

APPENDIX 1 – FIRST QUARTER BUDGET MONITORING

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Part A - First Quarter Revenue Budget 2023/24

A1) Revenue Budget: Council

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

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

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

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

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

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

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

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

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

A2) Revenue Budget: Corporate Services PAC

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

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

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

First Quarter Financial Update 2023/24

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



A3) CS Revenue Budget: Significant Variances

A3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning. Variances will be reported to each of the Policy Advisory Committees on a quarterly basis throughout 2023/24.

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

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

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

A4) Other Revenue Budgets: Significant Variances

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

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

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

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

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

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

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

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

A5) Virements

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

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

A5.3 The virements made in Quarter 1 are presented in the table below.

Virements (@ 1st Quarter 2023/24)

Temporary Reportable Virements

£

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

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

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

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

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

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

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

Permanent Reportable Virements

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

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

Part B - First Quarter Capital Budget 2023/24

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

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

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

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

Corporate Service

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

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

Communities, Leisure & Arts

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

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

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

Housing, Health & Environment

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

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

Planning, Infrastructure & Economic Development

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

Part C - First Quarter Local Tax Collection 2023/24

C1) Collection Fund

- C1.1 A large proportion of the Council's income is generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- C1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.
- C1.3 There are statutory accounting arrangements in place which minimise the in-year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets and the medium-term financial strategy.

C2) Collection Rates & Reliefs

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

Local Tax Collection Rates (Q1 2023/24)

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

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

C3) Kent Business Rates Pool

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

Part D - Reserves & Balances 2023/24

D1) Reserves & Balances

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

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

Reserves & Balances Quarter 1 2023/24

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

Part E - Treasury Management 2023/24

E1) Introduction

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

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

E2) Economic Headlines

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

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

E3) Interest Rates

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

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

Interest Rate Forecast

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

BANK RATE

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

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

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

PWLB RATES

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

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

E4) Annual Investment Strategy

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

- Security of capital
- Liquidity
- Yield

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

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

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

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

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

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

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

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

E5) Council Borrowing

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

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

Council Borrowing (1st Quarter 2023/24)

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

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

Committed Borrowing (1st Quarter 2023/24)

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

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

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

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

Prudential and Treasury Indicators

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

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