade Waste	-49,830	-51,310	213,140	-265,480	-52,340
Fleet Workshop & Management	232,570	232,440	250,820		250,820
MBS Support Crew	-57,930	-58,870	93,650	-147,250	-53,600
Grounds Maintenance - Commercial	-130,420	0	0	0	0
Trading Accounts	44,220	173,570	344,470	-147,250	197,220
Household Waste Collection	1,386,500	1,476,940	2,515,070	-329,990	2,185,080
Waste Collection	1,386,500	1,476,940	2,515,070	-329,990	2,185,080
Communities, Housing & Environment	10,172,260	10,794,290	20,940,760	-7,932,980	13,007,780

**COMMUNITIES, HOUSING & ENVIRONMENT POLICY ADVISORY
COMMITTEE - SUBJECTIVE ANALYSIS**

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	4,895,870	5,057,690	6,897,330
Employee Direct	7,800,200	8,252,890	8,726,000
Employee Other	228,870	225,460	122,260
Equipment & Furniture	456,820	501,620	588,860
Fees & Charges	-3,073,670	-3,201,660	-3,427,280
General Insurances	15,620	16,340	16,880
Grants & Contributions Paid	348,520	377,760	350,210
Grants & Contributions Received	-1,528,910	-3,136,880	-1,819,850
Income Other	-1,572,790	-1,382,950	-1,682,070
Information & Communications	46,850	42,850	44,990
Leasing & Capital Charges	20,010	0	0
Premises Other	504,920	551,900	558,940
Printing & Stationery	34,500	61,520	21,200
Professional Services	796,300	993,940	1,382,950
Rent	-873,980	-1,046,240	-1,003,780
Repairs & Maintenance	773,610	880,840	803,210
Security & Protection	85,560	70,560	74,090
Subsistence & Training	600	36,450	640
Supplies & Services Other	605,580	1,786,950	632,830
Utilities	207,640	301,280	311,420
Vehicle & Transport	400,140	403,970	408,950
Grand Total	10,172,260	10,794,290	13,007,780

ECONOMIC REGENERATION & LEISURE POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Innovation Centre	-175,910	-186,230	440,010	-475,600	-35,590
Business Terrace	84,440	92,230	197,630	-98,150	99,480
Business Terrace Expansion (Phase 3)	-9,280	-5,900	195,890	-206,730	-10,840
Business Support	-100,750	-99,900	833,530	-780,480	53,050
Lockmeadow	167,080	230,970	398,840	-156,310	242,530
Lockmeadow Complex	-1,380,000	-1,456,390	1,235,280	-2,687,760	-1,452,480
Commercial Investments	-1,212,920	-1,225,420	1,634,120	-2,844,070	-1,209,950
Leisure Services Section	57,360	57,680	108,030	-39,730	68,300
Cultural Services Section	479,050	382,350	406,070		406,070
Economic Development Section	182,010	202,920	92,520	-14,600	77,920
Market Section	89,920	88,140	94,880		94,880
Head of Regeneration and Economic Development	98,910	88,750	0	0	0
Innovation Centre Section	196,740	196,960	273,620	-60,490	213,130
Biodiversity & Climate Change	98,480	92,100	99,280		99,280
Salary Slippage	-26,710	-26,710	-43,250		-43,250
Corporate Support Services	1,175,760	1,082,190	1,031,150	-114,820	916,330
Cultural Development Arts	10,720	68,910	71,880		71,880
Museum	20,400	23,550	94,920	-75,130	19,790
Carriage Museum	3,970	3,590	5,910	-1,600	4,310
Museum-Grant Funded Activities	0	30	0	0	0
Hazlitt Arts Centre	298,530	297,510	330,710		330,710
Culture & Heritage	333,620	393,590	503,420	-76,730	426,690
Market	-23,790	-23,700	127,530	-101,500	26,030
Economic Dev - Promotion & Marketing	1,840	37,080	5,800	-3,500	2,300
Economic Development	-21,950	13,380	133,330	-105,000	28,330
Climate change	0	30,650	7,050		7,050
Flood Defences & Land Drainage	0	30,650	7,050	0	7,050
Mote Park Adventure Zone	-71,550	-68,420	9,670	-81,900	-72,230
Mote Park Cafe	-32,250	-32,430	8,100	-72,030	-63,930
Parks & Open Spaces Leisure Activities	-1,600	-1,600		-1,600	-1,600
Mote Park Leisure Activities	-18,930	-18,930		-19,690	-19,690
Open Spaces	-124,330	-121,380	17,770	-175,220	-157,450
Leisure Centre	-178,120	-179,540	23,620	-210,000	-186,380
Cobtree Golf Course	-35,000	-35,000		-35,000	-35,000
Recreation & Sport	-213,120	-214,540	23,620	-245,000	-221,380
Tourism	18,600	18,600	35,850	-16,220	19,630
Museum Shop	-21,270	-21,270	12,270	-34,550	-22,280
Tourism	-2,670	-2,670	48,120	-50,770	-2,650
Economic Regeneration & Leisure	-166,360	-144,100	4,232,110	-4,392,090	-159,980

**ECONOMIC REGENERATION & LESIURE POLICY ADVISORY COMMITTEE -
SUBJECTIVE ANALYSIS**

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	295,460	310,230	344,120
Employee Direct	975,840	1,000,750	924,890
Employee Other	145,240	83,590	-71,170
Equipment & Furniture	26,950	50,630	27,900
Fees & Charges	-659,640	-191,430	-147,190
General Insurances	39,450	39,250	41,700
Grants & Contributions Paid	18,120	20,650	20,160
Grants & Contributions Received	-285,820	-421,025	-285,820
Income Other	-1,376,050	-1,568,260	-1,625,520
Information & Communications	83,400	85,250	89,150
Premises Other	719,570	599,140	679,170
Printing & Stationery	11,930	11,910	12,260
Professional Services	927,920	1,237,990	1,153,200
Rent	-1,838,450	-2,314,270	-2,333,560
Repairs & Maintenance	372,670	473,170	573,160
Security & Protection	3,750	3,750	3,940
Subsistence & Training	4,850	8,050	5,090
Supplies & Services Other	220,460	284,145	279,900
Utilities	133,060	127,480	139,600
Vehicle & Transport	14,930	14,900	9,040
Economic Regeneration & Leisure	-166,360	-144,100	-159,980

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES**REVISED ESTIMATE 2022/23 AND ESTIMATE 2023/24****PRIORITY SUMMARY**

Priority	Original Estimate 2022/23	Revised Estimate 2022/23	Estimate 2023/24
	£	£	£
Safe, Clean and Green	6,975,710	7,362,470	9,096,850
Homes and Communities	963,230	1,188,240	1,678,090
Thriving Place	1,269,920	1,309,840	1,409,110
Embracing Growth and Enabling Infrastructure	-243,760	-78,230	12,860
Central and Democratic	9,602,990	10,043,020	8,918,990
	18,568,090	19,825,340	21,115,900
Transfers to Reserves	4,663,970	3,406,720	4,661,220
Net Revenue Expenditure	23,232,060	23,232,060	25,777,120

SAFE, CLEAN & GREEN

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Mote Park Adventure Zone	-71,550	-68,420	9,670	-81,900	-72,230
Parks & Open Spaces	976,600	914,340	1,177,620	-182,560	995,060
Playground Maintenance & Improvements	144,010	144,400	151,570		151,570
Parks Pavilions	45,620	33,550	48,190	-10	48,180
Mote Park	256,660	268,090	303,480	-16,980	286,500
Mote Park Cafe	-32,250	-32,430	8,100	-72,030	-63,930
Parks & Open Spaces Leisure Activities	-1,600	-1,600	0	-1,600	-1,600
Mote Park Leisure Activities	-18,930	-18,930		-19,690	-19,690
Allotments	13,480	13,510	14,390		14,390
Cemetery	68,050	32,870	218,520	-242,080	-23,560
National Assistance Act	-410	-410	2,310	-2,740	-430
Crematorium	-849,770	-840,160	560,760	-1,527,240	-966,480
Maintenance of Closed Churchyards	10,500	10,500	11,030		11,030
Community Safety	29,030	31,030	32,590	0	32,590
PCC Grant - Building Safer Communities	0	0	31,880	-31,880	0
C C T V	72,680	39,310	37,450		37,450
Drainage	32,440	32,440	34,070		34,070
Licences	-4,590	-4,590	25,520	-30,330	-4,810
Licensing Statutory	-60,290	-60,290	85,080	-148,410	-63,330
Licensing Non Chargeable	8,110	8,110	8,520		8,520
Dog Control	28,700	28,700	34,240	-3,900	30,340
Health Improvement Programme	9,710	5,370	5,640		5,640
Pollution Control - General	13,360	24,240	24,640	-14,510	10,130
Contaminated Land	600	600	1,160	-4,000	-2,840
Waste Crime	41,690	-2,240	31,300	-32,300	-1,000
Food Hygiene	9,560	9,560	13,270	-3,570	9,700
Sampling	3,650	3,650	3,830		3,830
Occupational Health & Safety	-6,450	-6,450		-7,550	-7,550
Infectious Disease Control	1,170	1,160	1,390		1,390
Noise Control	1,210	1,220	1,280		1,280
Pest Control	-11,840	-11,840	160	-12,000	-11,840
Public Conveniences	312,870	394,230	319,770		319,770
Licensing - Hackney & Private Hire	-59,070	-59,070	79,060	-146,060	-67,000
Street Cleansing	1,190,910	1,185,550	1,309,850	-42,500	1,267,350
Household Waste Collection	1,386,500	1,476,940	2,515,070	-329,990	2,185,080
Commercial Waste Services	-49,830	-51,310	213,140	-265,480	-52,340
Recycling Collection	911,980	1,016,460	3,557,100	-1,619,690	1,937,410
Climate change	0	30,650	7,050		7,050
Medway Conservancy	127,990	127,990	134,390		134,390
Head of Environment and Public Realm	114,060	113,730	120,320		120,320
Bereavement Services Section	262,470	292,750	315,510		315,510
Community Partnerships & Resilience Section	464,020	511,890	539,840		539,840
Licensing Section	117,790	125,550	124,740		124,740
Environmental Protection Section	280,410	280,410	294,430		294,430
Food and Safety Section	274,720	274,720	288,460		288,460
Depot Services Section	887,520	905,890	967,170	-44,690	922,480
Head of New Business & Housing Development	0	7,230	242,820	-123,060	119,760
Fleet Workshop & Management	232,570	232,440	250,820		250,820
MBS Support Crew	-57,930	-58,870	93,650	-147,250	-53,600
Grounds Maintenance - Commercial	-130,420	0	0	0	0
Safe, Clean & Green	6,975,710	7,362,470	14,250,850	-5,154,000	9,096,850

SAFE, CLEAN & GREEN - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	4,895,870	5,057,690	6,897,330
Employee Direct	4,093,600	4,161,510	4,629,170
Employee Other	172,540	130,150	106,450
Equipment & Furniture	389,930	421,840	511,770
Fees & Charges	-3,003,480	-3,131,470	-3,354,330
General Insurances	21,390	25,450	26,000
Grants & Contributions Paid	24,350	24,350	25,440
Grants & Contributions Received	-31,880	-174,530	-31,880
Income Other	-1,600,830	-1,386,140	-1,739,840
Information & Communications	29,080	26,580	27,910
Leasing & Capital Charges	20,010	0	0
Premises Other	256,800	264,140	273,600
Printing & Stationery	17,070	16,550	17,420
Professional Services	243,140	313,290	250,760
Rent	-25,620	-26,630	-27,950
Repairs & Maintenance	443,070	547,030	466,030
Security & Protection	22,820	7,820	8,210
Subsistence & Training	100	14,620	110
Supplies & Services Other	413,100	454,110	361,950
Utilities	249,460	267,240	286,670
Vehicle & Transport	345,190	348,870	362,030
Safe, Clean & Green	6,975,710	7,362,470	9,096,850

HOMES & COMMUNITIES

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Social Inclusion	0	53,430	0	0	0
Grants	165,950	165,950	165,950		165,950
Delegated Grants	2,140	2,140	2,140		2,140
Parish Services	144,490	137,130	144,490		144,490
MPH Residential Properties	-830,140	-729,930	23,800	-881,050	-857,250
General Fund Residential Properties	-77,120	-57,340	10,960	-66,880	-55,920
Strategic Housing Role	11,840	11,840	12,440		12,440
Housing Register & Allocations	14,090	14,090	14,790		14,790
Private Sector Renewal	-47,100	-47,100	3,050	-50,000	-46,950
HMO Licensing	-20,380	-20,380		-20,380	-20,380
Homeless Temporary Accommodation	287,380	287,380	1,080,750	-170,470	910,280
Homelessness Prevention	191,020	177,970	186,820	0	186,820
Aylesbury House	46,950	43,420	119,030	-69,140	49,890
Magnolia House	3,060	-470	52,270	-50,070	2,200
St Martins House	60	60	12,920	-12,240	680
Marsham Street	62,740	62,740	175,480	-104,220	71,260
Sundry Temporary Accommodation (TA) Properties	-12,340	-12,520	76,250	-84,430	-8,180
2 Bed Property - Temporary Accommodation	-32,700	-32,860	111,560	-137,760	-26,200
3 Bed Property - Temporary Accommodation	-70,650	-70,490	82,780	-147,180	-64,400
4 bed Property - Temporary Accommodation	10,140	6,740	50,600	-40,990	9,610
1 Bed Property - Temporary Accommodation	3,200	-3,550	10,760	-13,730	-2,970
Trinity	20,850	51,620	150,240	-119,000	31,240
Chillington House	-5,610	-5,650	11,510	-16,250	-4,740
Marden Caravan Site (Stilebridge Lane)	19,460	19,430	52,300	-31,860	20,440
Ulcombe Caravan Site (Water Lane)	6,680	6,650	49,020	-42,000	7,020
Homechoice Section	222,820	229,610	345,640	-110,200	235,440
Housing & Inclusion Section	275,100	340,970	1,139,830	-821,810	318,020
Housing & Health Section	281,400	280,150	591,610	-301,280	290,330
Housing Management	286,140	231,810	423,310	-179,540	243,770
Homelessness Outreach	3,760	45,400	418,960	-370,690	48,270
Homes & Communities	963,230	1,188,240	5,519,260	-3,841,170	1,678,090

HOMES & COMMUNITIES - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Employee Direct	2,442,470	2,621,380	2,820,050
Employee Other	36,710	97,400	44,940
Equipment & Furniture	54,120	93,540	63,670
Fees & Charges	-90,720	-90,720	-94,240
General Insurances	150	150	150
Grants & Contributions Paid	319,390	312,030	319,740
Grants & Contributions Received	-1,497,030	-2,785,030	-1,787,970
Income Other	-45,030	-44,880	-48,920
Information & Communications	17,120	15,620	16,400
Premises Other	256,870	298,110	298,140
Printing & Stationery	150	1,650	1,740
Professional Services	539,640	574,790	1,119,910
Rent	-1,773,500	-1,825,250	-1,910,040
Repairs & Maintenance	375,410	377,240	383,830
Security & Protection	57,220	57,220	60,080
Subsistence & Training	0	14,800	0
Supplies & Services Other	162,460	1,287,160	217,450
Utilities	62,290	137,520	132,480
Vehicle & Transport	45,510	45,510	40,680
Homes & Communities	963,230	1,188,240	1,678,090

THRIVING PLACE

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Cultural Development Arts	10,720	68,910	71,880		71,880
Museum	20,400	23,550	94,920	-75,130	19,790
Carriage Museum	3,970	3,590	5,910	-1,600	4,310
Museum-Grant Funded Activities	0	30	0	0	0
Hazlitt Arts Centre	298,530	297,510	330,710		330,710
Festivals and Events	-24,970	-24,970	5,300	-31,520	-26,220
Lettable Halls	-3,450	-3,470	7,830	-11,450	-3,620
Community Halls	49,630	47,800	70,330	-17,550	52,780
Leisure Centre	-178,120	-179,540	23,620	-210,000	-186,380
Cobtree Golf Course	-35,000	-35,000		-35,000	-35,000
Tourism	18,600	18,600	35,850	-16,220	19,630
Museum Shop	-21,270	-21,270	12,270	-34,550	-22,280
Sandling Road Site	29,380	27,660	30,150		30,150
Innovation Centre	-175,910	-186,230	440,010	-475,600	-35,590
Business Terrace	84,440	92,230	197,630	-98,150	99,480
Business Terrace Expansion (Phase 3)	-9,280	-5,900	195,890	-206,730	-10,840
Market	-23,790	-23,700	127,530	-101,500	26,030
Economic Dev - Promotion & Marketing	1,840	37,080	5,800	-3,500	2,300
Leisure Services Section	57,360	57,680	108,030	-39,730	68,300
Cultural Services Section	479,050	382,350	406,070		406,070
Visitor Economy Section	120,210	156,160	96,140		96,140
Economic Development Section	182,010	202,920	92,520	-14,600	77,920
Market Section	89,920	88,140	94,880		94,880
Head of Regeneration and Economic Development	98,910	88,750	0	0	0
Innovation Centre Section	196,740	196,960	273,620	-60,490	213,130
Head of Spatial Planning and Economic Development	0	0	115,540		115,540
Thriving Place	1,269,920	1,309,840	2,842,430	-1,433,320	1,409,110

THRIVING PLACE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	295,460	310,230	344,120
Employee Direct	1,065,860	1,091,330	1,110,710
Employee Other	104,380	87,900	-95,540
Equipment & Furniture	35,100	32,250	36,460
Fees & Charges	-639,110	-170,900	-125,900
General Insurances	33,380	29,840	32,310
Grants & Contributions Paid	18,320	23,570	17,980
Grants & Contributions Received	-285,820	-421,025	-285,820
Income Other	-480,290	-485,100	-472,960
Information & Communications	65,960	67,810	70,840
Premises Other	404,460	387,290	458,180
Printing & Stationery	12,060	12,040	12,400
Professional Services	156,430	271,530	163,190
Rent	-34,310	-536,130	-548,640
Repairs & Maintenance	153,810	191,420	276,270
Security & Protection	3,750	3,750	3,940
Subsistence & Training	5,050	8,250	5,300
Supplies & Services Other	177,570	233,485	226,720
Utilities	159,290	153,710	168,150
Vehicle & Transport	18,570	18,590	11,400
Thriving Place	1,269,920	1,309,840	1,409,110

EMBRACING GROWTH & ENABLING INFRASTRUCTURE

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Building Regulations Chargeable	-354,290	-375,160	7,750	-402,540	-394,790
Building Control	-990	-990		-1,040	-1,040
Street Naming & Numbering	-73,350	-73,350		-73,350	-73,350
Development Control Advice	-257,400	-292,700	0	-292,700	-292,700
Development Control Appeals	131,850	131,850	138,450		138,450
Development Control Majors	-510,640	-558,060	22,710	-579,740	-557,030
Development Control - Other	-640,420	-772,030	6,640	-778,400	-771,760
Development Control Enforcement	71,240	71,240	74,800		74,800
Planning Policy	200,000	301,170	520,750	0	520,750
Neighbourhood Planning	-20,000	-20,000		-20,000	-20,000
Conservation	-11,390	-11,390	4,210	-15,600	-11,390
Land Charges	-264,690	-264,590	27,030	-290,400	-263,370
Environment Improvements	6,960	7,480	7,310		7,310
Name Plates & Notices	19,440	19,440	20,420		20,420
On Street Parking	-310,400	-304,720	483,520	-797,550	-314,030
Residents Parking	-202,720	-202,320	65,370	-261,280	-195,910
Pay & Display Car Parks	-1,180,670	-1,203,350	628,450	-1,957,110	-1,328,660
Non Paying Car Parks	14,850	14,850	15,300	-10	15,290
Off Street Parking - Enforcement	-112,010	-107,030	188,800	-276,690	-87,890
Mote Park Pay & Display	-185,400	-195,380	40,140	-234,150	-194,010
Sandling Road Car Park	0	-670	54,410	-55,080	-670
Park & Ride	137,160	135,920	109,040		109,040
Other Transport Services	-4,320	-4,220	33,210	-36,110	-2,900
Spatial Policy Planning Section	452,660	473,260	345,670		345,670
Head of Planning and Development	113,410	121,330	118,920		118,920
Building Surveying Section	457,530	472,150	511,880		511,880
Mid Kent Planning Support Service	324,630	322,890	571,080	-221,220	349,860
Heritage Landscape and Design Section	212,950	343,280	347,780		347,780
CIL Management Section	64,260	55,500	102,820	-91,250	11,570
Mid Kent Local Land Charges Section	84,000	93,990	236,690	-149,460	87,230
Development Management Section – Majors	298,260	293,270	314,060		314,060
Development Management Section – Others	971,580	1,077,190	1,144,950		1,144,950
Parking Services Section	324,150	372,920	545,940	-141,560	404,380
Enabling Growth & Enabling Infrastructure	-243,760	-78,230	6,688,100	-6,675,240	12,860

EMBRACING GROWTH & ENABLING INFRASTRUCTURE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	459,810	475,370	532,410
Employee Direct	3,454,900	3,836,730	4,095,580
Employee Other	126,650	137,650	-62,460
Equipment & Furniture	93,210	84,190	88,270
Fees & Charges	-5,397,300	-5,597,200	-5,817,200
General Insurances	17,240	16,950	17,240
Grants & Contributions Paid	19,670	19,670	20,470
Grants & Contributions Received	-489,770	-542,631	-527,660
Income Other	-245,820	-263,470	-322,980
Information & Communications	190	190	200
Premises Other	352,650	354,380	354,940
Printing & Stationery	30,820	15,640	17,130
Professional Services	498,330	492,141	791,450
Rent	-7,050	-7,050	-7,400
Repairs & Maintenance	231,660	262,920	255,610
Security & Protection	79,200	132,800	83,160
Subsistence & Training	2,690	17,280	2,820
Supplies & Services Other	416,760	378,510	400,280
Utilities	29,350	29,350	32,200
Vehicle & Transport	83,050	78,350	58,800
Embracing Growth & Enabling Infrastructure	-243,760	-78,230	12,860

CENTRAL & DEMOCRATIC

Cost Centre/Service	Original Approved Estimate 2022/23	Revised Estimate 2022/23	Estimate 2023/24 (Expenditure)	Estimate 2023/24 (Income)	Estimate 2023/24
	£	£	£	£	£
Lockmeadow	167,080	230,970	398,840	-156,310	242,530
Lockmeadow Complex	-1,380,000	-1,456,390	1,235,280	-2,687,760	-1,452,480
Maidstone House - Landlord	196,970	-399,770	934,190	-1,347,270	-413,080
Civic Occasions	44,010	54,930	46,030		46,030
Members Allowances	408,000	408,000	455,540		455,540
Members Facilities	17,870	17,880	18,300	0	18,300
Contingency	1,355,110	1,844,420	1,096,140		1,096,140
Performance & Development	11,930	41,930	47,520		47,520
Corporate Projects	50,000	50,000	0		0
Press & Public Relations	21,570	21,570	4,660	0	4,660
Corporate Management	476,770	413,610	825,540		825,540
Unapportionable Central Overheads	1,499,050	1,487,680	961,570		961,570
Council Tax Collection	56,510	56,510	110,710	-44,530	66,180
Council Tax Collection - Non Pooled	-356,420	-356,420	68,440	-444,500	-376,060
Council Tax Benefits Administration	-152,120	-164,320		-164,320	-164,320
NNDR Collection	1,530	1,530	3,240	-1,430	1,810
NNDR Collection - Non Pooled	-233,630	-239,010	16,350	-256,760	-240,410
MBC- BID	670	670	18,860	-18,120	740
Registration Of Electors	51,020	60,600	71,150	-2,510	68,640
Elections	147,540	181,200	164,720	-460	164,260
Emergency Centre	22,040	22,350	23,680		23,680
External Interest Payable	2,262,550	2,232,550	2,202,550		2,202,550
Interest & Investment Income	-100,000	-100,000		-150,000	-150,000
Palace Gatehouse	-7,500	-3,000	4,730	-12,000	-7,270
Archbishops Palace	-97,110	-104,500	45,480	-42,360	3,120
Parkwood Industrial Estate	-287,040	-286,940	4,590	-305,990	-301,400
Industrial Starter Units	-16,500	-17,190	30,070	-48,470	-18,400
Parkwood Equilibrium Units	-76,670	-88,600	49,070	-142,250	-93,180
Sundry Corporate Properties	-236,590	-228,340	47,480	-227,290	-179,810
Phoenix Park Units	-216,000	-218,850	33,430	-263,030	-229,600
Granada House - Commercial	-93,230	-93,490	75,040	-174,420	-99,380
Heronden Road Units	-147,670	-151,400	12,230	-176,360	-164,130
Boxmend Industrial Estate	-95,140	-99,660	14,900	-119,500	-104,600
Wren Industrial Estate	-120,150	-102,580	70,320	-178,540	-108,220
Non Service Related Government Grants	-4,216,190	-4,216,190		-4,656,010	-4,656,010
Rent Allowances	-115,330	-115,330	29,933,730	-30,047,800	-114,070
Non HRA Rent Rebates	-8,760	-8,760	1,102,410	-1,111,170	-8,760
Discretionary Housing Payments	1,450	0	231,980	-231,980	0
Housing Benefits Administration	-339,450	-327,250	54,320	-369,200	-314,880
Democratic Services Section	262,980	266,080	288,040	-1,720	286,320
Mayoral & Civic Services Section	117,730	117,350	125,080		125,080
Chief Executive	188,160	188,380	197,850		197,850
Communications Section	198,520	240,310	256,520	-440	256,080
Policy & Information Section	395,400	483,300	512,010	0	512,010
Head of Policy and Communications	116,420	45,120	0		0
Biodiversity & Climate Change	98,480	92,100	99,280		99,280
Director of Strategy Governance and Insight	0	76,900	131,680		131,680
Revenues Section	531,330	565,280	980,800	-410,450	570,350
Registration Services Section	95,830	92,170	94,050		94,050
Head of Housing & Community Services	113,750	113,030	118,370		118,370
Benefits Section	507,390	507,970	855,810	-302,200	553,610
Fraud Section	31,920	49,790	252,970	-211,980	40,990
Mid Kent Audit Partnership	211,660	203,950	701,890	-482,200	219,690
Director of Finance, Resources & Business Improvement	148,110	147,320	153,160	-4,890	148,270
Accountancy Section	818,820	833,670	910,140	-24,400	885,740
Legal Services Section	627,860	627,860	734,220	-74,790	659,430
Director of Regeneration & Place	147,100	146,310	156,480	0	156,480
Procurement Section	113,170	113,170	132,860	-14,030	118,830
Property & Projects Section	565,940	344,640	369,820	-5,970	363,850
Corporate Support Section	283,260	287,480	314,560		314,560
Improvement Section	374,840	375,330	279,510	-27,310	252,200
Executive Support Section	91,250	92,610	98,970		98,970
Head of Commissioning and Business Improvement	109,840	27,900	0		0
Mid Kent ICT Services	573,840	571,180	1,691,410	-1,082,560	608,850
GIS Section	122,220	122,840	215,130	-86,000	129,130
Customer Services Section	680,350	675,970	730,150	0	730,150
Director of Mid Kent Services	48,370	44,710	146,820	-97,880	48,940
Mid Kent HR Services Section	399,500	396,780	686,870	-268,460	418,410
MBC HR Services Section	170,430	101,510	179,690	-2,240	177,450
Head of Revenues & Benefits	76,710	76,290	129,620	-45,220	84,400
Revenues & Benefits Business Support	108,670	99,270	401,480	-284,380	117,100
Dartford HR Services Section	-13,680	-14,750	62,990	-78,730	-15,740
IT Support for Revenues and Benefits	25,680	25,510	45,690	-18,300	27,390
Emergency Planning & Resilience	65,120	126,700	134,180	0	134,180
Head of Property and Leisure	0	40,990	115,790		115,790
Facilities Section	0	243,470	257,250		257,250
Salary Slippage 1PR	-284,570	-285,760	-253,970		-253,970
Salary Slippage 2SPI	-97,490	-97,490	-175,280		-175,280
Salary Slippage 3CHE	-190,280	-215,120	-439,110		-439,110
Salary Slippage 4ERL	-26,710	-26,710	-43,250		-43,250
Town Hall	120,810	121,590	128,070	-1,500	126,570
South Maidstone Depot	170,630	219,860	177,360		177,360
The Link	119,940	54,540	336,250	-286,660	49,590

CENTRAL & DEMOCRATIC

Cost Centre/Service	Original Approved Estimate 2022/23	Revised Estimate 2022/23	Estimate 2023/24 (Expenditure)	Estimate 2023/24 (Income)	Estimate 2023/24
	£	£	£	£	£
Maidstone House - MBC Tenant	274,710	673,620	776,530	-93,530	683,000
Museum Buildings	252,790	267,530	269,550	-1,170	268,380
I.T. Operational Services	624,630	633,310	664,490		664,490
Central Telephones	15,510	15,510	16,290		16,290
Apprentices Programme	51,300	71,290	54,180		54,180
Internal Printing	-3,580	-3,580	56,000	-56,920	-920
Debt Recovery Service	-14,150	-17,920	1,016,570	-1,036,000	-19,430
Debt Recovery MBC Profit Share	-95,470	-132,340		-120,440	-120,440
Appropriation Account	1,781,780	1,867,790	1,861,790		1,861,790
Pensions Fund Appropriation	0	0	0		0
Central & Democratic	9,602,990	10,043,020	57,419,700	-48,500,710	8,918,990

CENTRAL & DEMOCRATIC - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	859,770	822,540	863,670
Allowances	403,760	403,760	453,760
Benefits	34,491,910	34,497,690	31,268,120
Employee Direct	9,499,320	9,975,290	10,681,180
Employee Other	2,111,570	1,876,640	1,239,320
Equipment & Furniture	943,930	1,037,530	1,064,970
Fees & Charges	-960,610	-1,089,610	-1,102,410
General Insurances	14,660	14,550	15,260
Grants & Contributions Paid	2,365,030	2,385,420	2,308,910
Grants & Contributions Received	-42,869,160	-43,384,310	-40,314,840
Income Other	-1,826,020	-2,388,530	-2,478,830
Information & Communications	21,290	19,900	20,880
Leasing & Capital Charges	1,783,800	1,869,810	1,861,790
Premises Other	1,864,300	1,222,400	1,231,180
Printing & Stationery	121,760	146,870	109,150
Professional Services	1,287,670	1,894,660	1,947,280
Rent	-3,767,190	-4,676,900	-4,604,630
Repairs & Maintenance	695,770	1,067,140	1,045,630
Security & Protection	40,940	40,940	43,010
Subsistence & Training	182,100	131,590	191,090
Supplies & Services Other	1,815,610	3,240,150	2,103,120
Utilities	374,550	776,630	852,820
Vehicle & Transport	148,230	158,860	118,560
Grand Total	9,602,990	10,043,020	8,918,990

Medium Term Financial Strategy 2023/24
Estimate of General Fund Balances and Earmarked Reserves to 31 March 2024

Appendix A

	Unallocated General Fund	Earmarked Reserves	Grand Total
	£000	£000	£000
Balance as at 31st March 2022	11,362	23,508	34,870
Movement in balances during 2022/23	0	(12,681)	(12,681)
Estimated Balance as at 31 March 2023	11,362	10,827	22,189
Expected movement during 2023/24	0	230	230
Estimated Balance as at 31 March 2024	11,362	11,057	22,419

	Balance 1st April 2022	Estimated movement in	Estimated movement out	Estimated Balance as at 31st March 2023	Estimated movement in	Estimated movement out	Estimated Balance as at 31st March 2024
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Unallocated Balance	11,362			11,362			11,362
Subtotal	11,362	0	0	11,362	0	0	11,362
Earmarked Reserves							
Spatial Planning reserve	1,000		(1,000)	0			0
Neighbourhood Planning	97		(20)	77		(20)	57
Planning Appeals	286			286			286
Civil Parking Enforcement	400	50	(110)	340			340
Future Capital Expenditure	2,426		0	2,426			2,426
Future Funding Pressures	969	500		1,469	500		1,969
Homelessness Prevention & Temporary Accommodation	1,279		(500)	779			779
Business Rates Earmarked Balances	3,681		(153)	3,529		(400)	3,129
Funding for Future Collection Fund Deficits	10,284		(10,284)	0			0
Commercial Risk	500			500			500
Invest to Save	500			500		(50)	450
Recovery and Renewal Reserve	778		(180)	598			598
Renewable Energy	119			119			119
Enterprise Zone	4	111	(111)	4			4
Major Works (MH) Sinking Fund	0	200		200	200		400
Resources carried forward from 2021/22 to 2022/23	1,184		(1,184)	0			0
Subtotal	23,508	861	(13,542)	10,827	700	(470)	11,057
Total General Fund and Earmarked Reserves	34,870	861	(13,542)	22,189	700	(470)	22,419

ESTIMATED CAPITAL PROGRAMME RESOURCES 2023/24 - 2027/28

Source of Funding	2022/23 £000	Estimate					5 year Total £000
		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	
External Sources	1,500	2,470	2,832	1,500	1,500	1,500	9,802
Own resources (including Internal borrowing)	7,950	5,450	5,450	5,450	5,450	5,450	27,250
External Borrowing	26,021	30,997	41,428	40,694	28,036	23,686	164,841
Total	35,471	38,917	49,710	47,644	34,986	30,636	201,893

	Current Estimate 2022/23 £000	Revised Estimate 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total (5 years) £000
Communities, Housing & Environment								
Private Rented Sector Housing	4,133	2,273	3,090	6,765	6,832	9,578	6,861	33,125
1,000 Homes Affordable Housing Programme - Expenditure	5,179	7,600	6,123	20,080	22,825	25,487	22,442	96,958
1,000 Homes Affordable Housing Programme - Social Housing Grant			-5,790	-3,120	-1,290	-8,250	-6,060	-24,510
Temporary Accommodation	4,330	4,330	12,000	12,000	8,000			32,000
Commercial Development - Maidstone East		200	156	623	623	468	100	1,970
Heather House Community Centre		150	319	701	351	75		1,446
Market Sale Housing Programme - Heather House & Pavilion Building	515							
Housing - Disabled Facilities Grants Funding	1,640	1,640	800	800	800	800	800	4,000
Springfield Mill - Phase 2	731	731						
Affordable Housing Programme - Trinity Place	500	500						
Acquisitions Officer - Social Housing Delivery P/ship	160	160	200					200
Street Scene Investment	70	70	50	50	50	50	50	250
Flood Action Plan	430	430	200	200	150			550
Electric Operational Vehicles	84	84						
Vehicle Telematics & Camera Systems	22	22						
Rent & Housing Management IT System	11	11						
Installation of Public Water Fountains	15	15						
Crematorium & Cemetery Development Plan	137	250						
Continued Improvements to Play Areas	126	126	50	50	60	60	60	280
Parks Improvements	152	152	50	60	70	70	80	330
Gypsy & Traveller Sites Refurbishment	1,421	1,421						
Waste Crime Team - Additional Resources	25	25						
Section 106 funded works - Open Spaces	400	400	400	400	400	400	400	2,000
Expansion of Cemetery (New scheme)			80	120				200
Expansion of Crematorium (New scheme)			340					340
Purchase of New Waste Collection Vehicles (New scheme)			5,800					5,800

	Current Estimate 2022/23 £000	Revised Estimate 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total (5 years) £000
Total	20,080	20,589	23,868	38,730	38,871	28,737	24,733	154,939
Economic Regeneration & Leisure								
Mote Park Visitor Centre	1,307	1,307						
Mote Park Lake - Dam Works	486	486	20					20
Museum Development Plan	389		389					389
Leisure Provision	100	100	3,000	1,000	1,000	1,000	1,000	7,000
Tennis Courts Upgrade	20	20	20					20
Riverside Walk Works	250		250					250
Mote Park Kiosk Refurbishment & Extension (New scheme)		50	200					200
Town Centre Strategy (New scheme)			450	2,700	2,350			5,500
Total	2,552	1,963	4,329	3,700	3,350	1,000	1,000	13,379
Corporate Services								
Asset Management / Corporate Property	1,561	1,261	875	175	175	175	175	1,575
Corporate Property Acquisitions	3,181	3,181	2,500	2,500	2,500	2,500	2,500	12,500
Kent Medical Campus - Innovation Centre	341	341		250				250
Lockmeadow Ongoing Investment	203	203	500	250	250	250	250	1,500
Garden Community	1,633	1,100	733	200	200	200	200	1,533
Infrastructure Delivery	1,000	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Other Property Works	980	100	500	380				880
Biodiversity & Climate Change	1,478	250	2,788	1,540	500	500		5,328
Photovoltaic Panels			234					234
Feasibility Studies	122	122	50	50	50	50	50	250
Digital Projects	25	25	28	28	28	28	28	140
Software / PC Replacement	336	336	200	200	200	200	200	1,000
Maidstone House Works	1,000	1,000	500	250	250	250	250	1,500
Automation Projects	200	200						
New Ways of Working - Make the Office Fit for Purpose	40	40						
Fleet Vehicle Replacement Programme	533	900	456	457	270	96	250	1,529

	Current Estimate 2022/23 £000	Revised Estimate 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total (5 years) £000
Election Polling Booths (New scheme)		20						
Automation of Transactional Services (New scheme)			150					150
Total	12,633	10,079	10,514	7,280	5,423	5,249	4,903	33,369
Planning & Infrastructure								
Bridges Gyratory Scheme	206		206					206
Total	206		206					206
TOTAL	35,471	32,631	38,917	49,710	47,644	34,986	30,636	201,893

MAIDSTONE BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2027/28

Revised January 2023 - COUNCIL



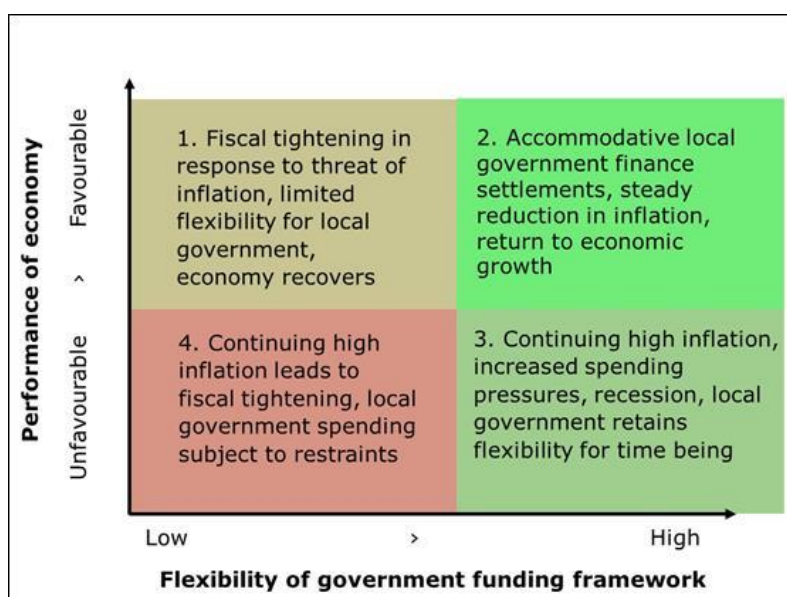
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1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

- 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 an impending economic recession, high inflation and the state of the UK's public finances. The state of the international economy, with tensions between the superpowers, high energy prices and the continuing war in Ukraine, only serves to exacerbate these challenges. In assessing the Council's current financial position (**Section 4**), attention therefore needs to be paid to its resilience, including the level of reserves that it holds.
- 1.3 Most key variables in local authority funding are determined by central government, such as the Council Tax referendum limit and the share of business rates that is retained locally. Although a three-year Spending Review was announced by the Chancellor in October 2021, there was only a one-year settlement for Local Government for 2022/23. Details of the Local Government Finance Settlement for 2023/24 have now been provided and this along with a consideration of the funding likely to be available in the future is set out in **Section 5**.
- 1.4 In view of these different elements of uncertainty, 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 assumptions made in the different scenarios are set out in **Section 6**.
- 1.5 The MTFS sets out the financial projections in **Section 7**. Various potential scenarios were modelled, based on two key variables: (a) the performance of the economy, which is closely linked to the global economy and subject to all the pressures of war and constraints on energy supplies; and (b) how aggressively the government and the Bank of England respond to rising inflation. We originally had 4 potential scenarios, given these two key variables, which can be shown as follows.

Figure 1: Potential future scenarios



1.6 Since we last provided an update on the MTFS we have introduced a fifth scenario to reflect the potential for reduction in funding. Scenarios 4 and 5 are described as:

- Scenario 4: Continuing high inflation leads to fiscal tightening, local government spending subject to restraints
- Scenario 5: Continuing high inflation leads to fiscal tightening, local government spending subject to reductions

1.7 Scenario 4 has been used to assess the likely size of the budget gap, based on what we currently know. We now have 2023/24 funding confirmed but we still to await confirmation of funding for 2024/25 onwards and will continue to monitor the economic environment including the level of inflation that the UK is currently facing. . The table below shows projections for scenario 4, before taking account of budget changes, which will be considered by members at PAC meetings in January 2023, and other updates.

Table 1: MTFS Revenue Projections 2023/24 – 2027/28

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
Scenario 4 – Limited flexibility, continued stagflation					
Total Resources	46.7	48.2	49.8	51.5	53.3
Predicted Expenditure	49.7	53.6	56.9	60.9	64.4
Budget Gap	-3.0	-5.4	-7.1	-9.3	-11.1
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-2.5	-4.6	-6.3	-8.6	-10.4

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 2023/24 and, more generally, provide a framework for closing the budget gap in future years.

- 1.8 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, e.g. the Levelling-Up Fund.
- 1.9 The MTFS concludes by describing the process of agreeing a balanced budget for 2023/24, 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 approved by Council in December 2018. The Strategic Plan has been refreshed in light of the Covid-19 pandemic. The overall strategic priorities remain the same, but specific areas of focus for the next five years have been agreed. So far as recovery from Covid-19 is concerned, the Council's approach will be based around four themes: economic recovery, supporting resilience for communities and vulnerable people, adapting the way we work, and financial recovery. The four key objectives, 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.

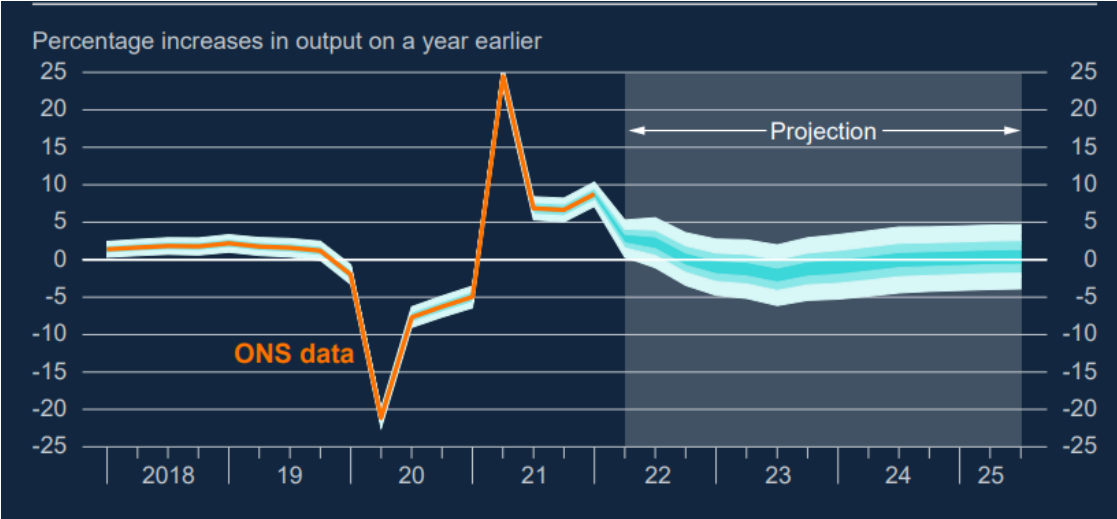
- 2.2 Since the adoption of the Strategic Plan in December 2018, the objective of 'Embracing growth and enabling infrastructure' has started to be realised, for example the completion of the Innovation Centre and development a new Garden Community.
- 2.3 Amongst initiatives to help make Maidstone a 'Thriving 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.
- 2.4 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.
- 2.5 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.
- 2.6 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
 - continued recovery from the Covid 19 pandemic.
- 2.7 The overall funding envelope within which these priorities must be delivered in has now be detailed for 2023/24 but remains unclear in future years. However, it is clear that there are financial challenges arising from a likely downturn in the economy and continuing high levels of inflation. Whilst 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, it operates within the local authority funding framework set by central government, which is likely to impose tight constraints. The most significant element of this is the restriction set by central government on the amount by which Council Tax can be increased. The financial implications are set out in section 7 below.

3. ECONOMIC ENVIRONMENT

Macro outlook

3.1 The outlook for the UK economy is exceptionally uncertain. Following the initial recovery from the Covid recession, growth has slowed and the economy is likely to move into a recession, continuing into 2023. Growth thereafter will be very weak by historical standards. This reflects global factors including sharp rises in energy prices, but local factors mean that the UK economy is affected more severely and its performance lags behind that of other leading nations. The Bank of England projects negligible growth over the next two years and any subsequent recovery will be modest.

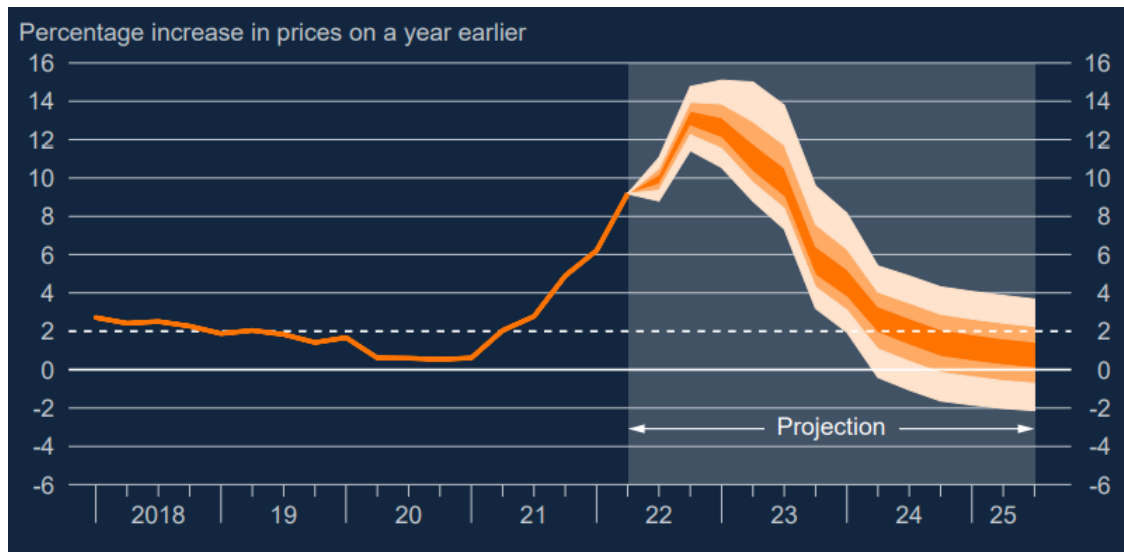
Figure 1: GDP projection based on market interest rate expectations



Source: Bank of England Monetary Policy Committee report, August 2022

3.2 Stagnant economic growth will be accompanied, in the short term at least, by high inflation. Currently inflation is around 10% and the Bank of England forecasts that inflation will increase further. The subsequent fall in inflation may be slower and longer than previously thought.

Figure 2: CPI inflation projection based on market interest rate expectations



Source: Bank of England Monetary Policy Committee report, August 2022

- 3.3 The projections above indicate that inflation will fall over the medium term. However, many commentators have challenged whether current policies will be successful in bringing down inflation. The example of the 1970s has been cited, when 'those countries that rapidly killed inflationary impulses with tight policy, led by the West German Bundesbank, took the pain and suffered a short and shallow downturn. Those that followed a more accommodating path ended up with persistently higher inflation rates that required much deeper recessions in the early 1980s to stamp out inflation'. (Chris Giles, FT 09.06.2022).

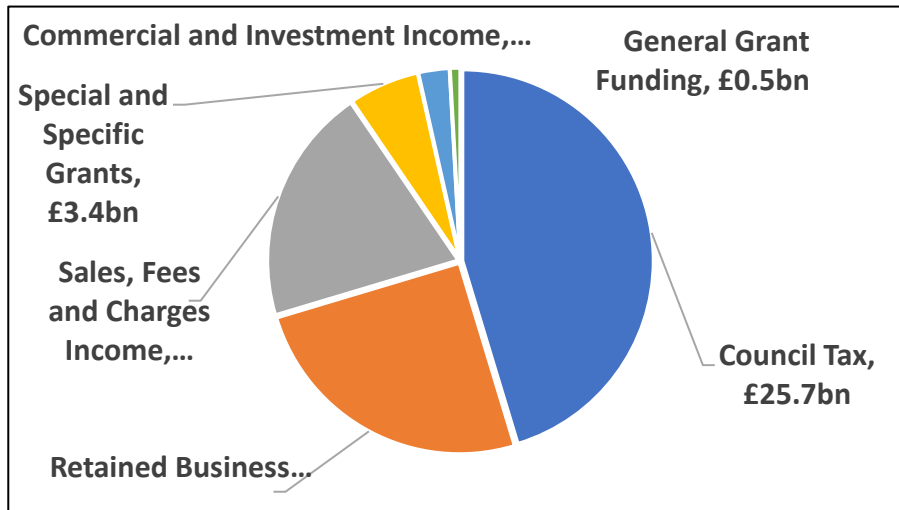
Public Finances

- 3.4 An economic downturn impacts on the public finances by reducing tax income and increasing spending pressures. The financial markets' response to the 'mini budget' of September 2022 demonstrated that these pressures cannot be addressed by increasing public borrowing without a credible medium term fiscal plan. There is now better information about the funding context for 2023/24, given in particular the Chancellor's Autumn Statement on 17 November 2022 and the Provisional Local Government Finance Settlement, announced on 19 December 2022. Whilst the longer term position remains challenging, these recent developments have had a positive impact, such that it is now anticipated that the Council will be able to set a balanced budget for 2023/24, provided that the savings proposals are adopted and Council Tax is increased up to the referendum threshold..
- 3.5 The local authority funding framework set by government remains a crucial determinant of the Council's future 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

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

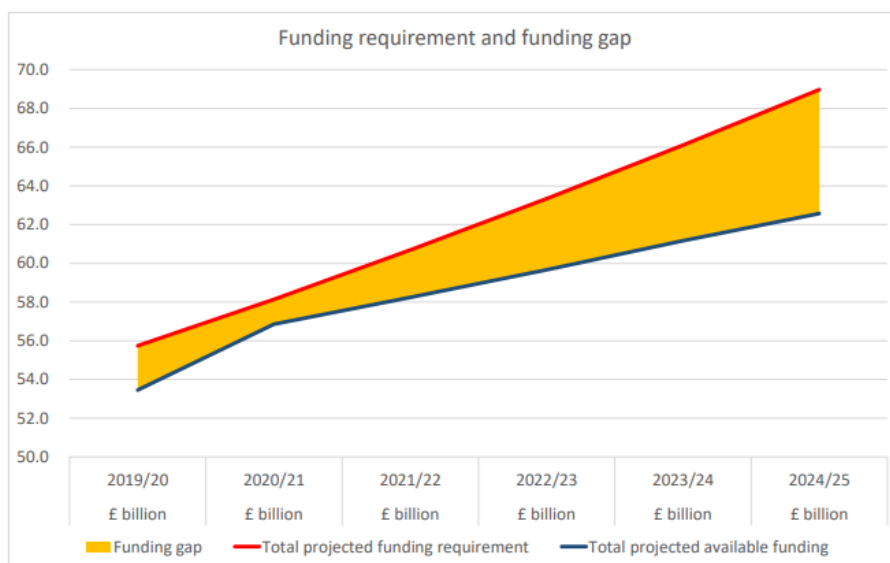
Figure 3: How Council Services are funded



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

- 3.7 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.
- 3.8 However, funding has failed to keep up with the increased demands on Council services, particularly for social care and housing. LGA analysis ahead of the 2020 Budget and Spending Review identified that Council services faced an additional funding requirement for their annual day-to-day spending and the position is likely to have worsened since then.

Figure 4: 2025 funding gap analysis



Source: LGA analysis

- 3.9 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.
- 3.10 The government spending plans have been revised as part of the Local Government Finance Settlement announced on 19th December 2022. The background to the Chancellor’s Autumn Statement 2022 was the need to demonstrate that the government had a clear plan to meet a shortfall in the public finances of around £55 billion. The shortfall was met through a mix of tax rises and spending cuts, although the real impact of the cuts will not be felt until after 2024.
- 3.11 Spending plans for the period from 2023/24 have now been announced, and these show that the public sector is going have its spending power protected in 2023/24. However, with severe pressures on the health service and adult and children’s social care, plus the review of funding to move funding to lower deprivation areas, there is a risk that available funding in the future will reduce in lower tier authorities like Maidstone.
- 3.12 The key points from the Autumn Statement for local government were as follows.
- Council Tax referendum limit - The core threshold was increased from 1.99% to 2.99%, and the Adult Social Care precept will be 2% in 2023- 24.

- Business rates - The multiplier will be frozen in 2023-24, rather than increasing by inflation as in the past. Local authorities will be fully compensated for the loss of income arising.
- Business rates reliefs - Retail, Hospitality and Leisure reliefs were extended into 2023-24, and a Supporting Small Business Scheme has been introduced.
- Business rates revaluation – The revaluation scheduled for April 2023 will go ahead but there will be a more generous transitional scheme.

3.13 The Provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022. This reiterated the key measures in the Chancellor's Autumn Statement relevant to local government. The main items of new information relevant to Maidstone Borough Council are as follows.

- New Homes Bonus will be paid in 2023/24, but will be based on housing completions in 2021/22 only. Formerly NHB also included a legacy payment based on historic housing completions.
- Services Grant will reduce in 2023-24, in part because there will no longer be an increase in National Insurance Contributions and no related compensation (the increase in NICs was originally planned by Chancellor Sunak, then reversed).
- Lower Tier Services Grant – not payable in 2023/24 – the funding will be used along with New Homes Bonus to pay for the Funding Guarantee.

3.14 A new one-off Funding Guarantee was created, which will ensure that all authorities see at least a 3% increase in their Core Spending Power, before any decision they make about organisational efficiencies, use of reserves, and council tax levels. Core Spending Power is the measure used by government to evaluate what they consider to be the underlying financial position of local authorities. This guarantee relates to 2023/24 only and there is no indication as to whether a similar guarantee will be offered in 2024/25.

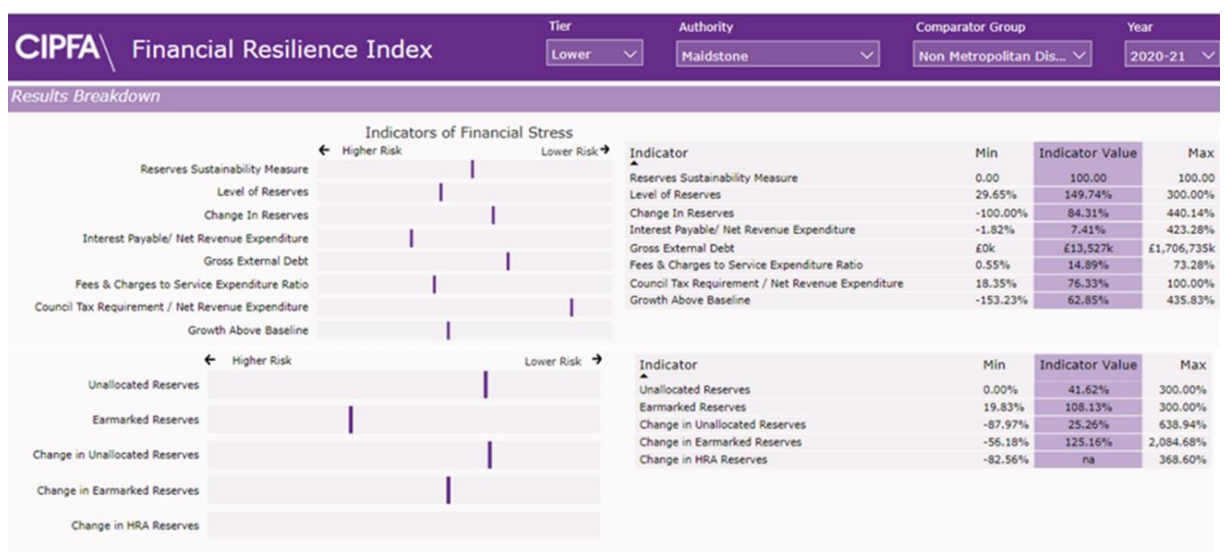
Conclusion

3.15 The UK economy faces exceptional challenges, which make the government's task of constructing a sustainable fiscal policy more difficult than ever. Whilst local government faces severe spending pressures, there is a risk that available funding will be prioritised around the NHS and social care and the reallocation of resources to lower deprivation areas as part of the 'leveling up' agenda, rather than funding the services delivered by this Council.

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 Prior to the Covid-19 pandemic, the Council was broadly self-sufficient financially. It had ceased receiving direct government support in the form of Revenue Support Grant (RSG) and relied 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. However, during the pandemic, income fell and expenditure increased. The consequent budget gap, being the difference between cost of services and aggregate income, was covered with direct government funding.
- 4.3 In 2021/22, income recovered more strongly than expected from the pandemic and the Council generated a modest surplus compared with budget. For 2022/23, there was no more direct government funding to cover the costs of Covid, but the Council was able to set a balanced budget. Additional provision of £1.3 million was made within the 2022/23 budget for the expected impact of higher inflation on the Council's input costs. At the half-way point of 2022/23, it is expected that, with this provision, the Council will remain within budget for the year. If at any stage it appears that an overspend is likely, measures will need to be taken in-year to bring the budget back into balance.
- 4.4 It is nevertheless appropriate to assess the Council's financial resilience. CIPFA provide a Resilience Index tool to test a council's financial resilience. We have run the model for 2020/21 (comprising the most up to date data) and it confirms the council is in a good position with no 'higher risk' indicators.

Figure 5 – CIPFA Resilience Index for the Council in 2020/21.



4.5 There are a number of elements that contribute to financial resilience, according to CIPFA¹, based on financial data and also considering financial management:

- level of reserves
- 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.

Level of Reserves

4.6 Maidstone Borough Council's financial position, as shown by its most recent balance sheet, is as follows (unallocated General Fund balance highlighted, previous year shown for comparative purposes).

Table 2: Maidstone Borough Council balance sheet

31st March 2021 £000		31st March 2022 £000
164,760	Long Term Assets	186,272
35,849	Current Assets	50,819
57,257	Current Liabilities	76,301
96,857	Long Term Liabilities	97,854
46,495	Net Assets	62,935
33,691	Usable Reserves	34,160
12,803	Unusable Reserves	30,096
46,495	Total Reserves	64,256

4.7 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 21/22.
- *Increase in Current Assets:* The value of short-term deposits with financial institutions grew as part of the Treasury Management Policy.
- *Increase in current liabilities:* The movement in the balances for Central Government grants, e.g. for distribution to local businesses,

¹ CIPFA Financial Management Code, Guidance Notes, p 51

which have been received by the Council but not yet deployed, were accounted for as liabilities at the balance sheet date.

- *Increase in unusable reserves:* this primarily relates to the difference between council tax and non-domestic rates income, as credited to the Comprehensive Income & Expenditure Statement, and council tax and non-domestic rates income calculated in accordance with statutory requirements, where this income is dealt with through the Collection Fund. The abnormal movement between years arises from the way that the Council was reimbursed for Covid business rates relief.

- 4.8 The unallocated general fund balance, part of 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.
- 4.9 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.
- 4.10 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. This level of reserve provides flexibility to fund financial pressures on a one off basis.

Current Position

- 4.11 Current indications are that the Council will deliver a balanced budget for 2022/23, allowing the level of reserves to be maintained. The balanced position does reflect some increased pressures in Temporary Accommodation. Further pressures are expected arising from end of the current contract for waste collection. These costs are being managed in year, but as they are likely to be ongoing, they will need to be reflected in the MTFS.

Financial management

- 4.12 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
- 4.13 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.

- 4.14 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.
- 4.15 Financial management and reporting is constantly reviewed to ensure that it is fit for purposes 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.
- 4.16 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.
- 4.17 The authority consistently receives clean external and internal audit opinions.

Capital investment

- 4.18 The Council's capital programme (5 year rolling programme) is intended to support local public services and to help the Council achieve its strategic priorities for the borough. The Council plans to continue investing through the capital programme.
- 4.19 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. Increased cost of borrowing will require investments to provide a better return to ensure they are sustainable.
- 4.20 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.
- 4.21 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.
- 4.22 The Council has a corporate project management framework that applies to most of the projects included within the capital programme. This provides for designation of a project manager and sponsor and includes a mechanism for progress on major projects to be reported to a Strategic Capital Investment Board.
- 4.23 Financial monitoring of capital projects is incorporated within the quarterly reports to Service Committees.

Ability to deliver budget savings

- 4.24 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.
- 4.25 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.
- 4.26 Once savings have been built into the budget, their achievement is monitored as part of the regular financial management process described above.

Risk management

- 4.27 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.
- 4.28 The major risk areas that have been identified as potentially threatening the Medium Term Financial Strategy are as follows.
- Failure to contain expenditure within agreed budgets
 - Inflation rate is higher than 2% government target
 - Financial impact from resurgence of Covid-19 virus
 - Fees and Charges fail to deliver sufficient income
 - Adverse impact from changes in local government funding
 - Collection targets for Council Tax and Business Rates missed
 - Capital programme cannot be funded
 - Planned savings are not delivered
 - Constraints on council tax increases
 - Litigation costs exceed budgeted provisions
 - Business Rates pool fails to generate sufficient growth
 - Shared services fail to meet budget
 - Council holds insufficient balances

- Increased complexity of government regulation.
- Other income fails to achieve budget
- Increased complexity of government regulation
- Financial Impact from IT security failure
- Pension liability cannot be funded

4.29 The Council is implementing 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.

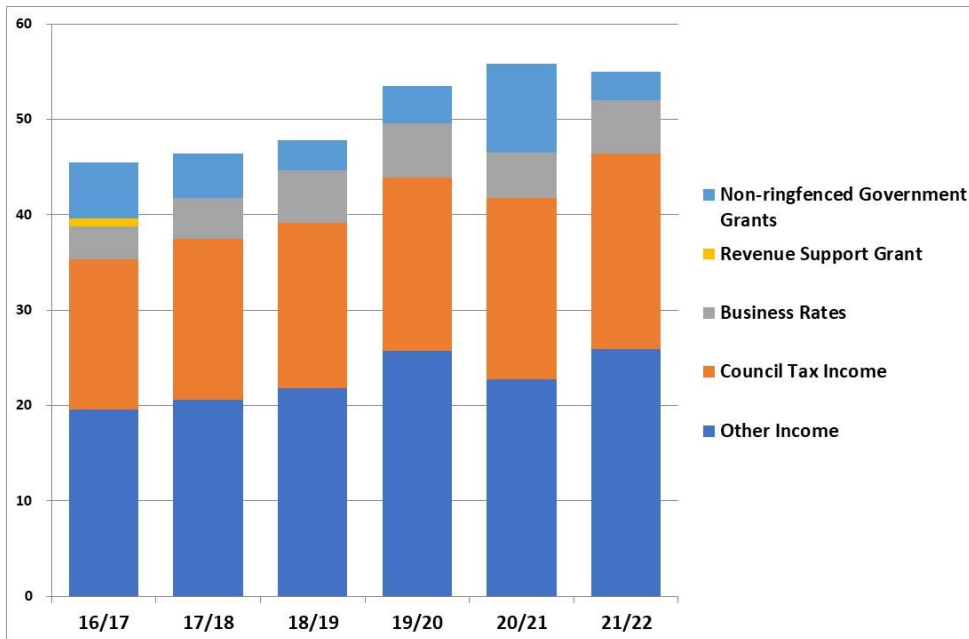
Conclusion

4.30 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. AVAILABLE RESOURCES

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

Figure 6: Sources of Income (£ million)



Council Tax income remained resilient throughout the Covid-19 pandemic, with only a slight deterioration in collection levels. Other income fell back sharply in 2020/21, but has now largely recovered.

Council Tax

- 5.2 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.
- 5.3 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below.

Table 3: 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.

- 5.4 Whilst the effect of the increased number of dwellings is to increase the Council Tax base, this is offset by the cost of reliefs for council tax payers, in particular Council Tax support, and any change in the percentage of Council Tax collected. The increase in the number of households and people living in the borough also impacts on the cost of service delivery, for example refuse collection and street cleansing.
- 5.5 The level of council tax increase for 2023/24 is a decision that will be made by Council based on a recommendation made by the Executive. The Council's ability to increase the level of council tax is limited by the requirement to hold a referendum for increases over a government set limit. The referendum limit for 2023/24 has been increased to 2.99% for Band D taxpayers. Council Tax was increased by the maximum possible, ie £8.19 (2.99%).

Business Rates

- 5.6 Under current funding arrangements, local government retains 50% of the business rates it collects. The aggregate amount collected by local government is redistributed between individual authorities on the basis of perceived need, so that in practice Maidstone Borough Council retains only around 10% of the business rates that it collects.
- 5.7 The amount of business rates retained by individual authorities is currently based on a needs assessment that dates back to 2013/14. A reset is expected at some point, based on a 'Fair Funding Review'. The overall amounts to be allocated as part of the Fair Funding Review are yet to be determined. It is therefore difficult to predict with any degree of accuracy whether the proportion of business rates retained by Maidstone in the medium term will remain the same, increase or decrease.
- 5.8 The current local government funding regime gives authorities the opportunity to pool their business rates income and retain a higher share of growth as compared with a notional baseline set in 2013/14. Maidstone has been a member of the Kent Business Rates pool since 2014/15. Its 30% share of the growth arising from membership of the pool has hitherto been allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has hitherto been spent on the Maidstone East development. Following Maidstone's acquisition of Kent County Council's 50% share in the development in 2021/22, the Growth Fund will be split equally between Maidstone Borough Council and Kent County Council.
- 5.9 It should be noted that, when re-allocating business rates according to need, following a Fair Funding Review, the business rates baseline is likely to be reset, so all growth accumulated to that point will be reallocated between local authorities as described in paragraph 5.8 above.
- 5.10 Total projected business rates income for 2022/23, and the ways in which it is planned to deploy it, are summarised in the table below.

Table 4: Projected Business Rates Income 2022/23

	£000	
Business Rates baseline income	3,593	Included in base budget
Growth in excess of the baseline	1,692	Included in base budget
Pooling gain (MBC share)	507	Funds Economic Development projects
Pooling gain (Growth Fund)	204	Funds Maidstone East development
Total	5,996	

Revenue Support Grant

- 5.11 Maidstone no longer benefits directly from central government support in the form of Revenue Support Grant, as it is considered to have a high level of resources and low needs. In fact, Councils in this situation were due to be penalised by the government under the four-year funding settlement which ran from 2016/19 to 2019/20, through negative Revenue Support Grant. Maidstone was due to pay negative RSG of £1.589 million in 2019/20. However, the government faced considerable pressure to waive negative RSG and removed it in the 2019/20 and subsequent Local Government Finance Settlements.
- 5.12 Any increase in overall funding for local authorities could simply be used to reverse negative RSG for those authorities where it was payable. As has been seen, a different mechanism was used in 2022/23, which provided some benefit to the Council in the form of the Services Grant.
- 5.13 More generally, a needs-based distribution of funding will continue to create anomalies like negative RSG, so it cannot be assumed that the threat of an adverse impact, such as Maidstone was due to experience in 2019/20, has gone away.

Other income

- 5.14 Other income is an important source of funding for the Council. It includes the following sources of income:
- Parking
 - Shared services (as agreed in collaboration agreements and where MBC is the employer)
 - Commercial property
 - Private rented sector housing (Maidstone Property Holdings)
 - Planning fees
 - Crematorium and cemetery
 - Garden waste collection
 - Commercial waste collection

Where fees and charges are not set by statute, we apply a policy that guides officers and councillors in setting the appropriate level based on demand, affordability and external factors. Charges should be maximised within the limits of the policy, but customer price sensitivity must be taken into

account, given that in those areas where we have discretion to set fees and charges, customers are not necessarily obliged to use our services.

5.15 Commercial property income in particular has increased rapidly in recent years. This has arisen from a deliberate strategy of focusing capital investment on projects such as the acquisition of the Lockmeadow Leisure Complex and Maidstone House which have served the dual purposes of meeting the Council's strategic priorities and generating income. See below.

Table 5: Net Property Income 2016/17 – 2022/23

	16/17	17/18	18/19	19/20	20/21	21/22	22/23
	£000	£000	£000	£000	£000	£000	£000
Commercial Property	847	1,064	1,467	1,590	2,774	2,819	3,437
Maidstone Property Holdings (PRS Housing)	0	0	0	188	280	837	830
Total	847	1,064	1,467	1,778	3,054	3,656	4,267

Source: MBC Budget Books

5.16 Other income, particularly parking, was seriously affected by Covid-19. However, income levels in most categories have now recovered to pre-Covid levels.

Conclusion

5.17 It can be seen that ongoing revenue resources are subject to uncertainty, owing to the economic environment and lack of clarity about the government's plans for funding local government. The previous section indicated that the Council's reserves, while adequate, do not leave it with a large amount of flexibility. This puts a premium on accurate forecasting and strong financial management.

6. SCENARIO PLANNING

- 6.1 Owing to uncertainty arising from the economic environment, and from the lack of clarity about what the government's plans for local government funding will mean for the Council, financial projections were prepared in July 2022 on four different scenarios. Following a further deterioration in the economic outlook and the impact of the September 2022 'mini budget' it is now considered that unfortunately Scenario 4, the most adverse of these scenarios, is the most likely to materialise. We have also now developed a scenario 5 to reflect the potential impact of the latest views from government.

Scenario 1: Fiscal tightening in response to threat of inflation, limited flexibility for local government, economy recovers

This is the scenario in which the government takes prompt action to bring down inflation. This would be likely to involve restrictions on government spending, including limits on Council Tax increases. If successful, this policy would mean that inflation would return to the government's long term target rate of 2% and the economy would recover, leading to renewed growth in the Council Tax base and the Council's other sources of income.

Scenario 2: Accommodative local government finance settlements, steady reduction in inflation, return to economic growth

Current government and Bank of England policy was previously based on the assumption that drastic action was not required to combat inflation, and there would be a return to growth in any case. Growth would however be anaemic, with external income returning to pre-Covid levels over a period of 3-4 years. There would continue to be growth in the Council Tax base, but constraints in the construction sector mean there is a slow-down for the first 2-3 years of the planning period. The Council would be able to fund inflationary increases in expenditure through matching increases in Council Tax. This is the most optimistic scenario.

Scenario 3: Continuing high inflation, increased spending pressures, recession, but local government retains flexibility for time being

Heightened assumptions about the inflation rate, capacity constraints and low economic growth compared with other national economies lead to prolonged inflation in excess of the government's 2% target. As a result, there is no real terms growth in Council income. Whilst under this scenario, the Council would be able to match inflationary growth in costs through increases in Council Tax, the poor performance of the economy would nevertheless lead to an overall deterioration in its financial position.

Scenario 4: Continuing high inflation leads to fiscal tightening, local government spending subject to restraints

In this scenario the government is forced to take action to bring down inflation. This would involve restrictions on government spending, including limits on Council Tax increases. The Council would not be able to match inflationary growth in costs through increases in Council Tax and the poor performance of the economy would mean minimal growth in the Council Tax base and other sources of income. This is now considered to be the most likely scenario.

Scenario 5: Inflation peaks at a higher level than previously envisaged and remains high. Local government spending is subject to reductions.

In this scenario inflation remains higher than originally expected. The Government and Bank of England take action to stabilise the economy, but this is not sufficient to avoid a prolonged recession. This will be reductions in government spending, including limits on Council Tax increases. The Council will not be able to match higher and sustained inflationary growth in costs through increases in Council Tax and the poor performance of the economy would mean minimal growth in the Council Tax base and other sources of income. This is the most pessimistic scenario.

Strategic Revenue Projection

6.2 For illustrative purposes, assumptions about what scenarios 4 might mean are set out in this section, and high-level revenue projections are shown for both. The key dimensions are:

- the Council Tax base;
- the level of Council Tax;
- retained Business Rates, which in turn depends on overall business rates income and government policy on distributing it between local authorities and central government;
- other local income, eg fees and charges;
- 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. They have been updated for key areas from the Local Government Finance Settlement for 2023/24.

Council Tax base

6.3 Projected Council Tax income for 2022/23 amounts to £18.2 million and is the Council's single biggest source of income. Council Tax is a product of the tax base and the level of tax set by the 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. As described in the previous section, the tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough.

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.

Table 6: Council Tax Base Growth

Council Tax base growth assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	2.0%	1.0%	1.0%	1.0%	1.0%

Level of Council Tax

6.6 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 2022/23, the limit was 2%. This has been increased in 2023/24 to 2.99%. The Council approved the maximum possible increase in 2022/23 and is proposing to use the maximum increase in 2023/24. 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 The referendum limit of 2% was intended broadly to reflect the rate of inflation. It was also assumed in the government’s planning for local government expenditure that local authorities would indeed increase by the maximum permissible amount, and this was reflected in the ‘Spending Power’ data published for each local authority. Government have now set a higher referendum limit in 2023/24 of 2.99% to reflect the financial pressure of inflation.

6.8 Assumptions for each scenario are set out below, on the basis that these increases represent the government’s referendum limit and the Council follows its practice of increasing Council Tax by the maximum permitted.

Table 7: Council Tax Increase

Council Tax increase assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	2.99%	2.0%	2.0%	2.0%	2.0%

Retained business rates

6.9 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 and the government through a system of tariffs and top-ups.

Table 8: Projected Business Rates Income 2022/23

	£000	%
Maidstone Borough Council	5,285	10
Kent County Council	4,631	9
Kent Fire & Rescue Authority	515	1
Central Government	41,410	80
Total Business Rates Income	51,841	100

- 6.10 To the extent that business rates income exceeds a notional baseline, this growth element is retained locally, subject to a levy payable to central government by tariff authorities like Maidstone. 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, by pooling our income, 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). Details are set out in the previous section.
- 6.11 It is assumed at this stage that pool proceeds continue to be earmarked as currently. Note that in the event of a business rates reset there would initially be no growth available for pooling.
- 6.12 In general, projections of business rates income for the years after 2023/24 must, of necessity, take a cautious position on how much business rates income is likely to be retained locally, given that this is the element in our total resources that is most at risk from the vagaries of government policy. Future growth assumptions for each scenario are set out below.

Table 9: Business Rates Growth Assumptions

Business Rates growth assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	0.0%	0.0%	2.0%	2.0%	2.0%

Other income

6.13 The main components of other income are set out below:

Table 10: Projected Other Income 2022/23

	£ million
Fees and charges	9.2
Property rental income and service charges	6.9
Shared services trading income	3.3
Other income	2.3
TOTAL	21.7

Each component is subject to different inflationary factors. Some fees and charges are set by central government and are not necessarily increased annually. However, where the council has the flexibility to review fees and charges, it is assumed that they are increased in line with inflation. Rents may only change at the point of periodic rent reviews. Future growth assumptions, using a composite inflation rate, are set out below.

Table 11: Other Income growth assumptions

Other income growth assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	5.0%	5.0%	5.0%	5.0%	5.0%

Cost of Service

- 6.14 The cost of services is subject to inflation. Salaries account for around 50% of total input costs, and whilst salary increases tend to lag behind published inflation figures, 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.
- 6.15 A recent benchmarking exercise indicates that salaries at Maidstone have fallen behind the policy target of the public and not for profit sector median level for any given grade. It is estimated that an additional £675,000 growth, including salary on-costs, less amounts that can be recharged, would be required to bring salaries into line. For the purposes of the MTFS projections, this growth has been excluded, on the basis that it will need to be self-financing, ie any growth will need to be funded from new savings.
- 6.16 Assumptions for each scenario, using a composite rate at this stage, are set out below. Note that these figures do not equate to inflation projections, because the growth in cost of services tends to lag behind headline inflation indices. The figures below exclude any growth to address the shortfall against the salary benchmark described in the previous paragraph.

Table 12: Cost of Service growth assumptions

Cost of services growth assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	5.0%	5.0%	5.0%	5.0%	5.0%

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. Additionally, specific provision has been built into the strategic revenue projections for two major known future pressures, namely the continuing additional cost of providing temporary accommodation and the likely additional costs arising from relet of the waste collection contract.

- 6.17 A specific provision has also been built into the strategic revenue projections at the request of the Executive to increase the Pay Budget Envelope by £400k. This is in addition to the assumptions above. It is to be funded in 2023/24 from unringfenced government grant (Funding Guarantee). In years 2024/25 onwards these costs will increase the budget gap and will need to be funded by further savings.

7. REVENUE PROJECTIONS

7.1 Strategic revenue projections, based on the assumptions set out above, are summarised in table 13 below for scenarios 4. 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. The figures exclude the cost of potential changes in pay and grading as set out above.

Table 13: MTFS Revenue Projections 2023/24-2027/28

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
Scenario 4 – Limited flexibility, continued stagflation					
Total Resources	47.4	48.5	50.1	51.8	53.6
Predicted Expenditure	50.1	54.0	57.3	61.3	64.9
Budget Gap	-2.7	-5.5	-7.2	-9.5	-11.3
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-2.3	-4.8	-6.5	-8.8	-10.6

Notes

1. Resources comprise Council Tax, retained Business Rates and Other Income.
2. Predicted expenditure comprises the cost of services and finance costs.
3. A negative figure represents the amount of savings required to balance the budget; a positive figure represents a budget surplus.
4. All scenarios incorporate the assumption that Council Tax income is increased by the maximum possible given the referendum limit, and fees and charges are increased in line with inflation to the extent that the Council has the flexibility to do so.

Approach to balancing the budget

7.2 In delivering a balanced budget, the requirement to make savings or generate increased income will need to be balanced against the key priorities set out in the Council's Strategic Plan, namely:

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

7.3 In recent years, the Council has been successful in simultaneously generating additional income and meeting its strategic priorities, through successful investments (Lockmeadow, Maidstone House) and its programme of delivering private rented sector housing through Maidstone Property Holdings. The Council will continue to seek similar opportunities in the future. However, it would not be prudent to rely solely on this approach to balance the budget, both because of the scale of the budget gap and because of current challenges in delivering capital investment, namely the availability of affordable finance and the paucity of suitable opportunities.

Accordingly, all budgets will be 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 will need to be offset by further savings. It should be noted that the savings requirement in scenario 4, whilst significant, amounts to just 3% of gross revenue expenditure. Budget proposals have been developed, following a similar approach and these have been reviewed by Policy Advisory Committees who have provided a recommendation for the Executive and Council which would balance the budget in 2023/24. In future years there remain budget gaps which will require further savings options to ensure there is a balanced budget.

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 can be realised. The capital programme is a rolling five year programme. The existing capital programme was approved by Council at its budget meeting on 23rd February 2022. An updated capital strategy and capital programme has been considered by the Executive during January.

8.2 Major schemes include the following:

- 1,000 Affordable Homes programme
- Private rented sector housing programme
- Temporary accommodation
- Biodiversity & Climate Change capital projects
- Garden Community preliminary work.

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

- Required for statutory reasons, eg to ensure that Council property meets health and safety requirements or maintain the condition/value of the asset;
- Schemes focused on strategic plan priority outcomes that are self-funding.

A further two categories have also been defined, namely:

- Other schemes focused on strategic plan priority outcomes;
- Other priority schemes that will attract significant external funding.

Note that these further categories of expenditure will only meet the Prudential Code requirement for sustainable investment if specific revenue provision is made for their funding.

8.4 Prior to inclusion in the capital programme, all schemes are subject to an initial assessment. The assessment of self-funding is to ensure we achieve the appropriate rate of return, which will be subject to the cost of borrowing.

8.5 All schemes within the capital programme are then also subject to appropriate option appraisals, requiring the preparation of a business case, before approval to spend is agreed. Any appraisal must reflect the Prudential Code, which requires that capital investment should be funded in a way that is prudent, affordable and sustainable.

8.6 The current capital programme amounts to £233.5 million over the next five years. In the light of inflation, this amount will need to be increased if the same outputs are to be delivered, and higher input costs will need to be factored into the appraisal of individual capital schemes to ensure that they are still affordable.

- 8.7 It is envisaged that the capital programme will primarily be funded from external borrowing. In view of uncertainty about the future trajectory of interest rates and the availability of funds from the Public Works Loan Board, the Council has secured forward borrowing of £80 million, which will be drawn down between 2024 and 2026. The balance of the capital programme will still need to be funded, with the cost of finance dependent on rates applying when the borrowing requirement arises.

New Homes Bonus and Funding Guarantee

- 8.8 Prior to 2022/23, New Homes Bonus, which is a form of revenue grant from central government, was earmarked for capital expenditure. This reduced the Council's borrowing requirement and meant that Maidstone remained debt-free until 2019/20. For 2022/23, Council agreed when setting the budget that the first £1 million of New Homes Bonus would be allocated for strategic policy and plan making, with the balance of £3.1 million transferred to a Housing Investment Fund, to be used to subsidise the Council's Affordable Housing Programme. As part of the local government settlement the NHB will reduce significantly by £2.3m.
- 8.9 The government also created a new one-off Funding Guarantee, which will ensure that all authorities see at least a 3% increase in their Core Spending Power, before any decision they make about organisational efficiencies, use of reserves, and council tax levels. Core Spending Power is the measure used by government to evaluate what they consider to be the underlying financial position of local authorities. This guarantee relates to 2023/24 only and there is no indication as to whether a similar guarantee will be offered in 2024/25. Specifically, the main benefit of the Funding Guarantee from Maidstone's perspective is that the Council is protected against the reduction in New Homes Bonus.
- 8.10 Within the overall budget proposals for 2023/24, it is now proposed that £300,000 of the one-off funding will be set aside for strategic policy and plan making and a further £400,000 be added to the pay budget envelope, with these sums being built into the revenue budget on an ongoing basis. The balance of one-off funding will be set aside for the 1,000 Affordable Homes Programme. The proposals deplete the available resource for the 100 Affordable Homes Programme. Whilst the exact amount of subsidy required over the lifetime of the programme cannot be calculated precisely at this stage, it would however be prudent to maximise the amount of transfer to the Housing Investment Fund, given the risks associated with delivering the capital programme at a time of high inflation and extreme pressure on resources in the construction sector.
- 8.11 There is an inherent requirement for subsidy within the Affordable Housing programme, as it involves providing housing at less than a market rent. In due course, as the Affordable Housing programme is rolled out, the Council will be legally obliged to establish a Housing Revenue Account, which explicitly cannot be subsidised by the General Fund. However, in the meantime, the Council is able to set funds aside to subsidise affordable housing as agreed when setting the 2023/24 budget. Inclusion of the Affordable Housing Programme within the Capital Programme implies a continuing requirement for funds to be accumulated in this way.

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 has been carried out and the results of the survey have been considered as part of the update on the MTFS and savings proposals considered by Policy Advisory Committees in January 2023.
- 9.2 This consultation with members also detailed budget proposals. Individual Policy Advisory Committees considered the budget proposals relating to the services within their areas of responsibility. The final budget which is balanced for 2023/24 will be presented to Council on the 22nd February 2023. The MTFS will continue to be reviewed and updated to support the 2024/25 budget process.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement
and Annual Investment Strategy

2023/24

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1.1 Background

The Treasury Management Strategy Statement 2023/24 complies with the 2021 revised CIPFA Treasury Management Code and Prudential Code, details of which can be found in Key Considerations at the end of this Strategy Statement.

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

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

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

CIPFA defines treasury management as:

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

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

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

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

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

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

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
 - the capital plans, (including prudential indicators)
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
 - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an Annual Investment Strategy, (the parameters on how investments are to be managed)
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.
- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. Under current constitutional arrangements this role would be undertaken by the Audit Governance and Standards Committee.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Executive Committee as part of the quarterly Budget Monitoring. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

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

Treasury management issues

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

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

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).

- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

Training on the Treasury management and Capital Strategies was undertaken by Members on 17th January 2022 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained by the Head of Finance. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Head of Finance.

1.5 Treasury Management Consultants

The Authority uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

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

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

2. THE CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2025/26

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

2.1 Capital Expenditure and Financing

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

2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
32.631	39.517	49.710	47.644	34.986	30.636

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital grants	1.500	2.470	2.832	1.500	1.500	1.500
Capital reserves	3.500	0.000	0.000	0.000	0.000	0.000
Revenue	4.450	5.450	5.450	5.450	5.450	5.450
Net financing need for the year	23.181	31.597	41.428	40.694	28.036	23.686

2.2 The Authority's Borrowing Need (the Capital Financing Requirement)

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

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

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £1.473m of such schemes within the CFR.

The Authority is asked to approve the CFR projections below:

£m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Financing Requirement						
Total CFR	88.048	119.335	159.113	197.423	222.558	242.970
Movement in CFR	22.316	30.346	38.528	37.061	23.885	19.162

Movement in CFR represented by						
Net financing need for the year	23.181	31.597	41.428	40.694	28.036	23.686
Less MRP/VRP and other financing movements	-0.865	-1.251	-2.900	-3.634	-4.151	-4.524
Movement in CFR	22.316	30.346	38.528	37.061	23.885	19.162

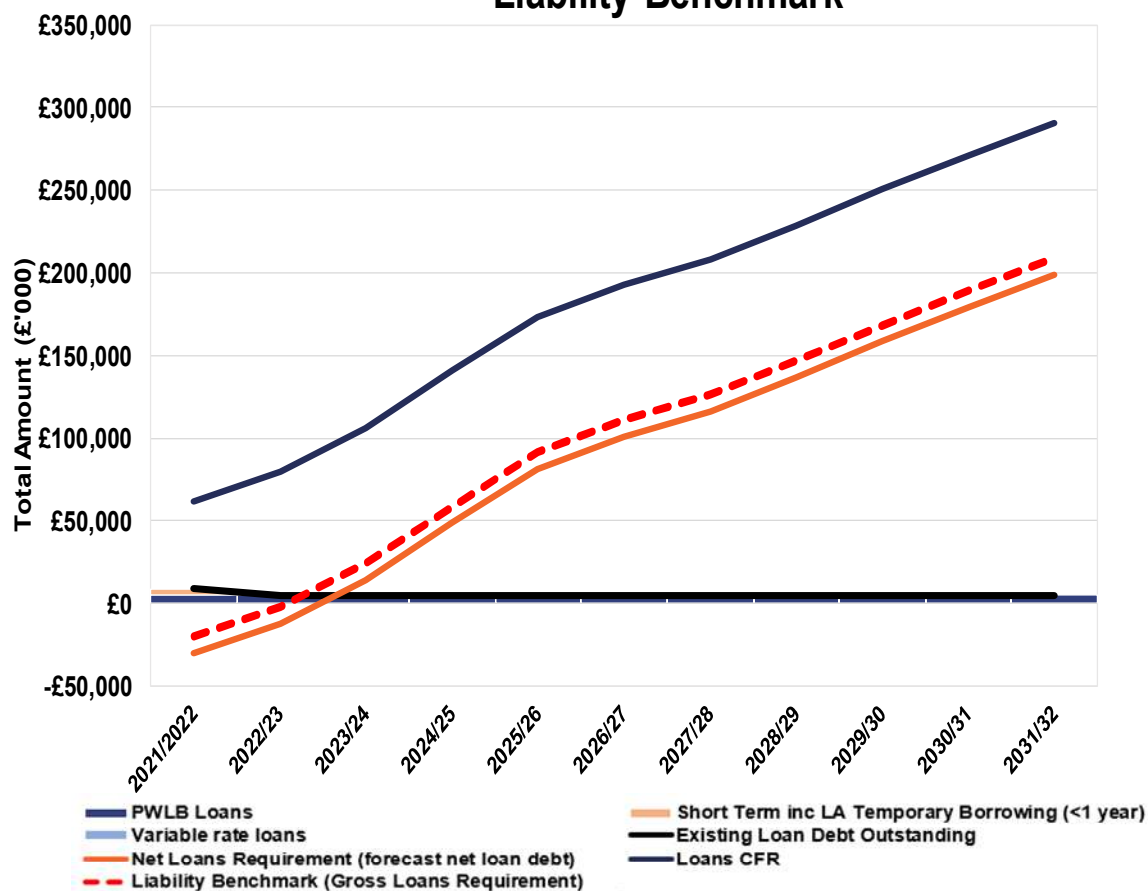
2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum however, CIPFA strongly recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity profile of a local authority.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years. At the end of 2021/22, the Council had £9m of external borrowing (£4m short term LA borrowing and £5m 50 year PWLB. The Council repaid £4m LA borrowing in 2022/23 which leaves the £5m PWLB loans.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Liability Benchmark



Net Investment balance from 2021/22 was £19.75m. As the Capital Programme ramps up, the borrowing increases to net loans of £161m over a 10 year period. This balance is expected to stay below the Loans CFR over this period.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

2.4 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed

capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

The Authority is recommended to approve the following MRP Statement

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset life method (straight line)** – MRP will be based on the estimated life of the assets;

Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24, or in the year after the asset becomes operational

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment

For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

Cumulative VRP overpayments made to date are £0m.

3 BORROWING

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

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.3.22 and for the position as at 31.12.22 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual 31.3.22	actual 31.3.22	current 31.12.22	current 31.12.22
Treasury investments	£000	%	£000	%
Banks	26,000	67%	11,370	40%
Building societies - unrated	0	0%		0%
Building societies - rated	3,000	8%		0%
Local authorities	0	0%		0%
DMADF (H.M.Treasury)	0	0%		0%
Money Market Funds	9,750	25%	16,760	60%
Certificates of Deposit	0	0%		0%
Total managed in house	38,750	100%	28,130	100%
Bond Funds	0	0%		0%
Property Funds	0	0%		0%
Total managed externally	0	0%	0	0%
Total treasury investments	38,750	100%	28,130	100%
Treasury external borrowing				
Local Authorities	4,000	44%		0%
PWLB	5,000	56%	5,000	100%
LOBOs	0	0%		0%
Total external borrowing	9,000	100%	5,000	100%
Net treasury investments / (borrowing)	29,750	0	23,130	0

The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing

need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
External Debt						
Debt at 1 April	9.000	33.086	60.992	102.420	143.114	166.800
Expected change in Debt	23.181	27.597	41.428	40.694	23.686	28.860
Other long-term liabilities (OLTL)	1.473	0.905	0.309	0.000	0.000	0.000
Expected change in OLTL	-0.568	-0.596	-0.309	0.000	0.000	0.000
Actual gross debt at 31 March	33.086	60.992	102.420	143.114	166.800	195.660
The Capital Financing Requirement	88.048	119.335	159.113	197.423	222.558	242.970
Under / (over) borrowing	54.962	58.343	56.693	54.309	55.758	47.311

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.2 Treasury Indicators: Limits to Borrowing Activity

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

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Ext Borrowing	37.181	68.778	110.206	150.900	178.936	202.622
Other LT Liab	1.473	0.905	0.309	0.000	0.000	0.000
Total	38.654	69.683	110.515	150.900	178.936	202.622

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

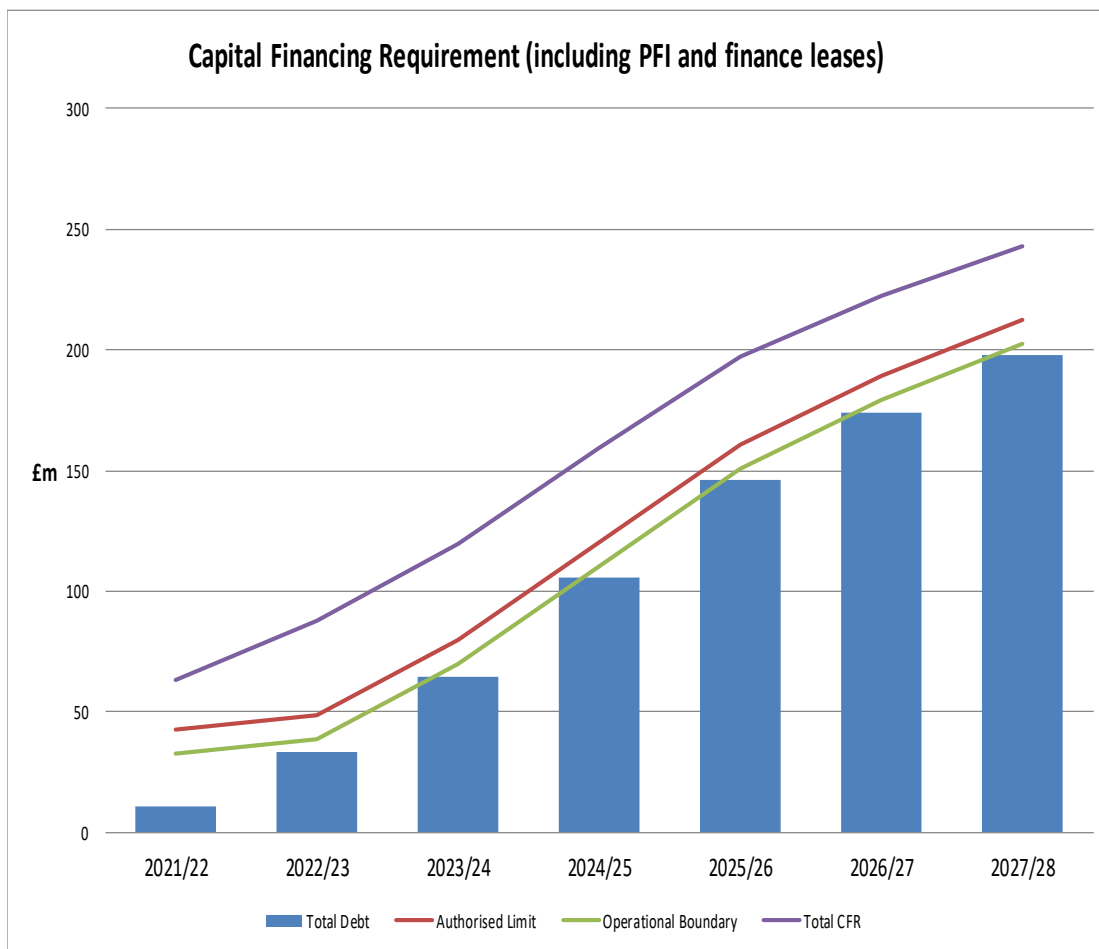
- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Ext Borrowing	47.181	78.778	120.206	160.900	188.936	212.622
Other LT Liab	1.473	0.905	0.309	0.000	0.000	0.000
Total	48.654	79.683	120.515	160.900	188.936	212.622

The graph below forecasts the Council's debt profile, Operational Boundary and Authorised Limit remains below its CFR.

PRUDENTIAL INDICATORS GRAPH

CAPITAL FINANCING REQUIREMENT including PFI and finance leases							
	Act	Est	Est	Est	Est	Est	Est
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m	£m
GF CFR	63.0	88.0	119.3	159.1	197.4	222.6	243.0
Total CFR	63.0	88.0	119.3	159.1	197.4	222.6	243.0
External Borrowing	9.0	32.2	63.8	105.2	145.9	173.9	197.6
Other long term liabilities	2.0	1.5	0.9	0.3	0.0	0.0	0.0
Total Debt	11.0	33.7	64.7	105.5	145.9	173.9	197.6
Authorised Limit	42.6	48.7	79.7	120.5	160.9	188.9	212.6
Operational Boundary	32.6	38.7	69.7	110.5	150.9	178.9	202.6



3.3 Prospects for 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. Link provided the following forecasts on 08.11.22. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 08.11.22		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE		3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave eamings		3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave eamings		4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave eamings		4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB		4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB		4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB		4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB		4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be 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.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.

- **The Government** acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Finance, Resources & Business Improvement will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

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

3.5 Policy on Borrowing in Advance of Need

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

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

3.6 Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling is to be undertaken, it will be reported to the Audit, Governance & Standards Committee, at the earliest meeting following its action.

3.7 New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills		●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Authority's investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 25%.
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This Authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local

authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government

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

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

Creditworthiness Policy

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

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

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

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

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

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

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

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

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

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

	Colour (and long term rating where applicable)	Money Limit	Transaction limit	Time Limit
Banks *	yellow	£8m	£8m	5yrs
Banks	purple	£7m	£7m	2 yrs
Banks	orange	£5m	£5m	1 yr
Banks – part nationalised	blue	£5m	£5m	1 yr
Banks	red	£5m	£5m	6 mths
Banks	green	£3m	£3m	100 days
Banks	No colour	Not to be used	£0m	
Other institutions limit	-	£3m	£3m	5yrs

DMADF	UK sovereign rating	unlimited	£5m	6 months
Local authorities	n/a	£8m	£8m	5yrs
Housing associations	Colour bands	£8m	£8m	As per colour band
	Fund rating**	Money Limit	Transaction limit	Time Limit
Money Market Funds CNAV	AAA	£10m	£10m	liquid
Money Market Funds LVNAV	AAA	£10m	£10m	liquid
Money Market Funds VNAV	AAA	£10m	£10m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£8m	£8m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£8m	£8m	liquid

* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see appendix 5.4.

** Please note: “fund” ratings are different to individual counterparty ratings, coming under either specific “MMF” or “Bond Fund” rating criteria.

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they

have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

Limits

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

- a. **Non-specified treasury management investment limit.** The Authority has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 20% of the total treasury management investment portfolio.
- b. **Country limit.** The Authority has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

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

4.2 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

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

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Against this view the Treasury officers expect the Council's average returns to be around the 3 month SONIA rate as investments will be short term to meet liabilities of the Capital Programme.

For its cash flow generated balances, the Authority will seek to utilise its call and notice accounts, Money Market Funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Changes of investment strategy

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

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

Upper limit for principal sums invested for longer than 365 days			
£m	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£2m	£2m	£2m
Current investments as at 31/12/2022 in excess of 1 year maturing in each year	0	0	0

4.3 Investment Performance / Risk Benchmarking

This Authority will use an investment benchmark to assess the investment performance of its investment portfolio of 3 month SONIA.

4.4 End of Year Investment Report

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

4.5 External Fund Managers

£16.76m of the Council's funds is externally managed within Money Market Funds with following institutions:

- Goldman Sachs Asset Management International
- Aberdeen Standard Investments
- Federated Investors (UK) LLP
- CCLA – The Public Sector Deposit Fund

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

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

5 APPENDICES

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

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26

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

5.1.1 Capital Expenditure

2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
£m	£m	£m	£m	£m	£m
32.631	39.517	49.710	47.644	34.986	30.636

5.1.2 Affordability Prudential Indicators

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

Ratio of Financing Costs to Net Revenue Stream

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Interest Paid £000	1,079	2,374	3,907	5,209	5,896	6,488
Interest Paid (Aviva) £000	0	0	1,146	1,707	2,268	2,243
Interest Received £000	-320	-350	-320	-300	-280	-250
Net Revenue Exp £000	23,232	24,373	25,810	26,518	27,245	27,993
%	3.27	8.31	18.34	24.95	28.94	30.30

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

5.1.3 Maturity Structure of Borrowing

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

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

Maturity structure of fixed interest rate borrowing 2023/24

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

5.1.4. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2022-2025

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB forecasts are based on PWLB certainty rates.

5.3 ECONOMIC BACKGROUND

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

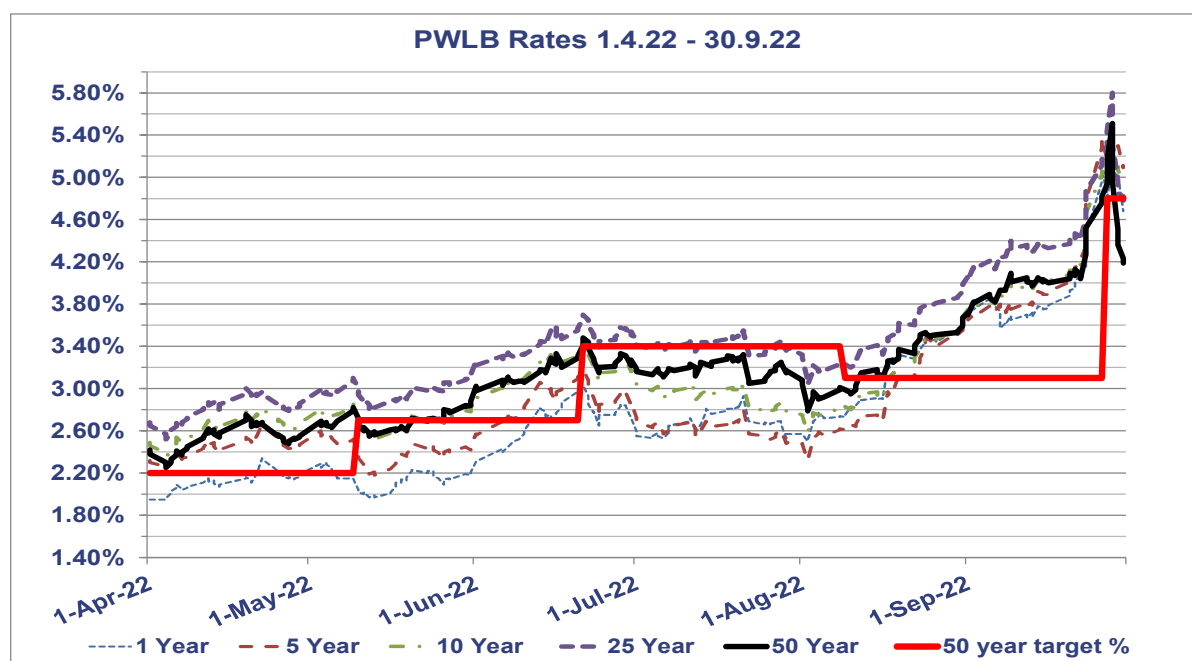
Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted

barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.20. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

5.4 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 20% will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
DMADF – UK Government	yellow	£8m	6 months (max. is set by the DMO*)
UK Government gilts	yellow	£8m	5 years
UK Government Treasury bills	yellow	£8m	364 days (max. is set by the DMO*)
Bonds issued by multilateral development banks	yellow	£8m	5 years
Money Market Funds CNAV	AAA	£10m	Liquid
Money Market Funds LNAV	AAA	£10m	Liquid
Money Market Funds VNAV	AAA	£10m	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	£8m	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	£8m	Liquid

Local authorities	yellow	£5m	5 years
Term deposits with housing associations	Blue Orange Red Green No Colour	£5m	12 months 12 months 6 months 100 days Not for use
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£5m	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£5m	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£8m	

* DMO – is the Debt Management Office of HM Treasury

Use of external fund managers – It is the Authority’s policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Authority’s investment strategy.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTMENTS: These are investments with institutions that score highly on environmental and societal responsibility scales as determined by third party, independent. This is an area which has been fastest growing in financial markets, even though

The ESG market is still in its infancy and there are still limited deals that meet the key criteria for borrowing and investing and therefore Security, Liquidity and Yield will remain the fundamentals of the strategy. We hope as the market develops, there will be more options and therefore we can adapt our criteria to support ESG during 2023/24.

5.5 APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- **U.K.**

THIS LIST IS AS AT 2.12.22

5.6 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full board/council

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

(ii) Audit Governance & Standards Committee/ Executive Committee / Full Council

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

(iii) Audit Governance & Standards Committee

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

5.7 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe (*say 20+ years – to be determined in accordance with local priorities.*)
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following
 - ∴ -
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

Key Considerations

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes:

-

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code will require an authority to implement the following: -

- 1. Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
- 2. Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;
6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are: -

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include: -

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

- 2.** An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
- 3.** Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
- 4.** Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
- 5.** Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
- 6.** State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this TMSS and AIS deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

MAIDSTONE BOROUGH COUNCIL CAPITAL STRATEGY 2023/24

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1. INTRODUCTION

- 1.1. CIPFA's Prudential Code, which governs the Council's capital investment and borrowing, requires councils to have a Capital Strategy. This document should provide a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with a description of how associated risk is managed and the implications for future financial sustainability.
- 1.2. Accordingly, the Capital Strategy articulates in a single place a number of strategies and policies that the Council already addresses elsewhere: it is an overarching document linking the Strategic Plan, the Medium-Term Financial Strategy, the Treasury Management Strategy and the Asset Management Plan.
- 1.3. The strategy focuses upon the long-term ambition of the Council for its local area, residents and business, and is aligned with the Strategic Plan in this regard. It is not purely a financial document but a whole organisation approach setting out how investment will support the delivery of the Council's strategic goals.

2. CAPITAL EXPENDITURE AND LINKS TO OTHER CORPORATE STRATEGIES

Strategic Plan

- 2.1. Capital expenditure at Maidstone Borough Council plays a vital part in the Council's Strategic Plan, since long term investment is required to deliver many of the objectives of the plan.
- 2.2. The current Strategic Plan went through a thorough process of discussion and refinement over the period June – October 2018 and was approved by Council on 12 December 2018. It sets out four objectives, as follows:
 - Embracing Growth and Enabling Infrastructure.
 - Homes and Communities.
 - A Thriving Place.
 - Safe, Clean and Green.

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

Embracing Growth and Enabling Infrastructure

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

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

Accordingly, £5 million has been set aside within the current capital programme to contribute towards provision of local infrastructure, and to indicate our intention to invest to unlock development and attract matching funding.

The Property Services section carries out a 5-year cycle of condition surveys of Council property which provide a costed programme of essential replacement or refurbishment of building elements to ensure the proper, compliant and efficient operation of the buildings in accordance with the Asset Management Plan. There is no financial return from the

projects, but they do eliminate the accumulation of a backlog of maintenance, reduce the risk of failure and interruption of service and the cost of reactive maintenance. £1.75m is set aside for this project.

£1.5m has been set aside to allow further investment in Maidstone House to make it an attractive place to work for staff and tenants, to protect existing rental income streams and to encourage prospective new tenants.

The emerging Town Centre strategy action plan will present short-, medium- and long-term projects for improvements in the Town Centre, as part of a wider package of town centre projects. The capital programme includes an indicative sum of £5.5m to assist with delivery of these projects

Home and Communities

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

We aim, and are required by law, to address homelessness and rough sleeping. The Council has invested in temporary accommodation for homeless families, thereby ensuring a good standard of accommodation and providing a more cost-effective solution than is offered by the private sector.

The Leader of the Council announced his ambition to build 1,000 affordable homes in the shortest period possible. A development strategy setting out how this ambition can best be achieved was agreed by Policy & Resources Committee on 19th January 2022. It is likely that the whole programme will take ten years. The programme is likely to provide only Affordable Rented homes that will be let at 80% of market rent, capped at the Local Housing Allowance. The scheme has managed to secure a grant from the likes of Homes England of £58.6m and is estimated to cost £236.8m over this period. Expenditure in the initial years of the programme will be relatively modest as the focus will be upon land identification and acquisition, and the more costly works contracts will follow in the later years.

Private Rented Sector Housing Programme incorporates a number of schemes that are in the process of being developed. These will be the subject of separate committee reports at the point a decision to proceed or not is required. This budget includes the refurbishment works being undertaken at Granada House. Total cost of scheme is £48.2m.

The Council has a Temporary Accommodation programme to acquire housing on the open market for temporary accommodation, as it is more cost-effective to use our own property for this purpose and enables delivery of a revenue saving. It is proposed to buy further units in over the next three years to deal with the rising numbers of people who are

being made homeless as a result of the current economic crisis. Cost of the project is £32m.

The Council also works with Kent County Council Social Services to deliver adaptations and facilities to enable disabled people to remain at home. This work forms part of the capital programme, although it is funded directly by central government grant. £8m has been provided in the capital programme for Disabled Facilities Grants.

A Thriving Place

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

There are a number of ways in which the Council will take the lead, including working with partners and through direct investment ourselves. The Council has a successful track record of acquiring property within the borough to support wider regeneration objectives. These acquisitions both generate a return that supports the viability of the investment and contribute to making Maidstone a thriving place. We will continue to seek good quality investment opportunities which deliver value and support our strategic goals.

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

£2.75m is set aside for investment within the Lockmeadow Leisure Complex due to the current economic environment, further investment in the site will be needed to encourage both existing tenants to continue to operate and to also attract new ones in the future, as well as continuing to make it an attractive place to visit. This will help protect existing rental income streams and possibly increase them in due course.

Leisure Provision budget of £12m is in the Capital Programme to be used for the ongoing repairs and maintenance to Maidstone Leisure Centre.

The Fleet Replacement Programme has a budget of £3m set aside to replace vehicle located at the depot. Funding comes from capital receipts, including the sale of older vehicles when they reach the end of their useful life.

Safe, Clean and Green

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

Mote Park Dam works have been ongoing for a couple of years to help prevent flooding to the park. There is a sum set aside of £20k for the completion of these works.

The Mote Park Kiosk has been closed for some time now, and works are required to enlarge it and the adjacent toilets to bring it up to standard and reopen it. Sums set aside for this project are £200k.

The Council works with the Environment Agency and Kent County Council as part of the Medway Flood Partnership to develop measures to manage and reduce flood risk. A capital budget of £1 million was set aside for a flood action plan following the last major floods in the Maidstone area in winter 2013/14. No large scale flood mitigation scheme was found to be feasible and individual household flood mitigation measures have been funded through central government grants. The residual budget of £550k is therefore being carried forward to fund further schemes that may be developed, including natural flood management schemes.

Play Areas and Parks Improvements have a budget of £610k to enable upgrades to play equipment and to allow for any works to be undertaken, particularly where there is a health & safety issue. There also Section 106 funded works for open spaces of £2m within the programme.

As part of the new waste collection contract the Council is planning to fund the capital costs of the new vehicle fleet, as it can access cheaper borrowing at lower rates than the contractor, and this will significantly reduce the costs of the contract. The budget sum of £5.8m in 2023/24 includes a contingency for potential material and labour cost increases during the manufacturing process. The capital cost of the fleet was included within the evaluation process to ensure value for money is achieved

A full list of the Council's Capital Programme can be found within Table 1 on page 14.

Medium-Term Financial Strategy

- 2.3. 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. The Strategic Plan has been refreshed in light of the Covid-19 pandemic. The overall strategic priorities remain the same, but specific areas of focus for the next five years have been agreed. So far as recovery from Covid-19 is concerned, the Council's approach will be based around four themes: economic recovery, supporting resilience for communities and vulnerable people, adapting the way we work, and financial recovery.

- 2.4. The overall context for the MTFS is to consider the economic environment and the Council's own current financial position. The external environment is challenging because of an impending economic recession, high inflation and the state of the UK's public finances. The state of the international economy, with tensions between the superpowers, high energy prices and the continuing war in Ukraine, only serves to exacerbate these challenges. The Council is increasingly dependent on locally generated resources, whether from Council Tax or a range of other income streams, including parking income, planning fees and the Council's property portfolio. COVID-19 has led to a massive increase in public expenditure and has had an impact on income streams. Even though there has been some recovery, with some areas recovering more quickly than others. In assessing the Council's current financial position attention therefore needs to be paid to its resilience, including the level of reserves that it holds. The MTFS supports the Council's need to become financially self-sufficient.
- 2.5. In drawing up the capital programme, there is therefore a focus on schemes that both meet strategic priorities and are self-funding. Specifically:

Property investment will build on the Council's existing property portfolio and assumes that we will continue to expand the portfolio, where appropriate, subject to identifying viable opportunities which support regeneration and economic development, as outlined within the Economic Development Strategy and the Local Plan.

- the Housing Development and Regeneration Investment Plan provides for the Council to develop housing ourselves and supports the commitment to deliver 1000 affordable homes. Thereby addressing the need for new affordable homes in the borough as well as generating long term revenue returns through developing homes for market rent.

- 2.6. Below is a table of the latest draft capital programme which is due to be Discussed at Corporate Services Policy Advisory Committee on 18th January 2023.

The draft MTFS was considered by the Executive on 23rd November 2022.

Treasury Management Strategy

- 2.7. The Treasury Management Strategy sets out how the Council manages its investments and cash flows, including banking, money market and capital market transactions, and how optimum performance is assured whilst managing the risks associated with these activities.
- 2.8. These specific aspects of the Treasury Management Strategy addresses the Council's capital expenditure plans and how borrowing needs are

met. Capital expenditure is funded from the internal resources, borrowing and third party contributions such as Section 106 and Community Infrastructure Levy (CIL) payments on new developments. The Council allocates some internal resources to fund capital expenditure, including revenue funding and internal borrowing, along with external funding via grant funding and borrowing externally. Long term borrowing costs have been budgeted for within the MTFs, although borrowing was initially short term in nature, for liquidity purposes. The Council currently has long-term loans with the PWLB, and whilst rates were starting to rise, it procured some forward funding to assist with the capital programme. Details of this borrowing can be found in 4.5 of this report.

- 2.9. The Prudential Code 2021 requires that Authorities include a long-term projection of external debt and the capital financing requirement (CFR). This projection should enable review of how the level of underlying borrowing for capital purposes (the CFR) is offset by other cash flows and balances, which (in nearly all authorities) reduce the level of actual debt required. This can be found within the Treasury Management Strategy Statement (TMSS) 2023/24.

Asset Management Plan

- 2.10. The longer term maintenance of the Council's capital assets is addressed by the Council's Asset Management Plan. The Asset Management Plan ensures that the Council's assets, as a resource, support the delivery of the Council's objectives by:-
- Providing a suitable standard of accommodation for services including those shared with other authorities
 - Maintaining property assets and ensuring that they continue to represent an appropriate investment for the Council
 - Providing an asset management service to the property holding company
 - Meeting the needs of the local community by maintaining assets in parks and open spaces and other community assets
 - Safeguarding local heritage through ownership and preservation of historic and scheduled ancient monuments.

The current capital programme includes a provision of £1.2 million for Corporate Property Improvements and improvements and £880k for works to industrial properties. There is also a provision of £2.75m for works to the offices of Maidstone House, based on the requirements of the Asset Management Plan.

The Asset Management Strategy is currently under review.

3. GOVERNANCE FRAMEWORK

Background

- 3.1. Capital expenditure proposals are developed in response to the Council's strategic priorities, as described in the previous section. Individual schemes are incorporated in the capital programme, which is included within the Council's Medium Term Financial Strategy.
- 3.2. The MTFs states that capital schemes will be reviewed and developed so that investment is focused on strategic priorities. The MTFs is updated on an annual basis, as part of the annual budget cycle.
- 3.3. Subsequent to preparation of the MTFs and its approval by Council each year, capital estimates form part of the annual budget that is submitted to Council for approval.

Developing capital expenditure proposals

- 3.4. The development of capital expenditure proposals follows certain core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:
 - (i) Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
 - (ii) Self-funding schemes focused on Strategic Plan priority outcomes;
 - (iii) Other schemes focused on Strategic Plan priority outcomes; and
 - (iv) Other priority schemes which will attract significant external funding.
- 3.5. All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:
 - (a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.
 - (b) Where schemes require the use of prudential borrowing, a business case must first be prepared setting out the viability and justification in terms of necessity or contribution to the delivery of strategic goals
 - (c) Where schemes might improve the Environmental, Social and Governance (ESG) issues that are important to the Council. Some examples would be:
 - Promoting greater environmental sustainability
 - Local Community benefits
 - Ethical sourcing practices
- 3.6. Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed, they may still be included within

the programme if they fall within one of the four categories set out above.

- 3.7. If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme, a prioritised list of schemes that can be added to the programme as future resources permit will be created and approved by the relevant Committee, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.
- 3.8. The MTFS requires the Council to identify actual funding before commencement of schemes. Accordingly, while schemes may be prioritised for the programme, ultimately commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.
- 3.9. The MTFS principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:
- (a) The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies;
 - (b) Opportunities to obtain receipts from asset sales as identified in the Asset Management Plan and approved for sale by Policy and Resources Committee;
 - (c) The approval of prudential borrowing when the following criteria also apply to the schemes funded by this method:
 - i. financial viability of the schemes can be clearly evidenced;
 - ii. the outcome returns economic value commensurate to the cost incurred by borrowing to fund the schemes;
 - iii. after covering the cost of funding, a further benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan or the medium term financial strategy.
 - (d) The use of residual one-off funding such as New Homes Bonus for capital purposes (after any topslice to support the revenue budget), in line with the Council's strategic plan priorities;
 - (e) Council's strategic plan priorities'. This is because NHB is now partially replaced by the Funding Guarantee, so we need to make the wording more generic ;
 - (f) The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.
- 3.10. Service managers submit proposals to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Each Committee appraises the proposals with reference to corporate priorities set out in the strategic plan. Corporate Service Policy

Advisory Committee recommends the capital programme which is then presented to Council in March each year.

- 3.11. Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections is considered by the relevant service committee.
- 3.12. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). Further details are set out in section 4 of the Capital Strategy.

Performance Monitoring

- 3.13. The Council has a corporate project management framework that applies to most of the projects included within the capital programme. This provides for designation of a project manager and sponsor, and includes a mechanism for progress on corporate projects to be reported quarterly to a Corporate Projects Board.
- 3.14. The delivery of the capital programme and emerging schemes are also subject to oversight by the Strategic Investment Board, which meets regularly throughout the year. Membership of the board includes the Chief Executive (Chair), Director of Finance, Resources and Business Improvement, Director of Regeneration and Place, Monitoring Officer and Head of Finance.
- 3.15. Financial monitoring of capital projects is addressed by the Council's Financial Procedure Rules. Individual Member Service Committees receive quarterly reports on capital expenditure for the services for which they are responsible.

Capitalisation

- 3.16. Accounting principles govern what counts as capital expenditure. Broadly, it must yield benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets which are charged directly to service revenue accounts.
- 3.17. The Council has adopted a minimum threshold of £10,000 for capitalisation.

Asset Disposals

- 3.18. The Council's policy for asset disposals is set out in a policy adopted by Policy and Resources Committee at its meeting on 25th July 2017.

3.19. The policy distinguishes between the following categories.

- Operational Property held and used by the Council for the direct delivery of services for which it has either a statutory or discretionary responsibility. Assets may be disposed of if they have reached the end of their economic or useful life.
- Investment Property held by the Council for revenue generation purposes, which should be assessed by its potential for improved rates of return by either better asset management, or disposal and re-investment of the receipt.
- Community assets such as open space. The Council will not usually dispose of areas of parks or other areas which are classed as public open space.

3.20. Certain schemes within the capital programme are partially funded through sale of some of the completed asset(s) to partner organisations. In this case, the capital scheme value is shown net of these receipts in the capital programme, as the receipt is ringfenced for this purpose.

4. FINANCING THE CAPITAL PROGRAMME

4.1. Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, however there are various borrowing options within the commercial sector which is open to the Authority. All capital expenditure must be financed, either from external sources (government grants, including New Homes Bonus, and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and other long-term liabilities). The planned Capital Programme 2023/24 to 2032/33 is set out in Table 1 below along with the planned funding for the programme in Table 2.

Table 1: Capital Programme 2023/24 to 2032/33

	Revised Estimate 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total (5 years) £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	Total (10 years) £000
Private Rented Sector Housing	2,273	3,090	6,765	6,832	9,578	6,861	33,125	6,046	6,046	2,015	970		48,204
1,000 Homes Affordable Housing Programme - Expenditure	7,600	6,123	20,080	22,825	25,487	22,442	96,958	27,890	27,239	31,040	30,609	23,094	236,831
Temporary Accommodation	4,330	12,000	12,000	8,000			32,000						32,000
Commercial Development - Maidstone East	200	156	623	623	468	100	1,970						1,970
Heather House Community Centre	150	319	701	351	75		1,446						1,446
Market Sale Housing Programme - Heather House & Pavilion Building													
Housing - Disabled Facilities Grants Funding	1,640	800	800	800	800	800	4,000	800	800	800	800	800	8,000
Springfield Mill - Phase 2	731												
Affordable Housing Programme - Trinity Place	500												
Acquisitions Officer - Social Housing Delivery P/ship	160	200					200						200
Street Scene Investment	70	50	50	50	50	50	250	50	50	50	50	50	500
Flood Action Plan	430	200	200	150			550						550
Electric Operational Vehicles	84												
Vehicle Telematics & Camera Systems	22												
Rent & Housing Management IT System	11												
Installation of Public Water Fountains	15												
Crematorium & Cemetery Development Plan	250												
Continued Improvements to Play Areas	126	50	50	60	60	60	280	60	60	60	60	60	580
Parks Improvements	152	50	60	70	70	80	330	80	80	80	80	80	730
Gypsy & Traveller Sites Refurbishment	1,421	600					600						600
Waste Crime Team - Additional Resources	25												
Section 106 funded works - Open Spaces	400	400	400	400	400	400	2,000	400	400	400	400	400	4,000
Expansion of Cemetery (New scheme)		80	120				200						200
Expansion of Crematorium (New scheme)		340					340						340
Purchase of New Waste Collection Vehicles (New scheme)		5,800					5,800			6,380			12,180
Communities, Housing & Environment Total	20,589	24,468	38,730	38,871	28,737	24,733	155,539	29,057	29,935	29,366	29,519	16,294	289,710
Mote Park Visitor Centre	1,307												
Mote Park Lake - Dam Works	486	20					20						20
Museum Development Plan		389					389						389
Leisure Provision	100	3,000	1,000	1,000	1,000	1,000	7,000	1,000	1,000	1,000	1,000	1,000	12,000
Tennis Courts Upgrade	20	20					20						20
Riverside Walk Works		250					250						250
Mote Park Kiosk Refurbishment & Extension (New scheme)	50	200					200						200
Town Centre Strategy (New scheme)		450	2,700	2,350			5,500						5,500
Economic Regeneration & Leisure Total	1,963	4,329	3,700	3,350	1,000	1,000	13,379	1,000	1,000	1,000	1,000	1,000	18,379

Asset Management / Corporate Property	1,261	875	175	175	175	175	1,575	175	175	175	175	175	2,450
Corporate Property Acquisitions	3,181	2,500	2,500	2,500	2,500	2,500	12,500	2,500	2,500	2,500	2,500	2,500	25,000
Kent Medical Campus - Innovation Centre	341		250				250						250
Lockmeadow Ongoing Investment	203	500	250	250	250	250	1,500	250	250	250	250	250	2,750
Garden Community	1,100	733	200	200	200	200	1,533						1,533
Infrastructure Delivery	1,000	1,000	1,000	1,000	1,000	1,000	5,000	1,000	1,000	1,000	1,000	1,000	10,000
Other Property Works	100	500	380				880						880
Biodiversity & Climate Change	250	2,788	1,540	500	500		5,328						5,328
Photovoltaic Panels		234					234						234
Feasibility Studies	122	50	50	50	50	50	250	50	50	50	50	50	500
Digital Projects	25	28	28	28	28	28	140	28	28	28	28	28	280
Software / PC Replacement	336	200	200	200	200	200	1,000	200	200	200	200	200	2,000
Maidstone House Works	1,000	500	250	250	250	250	1,500	250	250	250	250	250	2,750
Automation Projects	200												
New Ways of Working - Make the Office Fit for Purpose	40												
Fleet Vehicle Replacement Programme	900	456	457	270	96	250	1,529	300	300	300	300	300	3,029
Election Polling Booths (New scheme)	20												
Automation of Transactional Services (New scheme)		150					150						150
Corporate Services Total	10,079	10,514	7,280	5,423	5,249	4,903	33,369	4,753	4,753	4,753	4,753	4,753	57,134
Bridges Gyrotory Scheme		206					206						206
Total		206					206						206
TOTAL	32,631	39,517	49,710	47,644	34,986	30,636	202,493	34,810	35,688	35,119	35,272	22,047	365,429

Table 2: Capital Financing

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	Total 23/24 to 32/33
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
External sources	1,500	2,470	2,832	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,802
Own resources - incl Internal borrowing	7,950	5,450	5,450	5,450	5,450	5,450	4,450	4,450	4,450	4,450	4,450	49,500
External Borrowing	23,181	31,597	41,428	40,694	28,036	23,686	28,860	29,738	29,169	29,322	16,097	298,627
TOTAL	32,631	39,517	49,710	47,644	34,986	30,636	34,810	35,688	35,119	35,272	22,047	365,429

- 4.2. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP is set out below; no assumptions have been made here about capital receipts.

Table 3: Replacement of debt finance

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
MRP	865	1,251	2,900	3,634	4,151	4,524	4,808	5,068	5,327	6,225	6,484	45,237
Capital receipts	1,400	300	300	300	300	300	300	300	300	300	300	4,400
TOTAL	2,265	1,551	3,200	3,934	4,451	4,824	5,108	5,368	5,627	6,525	6,784	49,637

- 4.3. The Council's full minimum revenue provision statement is included within the Treasury Management Strategy.
- 4.4. The cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £240m over the next 10 years. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing

	22/23	23/24	24/25	25/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Brought forward	62,987	88,048	119,335	159,113	197,423	222,558	242,970	268,272	294,193	319,284	343,631
Capital Expenditure	32,631	39,517	49,710	47,644	34,986	30,636	34,810	35,688	35,119	35,272	22,047
External funding	-1,500	-2,470	-2,832	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500
Own resources	-4,300	-4,200	-4,200	-4,200	-4,200	-4,200	-3,200	-3,200	-3,200	-3,200	-3,200
MRP	-865	-1,251	-2,900	-3,634	-4,151	-4,524	-4,808	-5,068	-5,327	-6,225	-6,484
TOTAL CFR	88,953	119,644	159,113	197,423	222,558	242,970	268,272	294,193	319,284	343,631	354,494

Borrowing Strategy

4.5. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. Due to increasing interest rates, the Council secured £80m of long term borrowing through Aviva Life & Pensions UK Limited to fund the increasing capital programme at a cost of 2.89%. The forward borrowing will be received due to be received on the following dates:

- February 2024 £40m
- February 2025 £20m
- February 2026 £20m

4.6. Projected levels of the Council's total outstanding debt (which comprises borrowing and other long-term liabilities) are shown below, compared with the capital financing requirement

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.03.23 forecast £000	31.03.24 budget £000	31.03.25 budget £000	31.03.26 budget £000	31.03.27 budget £000	31.03.28 budget £000	31.03.29 budget £000	31.03.30 budget £000	31.03.31 budget £000	31.03.32 budget £000	31.03.33 budget £000
Debt (excl.PFI & leases)	32,181	63,778	105,206	145,900	173,936	197,622	226,482	256,220	285,389	314,711	330,808
Capital Financing Requirement	88,953	119,644	159,113	197,423	222,558	242,970	268,272	294,193	319,284	343,631	354,494

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 5, the Council expects to comply with this.

- 4.7. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 6: Prudential Indicators: Authorised limit and operational boundary

Authorised Limit

	31.03.23 budget £m	31.03.24 budget £m	31.03.25 budget £m	31.03.26 budget £m	31.03.27 budget £m	31.03.28 budget £m	31.03.29 budget £m	31.03.30 budget £m	31.03.31 budget £m	31.03.32 budget £m
Borrowing	47.181	78.778	120.206	160.900	188.936	212.622	241.482	271.220	300.389	329.711
Other Long Term Liabilities	1.473	0.905	0.309	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	48.654	79.683	120.51	160.9	188.94	212.622	241.482	271.22	300.389	329.711

Operational Boundary

	31.03.23 forecast £m	31.03.24 budget £m	31.03.25 budget £m	31.03.26 budget £m	31.03.27 budget £m	31.03.28 budget £m	31.03.29 budget £m	31.03.30 budget £m	31.03.31 budget £m	31.03.32 budget £m
Borrowing	37.181	68.778	110.206	150.900	178.936	202.622	231.482	261.220	290.389	319.711
Other Long Term Liabilities	1.473	0.905	0.309	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	38.654	69.683	110.51	150.9	178.94	202.622	231.482	261.22	290.389	319.711

- 4.8. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 4.9. The Council’s policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the

government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 7: Treasury Management Investments

	31.03.23 budget £000	31.03.24 budget £000	31.03.25 budget £000	31.03.26 budget £000	31.03.27 budget £000	31.03.28 budget £000	31.03.29 budget £000	31.03.30 budget £000	31.03.31 budget £000	31.03.32 budget £000
Short-term investments	8,000	30,000	20,000	20,000	4,000	4,000	4,000	4,000	4,000	4,000
Longer-term investments	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Total	10,000	32,000	22,000	22,000	6,000	6,000	6,000	6,000	6,000	6,000

- 4.10. In years 2023/24 to 2025/26, it is envisaged short term balances will be high due to the forward loans with Aviva Life & Pensions UK Ltd which will be received in February of each financial year. This is expected to be short term as the funds will be utilised within the capital programme.
- 4.11. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance, Resources and Business Improvement and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are included within the budget monitoring reports which are presented to the council Policy & Resources Committee with the half yearly and annual reviews which are scrutinised by Audit, Governance and Standards Committee then recommending to Full council. The Audit, Governance and Standards Committee is responsible for scrutinising treasury management decisions.

- 4.12. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. Full budget provision is made for capital financing costs within the Council’s revenue budgets. This is based on estimates derived from the capital programme, and projected 50 year borrowing costs.

Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream

	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget
Financing costs (£m)	0.759	2.024	4.733	6.616	7.884	8.481
Proportion of net revenue stream (%)	3.266	8.305	18.338	24.950	28.938	30.298

- 4.13. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend beyond 5 years into the future. The Director of Finance, Resources and Business Improvement is satisfied that the proposed capital programme is prudent, affordable and sustainable.
- 4.14. The Authority is required to estimate and measure the Liability Benchmark which

Other Long Term-Liabilities

- 4.15. This section deals with other long term liabilities to which the Council has committed itself in order to secure capital investment. The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.
- 4.16. The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council are then repaying this loan over a 15 year term, by equal monthly instalments which is due to be finished in 2025/26. The principal element of this loan is reflected on the Council’s Balance Sheet and will be written down annually by the amount of principal repaid. Interest paid on the loan is charged to revenue.

5. Investment Strategy

Service Investments: Loans

- 5.1. The Council can make investments to assist local public services, including making loans to local service providers, local small businesses

to promote economic growth, Charities and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to provide value for money to the tax payer.

- 5.2. The Council has made loans to Kent Savers for £25,000 in 2017/18 which is repayable in 2027/28 at an interest rate of 1% and an interest free loan of £60,000 to One Maidstone CIC Limited which is to be repaid in 2022/23. A loan to Cobtree Manor Estates Trust towards the construction of the new car park which had been agreed in 2019/20 for an amount of £323,000 repayment over 5 years at an annual interest rate of 3%. There has been no agreement to enter into further service loans in the immediate future.
- 5.3. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. As these loans are very small materially, no loss allowance is required to be accounted for.
- 5.4. The Authority assesses the risk of loss before entering into a loan agreement assessing the borrower's ability to repay the loan, based on past financial performance. This is monitored over the period of the loan in line with the agreed repayment terms.

Commercial Investments: Property

- 5.5. The Council does not currently have any investments in property that are considered to be purely commercial in nature, i.e. primarily for yield. Acquisitions are limited to properties situated within the borough, with the intention of supporting the local community, housing and regeneration objectives rather than for the exclusive purpose of generating profits. All property investments are therefore classified as general fund capital projects.
- 5.6. The Director of Finance, Resources and Business Improvements confirms the authority has complied with paragraphs 51 to 53 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest for the primary purpose of financial return.

6. KNOWLEDGE AND SKILLS

- 6.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Director of Finance and Business improvement is a qualified accountant with over 16 years' experience in local government, the Corporate Property Manager and the team are experienced in Property Management and the Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), and ACCA.

- 6.2. The Council also employs Link Asset Services for Treasury Management advice, who support with the provision of training to members.
- 6.3. Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance, Resources and Business Improvement and relevant committee (where appropriate) and must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.
- 6.4. Staff are kept updated on latest developments on Treasury, Non-Treasury and Capital through email bulletins and training courses through the Council's advisors Link Asset Services. The Council is also part of the Kent Treasury Benchmarking Group which meet to discuss ongoing issues every 6 months.
- 6.5. Training is offered to all Members on Treasury, Non-Treasury and Capital to prior to decision making on the relevant Strategies. The training is arranged for every 2 to 3 years.

7. RISK MANAGEMENT

- 7.1. The capital programme forms an increasingly important part of the Council's strategy for delivering its overall priorities. Accordingly, it is of fundamental importance that the associated risks are managed actively. The Council has a comprehensive risk management framework, through which risk in relation to capital investment is managed at all levels.

Corporate

- 7.2. Corporate risks are identified and reported on a quarterly basis to the Corporate Leadership Team and Policy and Resources Committee. Risks are owned by named Directors and controls developed to mitigate risk. Risks at this level may be generic, relating to a number of capital projects, although it is possible that a single capital project could pose a corporate risk.

Financial

- 7.3. A Budget risk register seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
- 7.4. Typically, risks in this area would relate to funding of the capital programme and over/underspending on individual capital projects.
- 7.5. For all risks shown on the Budget Risk Register, appropriate controls have been identified and their effectiveness is monitored on a regular basis.

Service

- 7.6. Individual service areas maintain risk registers, with identified risk owners and details of controls to mitigate risk.

Project

- 7.7. The Council's project management framework requires managers to maintain risk registers at a project level.