

**Fourth Quarter Financial Update
2022/23**

Corporate Services – Policy Advisory Committee

14th June 2023

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Part A

Executive Summary & Overview



This report provides members with the financial position as at 31 March 2023, covering activity for both the Council as a whole and this committee's revenue and capital accounts for the fourth quarter of 2022/23.

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 is 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. The projected peak level of inflation has increased and looks to continue to remain high for some time and is having an impact on contract and energy costs, so the unused contingency has been carried forward. We are also seeing increased demands in temporary accommodation which is linked to the financial economy. These pressures have been offset by increased levels of income and some underspends giving an outturn position which is a small underspend. The significant under and overspends have been reflected in the budget for 2023/24.

The fourth quarter monitoring report provides the forecast year end position for revenue and capital and updates the Committee on a range of other inter-related financial matters including Local Tax Collection, Reserves and Balances, Treasury Management and Maidstone Property Holdings.

With the exception of this Committee the Policy Advisory Committees that were in place for 2022/23 have now been decommissioned and reconstituted with some different responsibilities for 2023/24. These changes have been reflected in the reports that the other Committees have seen.

The headlines for Quarter 4 are as follows:

Part B: Revenue Budget – Q4 2022/23

- At the Quarter 4 stage, the Council has incurred net expenditure of £23.019m against a profiled budget of £23.231m, representing an underspend of £0.212m.
- For the services reporting directly to CS PAC, net expenditure of £10.270m has been incurred against a profiled budget of £10.894m, representing an underspend of £0.624m.

Part C: Capital Budget – Q4 2022/23

- At the Quarter 4 stage, the Council has incurred overall expenditure of £16.335m against a budget allocation within the Capital Programme of £32.631m.
- Expenditure for services reporting directly to CS PAC of £2.440m has been incurred against the budget of £9.535m.

Part D: Local Tax Collection 2022/23

- Collection rates were marginally higher than the target for the fourth quarter.
- The Council is working with other Kent councils to establish the year-end outturn position for the Kent Business Rates Pool in 2022/23.

Part E: Reserves & Balances 2022/23

- The unallocated balance on the General Fund at 1 April 2022 was £12.2m. It is anticipated that balances will remain above the minimum level set by Council.

Part F: Treasury Management 2022/23

- The Council held short-term investments of £10m, £5.0m in long term PWLB borrowing, and a further £5.0m in short-term borrowing as at 31st March 2023.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for Quarter 3 2022/23 was £591,964. Rent arrears as at 31st March 2023 were minimal.

Part B

Fourth Quarter Revenue Budget 2022/23



B1) Revenue Budget: Council

B1.1 At the Quarter 4 stage, the Council has incurred net expenditure of £23.019m against a profiled budget of £23.231m, representing an underspend of £0.212m.

B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 4 2022/23 by providing alternative analyses: by Policy Advisory Committee (PAC), Lead Member, Priority and Subjective Heading.

Table 1: Net Expenditure 2022/23 (@ 4th Quarter): Analysis by PAC

Policy Advisory Committee	Full Year Budget (Revised 2022/23)	Actual	Variance
	£000	£000	£000
Corporate Services	10,894	10,270	624
Planning, Infrastructure & Economic Development	1,322	1,299	23
Housing, Health & Environment	9,600	10,075	-475
Communities, Leisure & Arts	1,414	1,375	39
Net Revenue Expenditure	23,231	23,019	212

Table 2: Net Expenditure 2022/23 (@4th Quarter): Analysis by PRIORITY

Priority	Full Year Budget (Revised 2022/23)	Actual	Variance
	£000	£000	£000
Safe, Clean and Green	7,557	6,969	588
Homes and Communities	1,662	2,608	-946
Thriving Place	1,532	1,746	-213
Embracing Growth and Enabling Infrastructure	725	525	200
Central & Democratic	11,755	11,172	583
Net Revenue Expenditure	23,231	23,019	212

Table 3: Net Expenditure 2022/23 (@ 4th Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget (Revised 2022/23)	Actual	Variance
	£000	£000	£000
Employees	23,951	23,068	883
Premises	6,747	6,930	-183
Transport	636	495	141
Supplies & Services	13,790	14,220	-429
Agency	7,057	6,820	237
Transfer Payments	40,293	37,066	3,227
Asset Rents	3,085	3,084	1
Income	-72,329	-68,664	-3,665
Net Revenue Expenditure	23,231	23,019	212

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

Table 4: Net Expenditure 2022/23 (@ 4th Quarter): Analysis by CABINET MEMBER

Lead Member for	Full Year Budget (Revised 2022/23)	Actual	Variance
	£000	£000	£000
Leader of the Council	1,262	1,236	26
Planning, Infrastructure & Economic Development	173	159	13
Communities, Leisure & Arts	1,414	1,375	39
Corporate Services	10,782	10,174	608
Housing & Health	2,726	3,711	-985
Environmental Services	6,874	6,364	510
Net Revenue Expenditure	23,231	23,019	212

B2) Revenue Budget: Corporate Services PAC

B2.1 Table 4 below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into CS PAC at the end of Quarter 4. The financial figures are presented on an accruals basis (i.e. expenditure for goods and services received, but not yet paid for, is included).

Table 4: CS Revenue Budget: NET EXPENDITURE (@ 4th Quarter 2022/23)

(a)	(b)	(c)	(d)
Cost Centre	Approved Budget for Year	Actual	Variance
	£000	£000	£000
Maintenance of Closed Churchyards	6	0	6
Drainage	32	21	12
Street Naming & Numbering	-73	-43	-30
Sandling Road Site	28	134	-106
Maidstone House - Landlord	-191	-41	-150
Civic Occasions	55	65	-11
Members Allowances	408	453	-45
Committee Allocations	0	0	-0
Members Facilities	18	15	3
Contingency	-285	-286	1
Corporate Projects	50	0	50
Corporate Management	414	87	327
Unapportionable Central Overheads	319	230	89
Council Tax Collection	57	56	1
Council Tax Collection - Non Pooled	-356	-155	-201
Council Tax Benefits Administration	-164	-164	0
NNDR Collection	2	5	-4
NNDR Collection - Non Pooled	-239	-194	-45
MBC- BID	1	-16	17
Registration Of Electors	61	75	-14
Elections	197	245	-47
KCC Elections	0	19	-19
General Elections	0	0	-0
Emergency Centre	23	23	0
Brexit	0	-47	47
Medway Conservancy	128	128	-0
External Interest Payable	147	147	-0
Interest & Investment Income	-100	-601	501
Palace Gatehouse	-3	2	-5
Archbishops Palace	-105	-85	-19
Parkwood Industrial Estate	-287	-331	44
Industrial Starter Units	-17	-40	23
Parkwood Equilibrium Units	-89	-101	13
Sundry Corporate Properties	-210	-69	-141
Phoenix Park Units	-219	-256	37
Granada House - Commercial	-93	-119	26
MPH Residential Properties	-730	-653	-77
Heronden Road Units	-151	-195	44
Boxmend Industrial Estate	-100	-129	29
Wren Industrial Estate	-95	-113	18
General Fund Residential Properties	-57	-43	-14
Pensions Fund Management	2,169	1,248	921
Non Service Related Government Grants	-4,216	-4,249	32
Rent Allowances	-115	44	-159
Non HRA Rent Rebates	-9	-6	-3
Discretionary Housing Payments	0	-7	7
Housing Benefits Administration	-327	-312	-15

(a)	(b)	(c)	(d)
Cost Centre	Approved Budget for Year	Actual	Variance
	£000	£000	£000
Democratic Services Section	293	256	38
Mayoral & Civic Services Section	131	129	3
Chief Executive	212	210	1
Head of Policy and Communications	50	47	3
Director of Strategy Governance and Insight	86	92	-6
Revenues Section	672	670	3
Registration Services Section	102	95	7
Benefits Section	588	586	1
Fraud Section	76	65	11
Mid Kent Audit Partnership	250	208	41
Director of Finance, Resources & Business Improv	165	162	3
Accountancy Section	913	798	115
Legal Services Section	628	502	126
Director of Regeneration & Place	164	162	2
Procurement Section	113	90	24
Property & Projects Section	370	339	31
Corporate Support Section	320	300	20
Improvement Section	420	360	59
Executive Support Section	104	104	1
Head of Commissioning and Business Improveme	20	16	5
Mid Kent ICT Services	751	734	17
GIS Section	148	145	3
Director of Mid Kent Services	59	56	3
Mid Kent HR Services Section	467	438	29
MBC HR Services Section	127	125	1
Head of Revenues & Benefits	76	53	23
Revenues & Benefits Business Support	132	134	-2
Dartford HR Services Section	-8	-8	-0
IT Support for Revenues and Benefits	31	30	0
Emergency Planning & Resilience	140	136	4
Head of Property and Leisure	55	70	-15
Facilities Section	266	214	52
Salary Slippage	-286	0	-286
Town Hall	153	141	12
South Maidstone Depot	228	282	-54
The Link	53	61	-8
Maidstone House - MBC Tenant	509	455	54
Museum Buildings	315	279	36
I.T. Operational Services	633	589	45
Central Telephones	16	20	-5
Apprentices Programme	53	15	38
Internal Printing	-4	-8	4
Debt Recovery Service	10	16	-7
Debt Recovery MBC Profit Share	-122	-115	-8
General Balances	-979	-979	0
Earmarked Balances	6,774	6,824	-50
Appropriation Account	3,085	3,084	1
Pensions Fund Appropriation	-3,456	-2,550	-906
Climate change	10	4	7
Biodiversity & Climate Change	102	93	9
Totals	10,894	10,270	624

CS Revenue Budget & Outturn – Quarter 4 (By Cabinet Member)

Cabinet Member for Corporate Services

(a)	(b)	(c)	(d)
Cost Centre	Approved Budget for Year	Actual	Variance
	£000	£000	£000
Maintenance of Closed Churchyards	6	0	6
Drainage	32	21	12
Street Naming & Numbering	-73	-43	-30
Sandling Road Site	28	134	-106
Maidstone House - Landlord	-191	-41	-150
Civic Occasions	55	65	-11
Members Allowances	408	453	-45
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Corporate Projects	50	0	50
Corporate Management	414	87	327
Unapportionable Central Overheads	319	230	89
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MBC- BID	1	-16	17
Registration Of Electors	61	75	-14
Elections	197	245	-47
KCC Elections	0	19	-19
General Elections	0	0	-0
Emergency Centre	23	23	0
Brexit	0	-47	47
Medway Conservancy	128	128	-0
External Interest Payable	147	147	-0
Interest & Investment Income	-100	-601	501
Palace Gatehouse	-3	2	-5
Archbishops Palace	-105	-85	-19
Parkwood Industrial Estate	-287	-331	44
Industrial Starter Units	-17	-40	23
Parkwood Equilibrium Units	-89	-101	13
Sundry Corporate Properties	-210	-69	-141
Phoenix Park Units	-219	-256	37
Granada House - Commercial	-93	-119	26
MPH Residential Properties	-730	-653	-77
Heronden Road Units	-151	-195	44
Boxmend Industrial Estate	-100	-129	29
Wren Industrial Estate	-95	-113	18
General Fund Residential Properties	-57	-43	-14
Pensions Fund Management	2,169	1,248	921
Non Service Related Government Grants	-4,216	-4,249	32
Rent Allowances	-115	44	-159
Non HRA Rent Rebates	-9	-6	-3
Discretionary Housing Payments	0	-7	7
Housing Benefits Administration	-327	-312	-15

(a)	(b)	(c)	(d)
Cost Centre	Approved Budget for Year	Actual	Variance
	£000	£000	£000
Democratic Services Section	293	256	38
Mayoral & Civic Services Section	131	129	3
Chief Executive	212	210	1
Head of Policy and Communications	50	47	3
Director of Strategy Governance and Insight	86	92	-6
Revenues Section	672	670	3
Registration Services Section	102	95	7
Benefits Section	588	586	1
Fraud Section	76	65	11
Mid Kent Audit Partnership	250	208	41
Director of Finance, Resources & Business Improv	165	162	3
Accountancy Section	913	798	115
Legal Services Section	628	502	126
Director of Regeneration & Place	164	162	2
Procurement Section	113	90	24
Property & Projects Section	370	339	31
Corporate Support Section	320	300	20
Improvement Section	420	360	59
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Head of Commissioning and Business Improve	20	16	5
Mid Kent ICT Services	751	734	17
GIS Section	148	145	3
Director of Mid Kent Services	59	56	3
Mid Kent HR Services Section	467	438	29
MBC HR Services Section	127	125	1
Head of Revenues & Benefits	76	53	23
Revenues & Benefits Business Support	132	134	-2
Dartford HR Services Section	-8	-8	-0
IT Support for Revenues and Benefits	31	30	0
Emergency Planning & Resilience	140	136	4
Head of Property and Leisure	55	70	-15
Facilities Section	266	214	52
Salary Slippage	-286	0	-286
Town Hall	153	141	12
South Maidstone Depot	228	282	-54
The Link	53	61	-8
Maidstone House - MBC Tenant	509	455	54
Museum Buildings	315	279	36
I.T. Operational Services	633	589	45
Central Telephones	16	20	-5
Apprentices Programme	53	15	38
Internal Printing	-4	-8	4
Debt Recovery Service	10	16	-7
Debt Recovery MBC Profit Share	-122	-115	-8
General Balances	-979	-979	0
Earmarked Balances	6,774	6,824	-50
Appropriation Account	3,085	3,084	1
Pensions Fund Appropriation	-3,456	-2,550	-906
Sub-Total: Cabinet Member for Corporate Services	10,782	10,174	608

Leader of the Council

(a)	(b)	(c)	(d)
Cost Centre	Approved Budget for Year	Actual	Variance
	£000	£000	£000
Climate change	10	4	7
Biodiversity & Climate Change	102	93	9
Sub-Total: Leader of the Council	112	96	16

Totals:	10,894	10,270	624
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B2.2 The table shows that, at the Quarter 4 stage, for the services reporting directly to CS PAC, net expenditure of £10.270m has been incurred against the budget of £10.894m, representing an underspend of £0.624m.

B3) CS Revenue Budget: Significant Variances

B3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning. Variances will be reported to each of the Policy Advisory Committees on a quarterly basis throughout 2022/23.

B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 4.

Table 5: CS PAC Variances (@ 4th Quarter 2022/23)

	Positive Variance Q4	Adverse Variance Q4
Corporate Services	£000	
Sandling Road Site – Additional security costs for the site were the main reason for this variance.		-106
Maidstone House (Landlord) – This variance was mainly due to a shortfall in budgeted rental income for the second floor.		-150
Corporate Management – The reason for this variance was a significant decrease in the general provision for bad debts. This had been increased during the Covid-19 pandemic in anticipation of a greater level of bad debts, but it is now considered appropriate to reduce it.	327	
Unapportionable Central Overheads – This variance is due to a reduced level of pension contribution payments to Kent County Council, which reflects the level of vacant posts through the year.	89	
Council Tax Collection (Non-Pooled) - The variance on this budget has been caused by a changes to costs allocated from the Collection Fund.		-201
Interest & Investment Income – Interest rates have remained higher than forecast through the year, and there have been more funds available for investment due to slippage in the capital programme.	501	
Sundry Corporate Properties – The variance is due to an unrealised budget strategy saving for additional rental income which has not been realised as no new properties have been acquired.		-141

	Positive Variance Q4	Adverse Variance Q4
Corporate Services	£000	
MPH Residential Properties – This variance relates to an issue with the budgets being set up incorrectly, which will be corrected for 2023/24. There are no issues with the underlying position for this budget.		-77
Pensions Fund Management - The way pension costs are accounted for this variance is offset in the Pensions Fund Appropriation account below. The small variance between the two relates to a small variance in actual costs and early retirements.	921	
Rent Allowances - The budgets are set up in the expectation that income received is higher than expenditure, (due to recovery of overpayments). This year the expenditure was slightly more than income, as overpayments are becoming more difficult to recover.		-159
Pensions Fund Appropriation - See Pensions Fund Management above as these are offsetting amounts.		-906

B4) Other Revenue Budgets: Significant Variances

B4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances.

Table 6: Planning, Infrastructure & Economic Development PAC Variances (@ 4th Quarter 2022/23)

	Positive Variance Q4	Adverse Variance Q4
Planning, Infrastructure & Economic Development PAC	£000	
ECONOMIC DEVELOPMENT		
Innovation Centre – The variance was caused by a number of factors, the most significant ones being business rate payments that had not been budgeted for and increased building maintenance costs as there were a number of issues that arose that had not been foreseen.		-74
Business Terrace Expansion (Phase 3) – This is a shortfall against budgeted income as a number of units were vacant during the year.		-72

	Positive Variance Q4	Adverse Variance Q4
Planning, Infrastructure & Economic Development PAC	£000	
PLANNING SERVICES		
Development Control Advice – The majority of this variance relates to a shortfall in Pre-Planning Advice income. This has come about in part due to staff vacancies within the Development Control Majors team.		-121
Development Control Appeals – There were a number of active appeals during 2022/23 and as a result there have been increased costs above what was budgeted for.		-58
Development Control Majors – Income was down against budget due to a reduction in the number of applications received. The Majors Team Leader has been seconded to the Local Plans Team and the budget for the post was also transferred for the period of the secondment.		-91
Development Control Other - Income was down against budget due to a reduction in the number of applications received.		-74

Local Plan Review

B4.1 The Local Plan Review (LPR) process is an important, high profile and continuous task undertaken by the Planning Services team. The associated revenue spending profile however is cyclical and does not fit the conventional 12-month financial planning process for general revenue expenditure. Instead, spending tends to follow the five-year production period of each Local Plan with various peaks and troughs over that time period.

B4.2 The LPR process is therefore funded through an annual £200,000 revenue contribution, in addition to the existing service budget, with any remaining unspent balances at year end automatically rolled forward into the following financial year. The table below shows the available revenue resources currently allocated to fund LPR activities, and the spend as at 31st March 2023.

Opening Balance 01/04/2022	Spending April - March 2023	Spending Balance 31/03/2023
£'s	£'s	£'s
1,477,664	687,718	789,946

Table 6a, Local Plan Review budget (Q4, 2022/23)

B4.3 In addition to the annual funding a further £1m was allocated from the New Homes Bonus for 2022/23 for the LPR.

Table 7: Housing, Health & Environment PAC Variances (@ 4th Quarter 2022/23)

	Positive Variance Q4	Adverse Variance Q4
Housing, Health & Environment Committee	£000	
Crematorium – There has been a greater demand for service with the death rate being higher than normal. There has also been an increase in memorial sales.	128	
Public Conveniences – The underspend relates to unused budgetary provision that was made for the new toilets in Mote Park which didn't open until the end of December 2022.	101	
Household Waste Collection – The overspend is due to additional bin purchases and the consultancy costs relating to the new waste collection contract.		-67
Mote Park - This overspend was caused by a number of factors – increased water costs, increased trade waste charges and costs relating to the new Estate Services Building.		-52
Homeless Temporary Accommodation - Demand has been high all year for temporary accommodation, and this is due mainly to the rise in the cost of living. There are also issues with getting people out of temporary accommodation as soon as possible, this has proved very difficult throughout the year.		-906
Ulcombe Caravan Site (Water Lane) - This overspend was caused by increased service charges from Kent County Council. This was due to issues around rent collection, and increased charges for water and electricity.		-60

Table 8: Communities, Leisure & Arts PAC Variances (@ 4th Quarter 2022/23)

	Positive Variance Q4	Adverse Variance Q4
Communities, Leisure & Arts PAC	£000	
Lockmeadow landlord costs and Lockmeadow Complex – There was a shortfall in rental income from tenants, but this was offset by significant underspends against the professional services and repairs and maintenance budgets.	48	
Market – This variance is due to a shortfall in income received through the year.		-65

B5) Virements

B5.1 In accordance with the Council's commitment to transparency and recognised good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the CS PAC on a quarterly basis.

B5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.

B5.3 The virements made in Quarter 4 are presented in Table 9 below.

Table 9: Virements (@ 4th Quarter 2022/23)

Reason	From	To	Value £	Perm/Temp*
Transfer Contingency to Earmarked Reserve	Contingency	Contingency for Future Funding Pressures	2,133,750	Temporary
Transfer Unused MRP to Earmarked Reserve	Minimum Revenue Provision	Future Capital Expenditure	906,970	Temporary
Fund Various LPR Costs	Spatial Planning Earmarked Reserve	Planning Policy	411,140	Temporary
Transfer Reserve to Innovation Centre	Enterprise Zone Earmarked Reserve	Enterprise Rates Income	123,200	Temporary
Fund Charges From Reserve	Homelessness Prevention & TA Reserve	Homelessness Prevention	75,000	Temporary
Fund Additional Enforcement Costs	Planning Appeals	Planning Appeals	56,160	Temporary
Fund Recovery & Renewal Spend	Recovery & Renewal Reserve	MBC HR Services Section	20,900	Temporary
Budget Allocation for Grant to Various Communities	Recovery & Renewal Reserve	Social Inclusion	20,340	Temporary
Funding for Borough Insight	Recycling/Commercial Waste	Borough Insight	12,000	Temporary
Fund Safety in Action from CCTV	CCTV	Safety In Action	2,790	Temporary
Additional Funding for the Website Project	Business Rates Growth Earmarked Balances	Website	1,200	Temporary

Part C

Fourth Quarter Capital Budget 2022/23



C1) Capital Budget: Council

- C1.1 The overall five-year Capital Programme for 2022/23 to 2026/27 was approved by the Council on 23rd February 2022. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding continued to be available from the New Homes Bonus (NHB) in 2022/23.
- C1.2 The 2022/23 element of the Capital Programme (including unused resources brought forward from 2021/22) has a revised budget of £32.631m. At the Quarter 4 stage, capital expenditure of £16.335m had been incurred, with budget remaining of £16.297m.

C2) Capital Budget: Corporate Services PAC

- C2.1 Progress towards the delivery of the 2022/23 CS PAC element of the Capital Programme at the Quarter 4 stage is presented in Table 10 overleaf.
- C2.2 At the Quarter 4 stage, expenditure of £2.440m has been incurred against a revised budget of £9.535m million for CS PAC. This leaves a remaining budget of £7.095m.

Capital Programme Heading	Revised Estimate 2022/23 £000	Actual to March 2023 £000	Budget Remaining £000
Housing, Health & Environment			
Housing - Disabled Facilities Grants Funding	1,640	1,228	412
Temporary Accommodation	4,330	451	3,879
Springfield Mill - Phase 2	731	738	-8
Affordable Housing Programme - Trinity Place	500	375	125
Commercial Development - Maidstone East	200		200
Private Rented Sector Housing Programme	2,310	1,653	657
1,000 Homes Affordable Housing Programme	7,600	4,406	3,194
Acquisitions Officer - Social Housing Delivery P/ship	160	180	-20
Granada House Refurbishment Works	100	41	59
Street Scene Investment	70	72	-2
Flood Action Plan	430	12	418
Electric Operational Vehicles	84	95	-11
Vehicle Telematics & Camera Systems	35	39	-4
Rent & Housing Management IT System	11	14	-3
Installation of Public Water Fountains	15		15
Crematorium & Cemetery Development Plan	250	241	9
Continued Improvements to Play Areas	126	32	94
Parks Improvements	152	133	19
Gypsy & Traveller Sites Refurbishment	1,421	1,289	131
Waste Crime Team - Additional Resources	25		25
Section 106 funded works - Open Spaces	400	283	117
Total	20,589	11,280	9,309
Communities, Leisure & Arts			
Mote Park Visitor Centre	1,307	1,690	-383
Mote Park Lake - Dam Works	486	318	168
Leisure Provision	100		100
Tennis Courts Upgrade	20	0	20
Lockmeadow Ongoing Investment	203	338	-135
Mote Park Kiosk Refurbishment & Extension	50		50
Total	2,166	2,347	-181
Corporate Services			
Corporate Property Acquisitions	3,181		3,181
Garden Community	1,100	200	900
Infrastructure Delivery	1,000		1,000
Asset Management / Corporate Property	1,261	790	471
Other Property Works	100	4	96
Biodiversity & Climate Change	250	77	173
Feasibility Studies	122	91	31
Digital Projects	25	26	-1
Software / PC Replacement	336	123	213
Maidstone House Works	1,000	356	644
Automation Projects	200	15	185
New Ways of Working - Make the Office Fit for Purpose	40	9	31
Fleet Vehicle Replacement Programme	900	723	177
Election Polling Booths	20	27	-7
Total	9,535	2,440	7,095
Planning, Infrastructure & Economic Development			
Kent Medical Campus - Innovation Centre	341	268	73
Total	341	268	73
TOTAL	32,631	16,335	16,297

Table 10: Capital Expenditure (@ 4th Quarter 2022/23)

C3) Capital Budget Variances (@ 4th Quarter 2022/23)

Corporate Services PAC

C3.1 The most (financially) notable CS PAC items in the table above are as follows:

Corporate Property Acquisitions – This budget was not utilised as no suitable properties for purchase were identified. The budget will be carried forward into 2023/24.

Garden Community – Work is continuing on developing this project, with any unused balance being carried forward into 2023/24.

Infrastructure Delivery - At this stage there are no plans to spend this budget, and it will be carried forward to 2023/24.

Maidstone House – The initial phase of works, including upgrading the reception area and external signage, was completed in 2022/23. Work on the lifts is currently under way, and the unused budget will be carried forward into 2023/24 for the next phase of work.

Housing, Health & and Environment PAC

C3.2 The most (financially) notable HHE PAC items in the table above are as follows:

Disabled Facilities Grant Funding - The time taken to approve DFG payments has improved significantly, with the average time reducing from 50 days to 11 days. A review of the DFG process has been completed by an independent organisation and the recommendations have either been implemented or informed the new Housing Renewal Policy 2023. The draft policy was considered and recommended for approval by CHE PAC in February 2023 before adoption by the Executive. The new working practices and policy will provide for a better experience for our residents and see further improvements in the delivery of grants.

Temporary Accommodation - This is the funding for the latest phase of property acquisitions to provide accommodation for temporarily homeless families and persons. There were only two acquisitions to this year, due to the high level of house prices during the year. More acquisitions are taking place in 2023/24 as more properties have been identified at affordable prices.

Private Sector Rented Housing Programme/ 1,000 Homes Affordable Housing Programme

A number of schemes are at various stages of development, and further land/property acquisitions have taken place during the year. The variance relates mainly to larger scale schemes that have not progressed as far as was anticipated by the end of March. Some schemes will also contain elements of both private rented and affordable housing so the costs may change depending on the mix at the sites where this happens.

Flood Action Plan - At this stage there are no plans to spend this budget, and it will be carried forward to 2023/24.

Communities, Leisure & Arts PAC

C3.3 The most (financially) notable CLA PAC items in the table above are as follows:

Mote Park Visitor Centre – The centre is now open but there have been some unanticipated costs that mean the project will cost more than initially budgeted for. Funding has been identified for this overspend.

Lockmeadow Ongoing Investment – Construction costs rose after the budget was set, hence the overspend. The budgets for future expenditure can be adjusted to compensate for this overspend.

Part D

Fourth Quarter Local Tax Collection 2022/23



D1) Collection Fund

- D1.1 A large proportion of the Council's income is generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- D1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.
- D1.3 There are statutory accounting arrangements in place which minimise the in-year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets and the medium-term financial strategy.

D2) Collection Rates & Reliefs

- D2.1 The collection rates achieved for local taxation are reported in the table below.

Table 11: Local Tax Collection Rates (Q4 2022/23)

Description	Target Q4 2022/23	Actual Q4 2022/23
Council Tax	95.75%	96.76%
Business Rates	95.20%	97.65%

- D2.2 The amount of Council Tax and Business Rates collected is marginally higher than the quarter 4 target.

D3) Kent Business Rates Pool

- D3.1 The council has continued to participate with other Kent authorities during 2022/23 to maximise the proportion of business rates growth it is able to retain. Forecasts from those in the pool have been requested and we will have an update once we receive all Business Rate quarter 4 figures. As in previous years, any funding will be allocated to spending which supports the delivery of the council's Economic Development Strategy.
- D3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. Business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. the impact of the removal of expanded reliefs to businesses affected by Covid-19, and the longer term impacts on local, national and global economies.

Part E

Reserves & Balances 2022/23



E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2022 was £33.8 million, including £10.2 million set aside to fund future collection fund deficits. The makeup of the balance, and the forecast movements during 2022/23 are presented in Table 12 below.

E1.2 The closing balance enables a minimum general fund balance of £4.0 million to be maintained, as agreed by full Council in February 2022.

Table 12: Reserves & Balances Quarter 4 2022/23

	Balance 1st April 2022	Estimated movement in 2022/23	Estimated Balance as at 31st March 2023
	£000	£000	£000
General Fund			
Unallocated Balance	11,362	24	11,386
Subtotal	11,362	24	11,386
Earmarked Reserves			
Spatial Planning	0	559	559
Housing Investment Fund	0	3,216	3,216
Neighbourhood Planning	97	(20)	77
Planning Appeals	286	(56)	229
Trading Accounts	0	0	0
Civil Parking Enforcement	400	(31)	370
Future Capital Expenditure	2,426	29	2,455
Future Funding Pressures	969	1,300	2,269
Homelessness Prevention & Temporary Accommodation	1,279	(155)	1,124
Business Rates Earmarked Balances	3,681	(153)	3,529
Funding for Future Collection Fund Deficits	10,284	(10,284)	0
Commercial Risk	500	0	500
Invest to Save	500	0	500
Recovery and Renewal Reserve	778	(202)	575
Renewable Energy	119	70	188
Enterprise Zone	4	(4)	0
Majors Works (MH) Sinking Fund	0	213	213
Resources carried forward from 2021/22 to 2022/23	1,184	(1,184)	0
Resources carried forward from 2022/23 to 2023/24		200	200
Subtotal	22,508	(6,503)	16,005
Total General Fund and Earmarked Reserves	33,870	(6,480)	27,390

Table 12: General Fund and Earmarked Balances at Q4 2022/23

Part F

Treasury Management 2022/23



F1) Introduction

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

The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 23rd February 2022, the Council approved a Treasury Management Strategy for 2022/23 that was based on this code. The strategy requires that Corporate Services Policy Advisory Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

F2) Economic Headlines

During the Quarter ended 31st March 2023, the Council's Advisors, Link Asset Services, reported:

- A 0.5% month on month rise in GDP in October, mostly driven by the reversal of bank holiday effects;
- CPI inflation fell to 8.9% in March 2023 from 10.1% in February 2023;
- Average wage increases are currently running over 6% with unemployment rates at 3.7%;
- Interest rates rise by 75 basis points over Quarter 4, taking Bank Rate to 4.25%;
- The pound (£) has remained resilient of late, recovering from a record low of \$1.035, to \$1.23.

F3) Interest Rates

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

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

Table 13: Interest Rate Forecast

Link Group Interest Rate View	25.05.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

BANK RATE

The above forecast for interest rates has been updated on 26th May 2023 and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree but with inflation remaining elevated we anticipate that Bank Rate will need to increase to at least 5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.

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

On the positive side, consumers are still estimated to be sitting on significant excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings 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

Gilt yield curve movements have shifted upwards in recent weeks and remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.75% to 5.50%.

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

F4) Council Investments

The council held investments totaling £38.75m at the start of the year which has reduced to £8.54m on 31st March 2023. Investment levels are at their lowest at the end of each financial year due to a high proportion of income streams like Council tax and Business rates only being paid over a 10 month period to January each year, but expenditure levels continue throughout the year.

A full list of investments held at this time is shown at Table 15 below. All investments are held in either short term notice accounts or money market funds, to be readily available to fund the Council's liabilities, including the capital programme.

Table 14: Short-Term Investments (4th Quarter 2022/23)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	1,945,000			4.05%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	6,595,000			4.12%		£10,000,000
Total Investments		8,540,000					

Investment income for 2022/23 totals £0.591m against a budget of £0.100m with an average rate of 2.21% over the year. The increase income is due to interest rates increasing throughout the year as detailed in F3 Interest Rates above.

F5) Council Borrowing

The Council held external borrowing amounting to £9m at the start of 2022/23. Total borrowing as at 31st March 2023 was £10m with a breakdown shown in Table 15 below. Additional short-term borrowing of £5m was required on 28th February 2023 from Northern Ireland Housing Executive which was required to repay £11.9m to Department of Levelling up and Housing Communities (DLUHC) for Section 31 grant funding.

Table 15: Council Borrowing (4th Quarter 2022/23)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Public Works Loans Board	Central Government	2,000,000	11/11/2021	11/11/2071	1.73%
Public Works Loans Board	Central Government	3,000,000	30/12/2021	30/12/2071	1.56%
Northern Ireland Housing Executive	Housing Authority	5,000,000	28/02/2023	30/05/2023	4.05%
Total Loans		10,000,000			

The Council has also committed to £80m future borrowing to fund the capital programme, currently forecasted at around £200m over the next 5 years. The loans were procured through a tendering process undertaken by Link Asset Service. Details of these can be found in Table 16 below.

Table 16: Committed Borrowing (4th Quarter 2022/23)

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

Part G

Maidstone Property Holdings 2022/23



G1) Maidstone Property Holdings Ltd. (MPH)

- G1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a vehicle for letting residential properties on assured short-hold tenancies.
- G1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (previously to the Policy and Resources Committee, now to this Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.
- G1.3 The MPH financial year-end is 31st March, in order to align with the Council's financial reporting period.

G2) MPH Headlines

- G2.1 During 2021/22 management of residential accommodation transferred from an external agent to the Council's in-house accommodation team. MPH also took on the lease of new flats at Tower Hill (Brunswick Street), Tylers Place (Union Street) Springfield Place and Springfield Mill. Granada House and a number of other individual residential properties are also included in the portfolio.
- G2.2 Net rental income up to the end of the fourth quarter of 2022/23 totals £591,964 (2021/22 £517,666) This represents rent collected, less running costs, maintenance costs and recharges for staff time. As at 31st December 2022, there were minimal rent arrears.
- G2.3 The Council receives income from the company through charges made for services provided, and the property lease. After these charges and other expenses, it is expected that the company will achieve a breakeven position for 2022/23.
- G2.4 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.