

# APPENDIX 1 – THIRD QUARTER BUDGET MONITORING

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# Part A - Third Quarter Revenue Budget 2023/24

## A1) Revenue Budget: Council

### Net Expenditure 2023/24 (@ 3<sup>rd</sup> Quarter): Analysis by PAC

Policy Advisory Committee	Full Year Budget (Revised) 2023/24 £000	Budget to 31 December 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Corporate Services	12,581	4,569	3,675	895	11,621	960
Planning, Infrastructure & Economic Development	540	636	657	-21	543	-3
Housing, Health & Environment	11,255	5,953	6,402	-449	11,861	-606
Communities, Leisure & Arts	1,401	636	1,397	-761	1,991	-590
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>11,795</b>	<b>12,131</b>	<b>-337</b>	<b>26,016</b>	<b>-239</b>

### Net Expenditure 2023/24 (@3<sup>rd</sup> Quarter): Analysis by PRIORITY

Priority	Full Year Budget (Revised) 2023/24 £000	Budget to 31 December 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Safe, Clean and Green	9,253	5,754	5,339	415	8,981	272
Homes and Communities	1,839	31	675	-644	2,918	-1,079
Thriving Place	1,556	1,238	1,579	-341	2,155	-599
Embracing Growth and Enabling Infrastructure	209	249	91	159	92	117
Central & Democratic	12,920	4,522	4,447	74	11,870	1,050
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>11,795</b>	<b>12,131</b>	<b>-337</b>	<b>26,017</b>	<b>-239</b>

**Net Expenditure 2023/24 (@ 3<sup>rd</sup> Quarter): Analysis by SUBJECTIVE SPEND**

Subjective	Full Year Budget (Revised) 2023/24 £000	Budget to 31 December 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Employees	25,531	19,142	18,558	583	25,140	390
Premises	7,039	5,871	6,470	-599	7,773	-734
Transport	571	413	342	70	509	62
Supplies & Services	16,717	10,286	10,176	110	16,926	-209
Agency	8,905	5,396	5,210	186	8,905	0
Transfer Payments	34,159	21,976	23,676	-1,702	34,159	0
Asset Rents	1,892	0	0	0	1,892	0
Income	-69,037	-51,288	-52,302	1,015	-69,288	251
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>11,795</b>	<b>12,131</b>	<b>-337</b>	<b>26,017</b>	<b>-239</b>

'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 (@ 3<sup>rd</sup> Quarter): Analysis by CABINET MEMBER**

Cabinet Member	Full Year Budget (Revised) 2023/24 £000	Budget to 31 December 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Leader of the Council	1,334	1,024	982	42	1,334	0
Planning, Infrastructure & Economic Development	-542	-299	-243	-56	-568	27
Communities, Leisure & Arts	1,473	636	1,397	-761	2,092	-619
Corporate Services	12,044	4,481	3,592	888	11,085	959
Housing & Health	2,968	833	1,621	-787	3,847	-879
Environmental Services	8,500	5,120	4,781	338	8,227	273
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>11,795</b>	<b>12,131</b>	<b>-337</b>	<b>26,017</b>	<b>-239</b>

**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 3. The financial figures are presented on an accruals basis (i.e. expenditure for goods and services received, but not yet paid for, is included).

The budgets used in this report are the revised estimates for 2023/24.

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.

Third Quarter Financial Update 2023/24

CS Revenue Budget: NET EXPENDITURE (@ 3<sup>rd</sup> Quarter 2023/24)

Cost Centre	Approved (Revised) Budget for Year	Approved (Revised) Budget to 31 December 2023	Actual as at 31 December 2023	Variance as at 31 December 2023			Forecast March 2024	
	Net £000	Net £000	Net £000	Expenditure £000	Income £000	Net £000	Forecast Net £000	Forecast Variance £000
Maintenance of Closed Churchyards	6	5	0	5	0	5	6	0
Drainage	34	26	17	8	0	8	34	0
Climate change **	14	11	4	3	3	6	14	0
Street Naming & Numbering	-73	-55	-40	0	-15	-15	-73	0
Sandling Road Site	5	4	267	-231	-32	-264	375	-370
Maidstone House - Landlord	-140	-358	-359	177	-177	0	-140	0
Civic Occasions	47	43	54	-11	0	-11	47	0
Members Allowances	456	342	363	-21	0	-21	456	0
Members Facilities	18	14	14	-1	0	-1	18	0
Contingency	1,338	1,004	0	1,004	0	1,004	1,338	0
Corporate Projects	1	1	18	1	-18	-17	1	0
Corporate Management	461	180	205	-25	0	-25	461	0
Unapportionable Central Overheads	950	696	637	59	0	59	875	75
Council Tax Collection	68	61	84	-21	-2	-23	68	0
Council Tax Collection - Non Pooled	-331	89	86	5	-3	2	-331	0
Council Tax Benefits Administration	-140	24	24	0	-0	-0	-140	0
NNDR Collection	2	2	4	-5	2	-3	2	0
NNDR Collection - Non Pooled	-230	63	82	-19	0	-19	-230	0
MBC- BID	1	-3	-21	14	4	18	1	0
Registration Of Electors	68	62	92	-32	2	-29	68	0
Elections	164	164	250	-95	9	-85	250	-85
KCC Elections	0	0	-3	-54	57	3	0	0
General Elections	0	0	1	0	-1	-1	0	0
Emergency Centre	24	19	12	7	0	7	24	0
Upper Medway Internal Drainage Board	134	134	134	-0	0	-0	134	0
External Interest Payable & MRP	2,203	203	205	-2	0	-2	1,550	653
Interest & Investment Income	-150	-113	-565	0	453	453	-1,048	898
Palace Gatehouse	8	6	9	-0	-3	-3	8	0
Archbishops Palace	-2	0	113	-81	-32	-113	118	-120
Parkwood Industrial Estate	-314	-234	-244	7	3	10	-314	0
Industrial Starter Units	-41	-53	-52	-1	-1	-1	-41	0
Parkwood Equilibrium Units	-135	-150	-164	8	6	14	-135	0
Sundry Corporate Properties	7	10	-30	119	-78	41	-43	50
Phoenix Park Units	-239	-248	-243	-11	7	-4	-239	0
Granada House - Commercial	-92	-104	-78	-4	-23	-26	-92	0
MPH Residential Properties	-876	-657	-531	-82	-45	-126	-676	-201
Heronden Road Units	-210	-218	-253	-2	36	35	-250	40
Boxmend Industrial Estate	-118	-126	-157	-0	31	31	-118	0
Wren Industrial Estate	-135	-154	-169	-12	28	16	-135	0
General Fund Residential Properties	-53	-40	-36	-6	2	-4	-53	0
Pensions Fund Management	505	0	0	0	0	0	505	0
Non Service Related Government Grants	-4,661	-3,496	-3,481	0	-15	-15	-4,661	0

Third Quarter Financial Update 2023/24

Cost Centre	Approved (Revised) Budget for Year	Approved (Revised) Budget to 31 December 2023	Actual as at 31 December 2023	Variance as at 31 December 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	-68	-260	-1,452	1,644	192	-114	0
Non HRA Rent Rebates	-9	1,070	1,339	-270	0	-270	-9	0
Discretionary Housing Payments	0	174	153	21	0	21	0	0
Housing Benefits Administration	-286	-230	-231	-3	5	1	-286	0
Democratic Services Section	289	218	201	17	0	17	289	0
Mayoral & Civic Services Section	126	94	91	4	0	4	126	0
Chief Executive	195	146	146	-1	0	-1	195	0
Biodiversity & Climate Change **	103	78	79	-0	0	-0	103	0
Director of Strategy Governance and Insight	134	100	91	9	0	9	134	0
Revenues Section	531	503	508	-11	6	-5	531	0
Electoral Registration Section	95	72	69	3	-1	2	95	0
Benefits Section	512	458	477	-20	0	-19	512	0
Fraud Section	46	49	7	31	11	42	21	25
Mid Kent Audit Partnership	221	171	131	107	-68	40	179	42
Director of Finance, Resources & Business Imp	145	109	113	-1	-4	-4	145	0
Accountancy Section	896	692	605	81	6	87	821	75
Legal Services Section	659	495	442	71	-19	53	559	100
Director of Regeneration & Place	153	115	115	0	0	0	153	0
Procurement Section	119	-11	0	0	-11	-11	79	40
Property & Projects Section	472	358	276	77	5	82	472	0
Corporate Support Section	350	262	247	16	0	16	350	0
Transformation Section	254	190	290	-79	-20	-100	399	-145
Executive Support Section	100	75	75	-0	0	-0	100	0
Mid Kent ICT Services	621	465	454	57	-46	11	621	0
GIS Section	130	98	92	10	-5	6	130	0
Director of Mid Kent Services	46	11	15	-2	-3	-5	46	0
Mid Kent HR Services Section	423	317	305	19	-8	12	423	0
MBC HR Services Section	103	84	69	15	-0	15	103	0
Head of Revenues & Benefits	65	59	35	34	-9	25	65	0
Revenues & Benefits Business Support	156	137	113	27	-2	25	156	0
Dartford HR Services Section	-16	-12	-12	1	-1	-0	-16	0
Emergency Planning & Resilience	169	127	108	19	0	19	169	0
Head of Property and Leisure	118	88	99	-11	0	-11	118	0
Facilities Section	158	118	86	32	0	32	158	0
Town Centre Services Manager	66	49	48	1	0	1	66	0
Salary Slippage 1PR	-279	-209	0	-209	0	-209	-279	0
Town Hall	109	84	46	39	-0	38	109	0
South Maidstone Depot	225	182	243	-74	12	-61	285	-60
The Link	60	80	148	-13	-54	-68	105	-45
Maidstone House - MBC Tenant	480	481	555	-68	-6	-74	555	-75
Museum Buildings	278	218	216	1	1	2	278	0
I.T. Operational Services	664	484	491	-7	0	-7	664	0
Central Telephones	16	12	10	2	0	2	16	0
Apprentices Programme	74	45	23	22	0	22	54	20
Internal Printing	-1	2	-14	20	-4	16	-1	0
Debt Recovery Service	-19	31	-10	-5	46	40	-19	0
Debt Recovery MBC Profit Share	-83	-62	-68	0	6	6	-125	42
General Balances	-200	-200	-200	0	0	0	-200	0
Earmarked Balances	4,270	-392	-392	0	0	0	4,270	0
Appropriation Account	1,892	0	0	0	0	0	1,892	0
Pensions Fund Appropriation	-505	0	0	0	0	0	-505	0
<b>Totals</b>	<b>12,581</b>	<b>4,569</b>	<b>3,675</b>	<b>-787</b>	<b>1,682</b>	<b>895</b>	<b>11,622</b>	<b>959</b>



### **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 tables below highlight and provides further detail on the most significant variances at the end of Quarter 3 for both this and the other PACs.

**CS PAC Variances (@ 3<sup>rd</sup> Quarter 2023/24)**

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
<b>Corporate Services</b>	<b>£000</b>		
<b>Sandling Road Site (including Cantium House)</b> - Running costs are exceeding the budgets, mainly for utility costs and non-domestic rates. There is also a shortfall in the rental income that was anticipated. Additionally, this cost centre has picked up costs associated with Cantium House, acquired from KCC in January in anticipation of the redevelopment of the entire Maidstone East site.		-263	-370
<b>Unapportionable Central Overheads</b> - Pension contributions to the Kent County Council Pension Fund will be lower than forecast, which reflects the level of staff vacancies across the Council.	59		75
<b>Elections</b> – The majority of the overspend relates to staffing costs incurred as part of running the Borough Elections in May 2023.		-85	-85
<b>External Interest &amp; Minimum Revenue Position (MRP)</b> - The variance on this budget relates to the 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.		-2	653
<b>Interest &amp; Investment Income</b> - 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.	452		898
<b>Archbishops Palace</b> - 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. There is also a shortfall in the income budget now that the building has no tenant.		-112	-120
<b>Maidstone Property Holdings (MPH) Residential Properties</b> - The majority of the forecast variance relates to the temporary closure of Granada House for refurbishment works. Repair and maintenance costs are also higher than had been anticipated.		-126	-200
<b>Accountancy Section</b> – This variance relates mainly to staff vacancies during the year. These have all now been filled.	87		75
<b>Legal Services Section</b> – Contract costs chargeable to revenue are forecast to be lower than budgeted for this year. Note that a significant proportion of legal services costs are charged to capital projects and are not included here.	52		100
<b>Improvement Section</b> – The majority of this variance relates a Medium-Term Financial Strategy saving that has yet to be achieved.		-99	-145
<b>Maidstone House (MBC Tenant)</b> - Service charges costs for floors 5 and 6 are likely to be greater than forecast.		-73	-75

**A4) Other Revenue Budgets: Significant Variances****Planning, Infrastructure & Economic Development PAC Variances (@ 3<sup>rd</sup> Quarter 2023/24)**

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
<b>Planning, Infrastructure &amp; Economic Development</b>	<b>£000</b>		
<b>PLANNING &amp; ECONOMIC DEVELOPMENT</b>			
<b>Development Control Advice</b> - Income from Planning Performance Agreements (PPAs) and pre-application planning advice generally continues to be significantly down as developers are waiting for the new Local Plan to be adopted before progressing with further applications. Fees have been increased for the final quarter so this should improve the position by the end of the financial year.		-100	-110
<b>Development Control Majors</b> - Income from major applications also continues to be significantly down this year, as with the Planning Performance Agreements developers are waiting for the new Local Plan to be adopted before progressing with further applications. Fees have been increased for the final quarter so this should improve the position by the end of the financial year.		-119	-150
<b>Business Terrace (1<sup>st</sup> Floor Maidstone House)</b> - Service charge costs are significantly higher than forecast, and there are also two units vacant meaning there is a shortfall in income.		-67	-90
<b>Innovation Centre</b> - These are the operating costs for the centre. The variance for the year to date is a combination of an overspend on running costs (business rates being the most significant element) and a shortfall of income. However, for the year as a whole Enterprise Zone business rates income will offset this.		-37	0
<b>Mid Kent Planning Support Service</b> - This team had a restructure earlier in the year with a number of posts being vacant. The new structure needed to embed before vacant posts were recruited to. Two posts are currently being held vacant with a view to recruit in April 2024.	47		65
<b>Innovation Centre Section</b> – These are the staffing costs for the section. There has been an underspend on the professional services budget which will continue to year end.	42		77



Given the continuing significantly negative variance between estimated income from major planning applications and PPAs based on a carry forward of the high estimates from previous business years, this has resulted in the deletion of the Major Projects Officer post and will result in the loss of the sole consultant in the Development Management service.

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
<b>Planning, Infrastructure &amp; Economic Development</b>	<b>£000</b>		
<b>PARKING SERVICES</b>			
<b>Sandling Road Car Park</b> – Running costs are lower than expected and will continue to be so for the final quarter. As agreed, when buying out KCC’s interest in Maidstone East for redevelopment, losses on the holding strategy for the site may be charged against Business Rates Pool balances which are currently held within earmarked reserves	46		61
<b>Park &amp; Ride</b> - 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.	108		100

**Housing, Health & Environment PAC Variances (@ 3<sup>rd</sup> Quarter 2023/24)**

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
<b>Housing, Health &amp; Environment</b>	<b>£000</b>		
<b>Dog Control</b> – The number of stray dogs that need to be dealt with continues to be a significant issue. Growth has been provided for in the budget next year.		-38	-54
<b>Commercial Waste Services</b> – Income from blue sacks has been higher than forecast, and there is an underspend on staffing costs.	38		60
<b>Homeless Temporary Accommodation</b> - This continues to be a significant issue as the demand for the service continues to be high. The cost-of-living crisis and issues with getting people out of temporary accommodation are the main challenges at present. Further properties are being acquired to help alleviate the pressure on this budget. The variance has increased from that reported last month principally because of an allowance being made against non-recovery of rent. Although the rent would normally be covered by Housing Benefit, there are occasions due to the rapid turnover in temporary accommodation that occupants fail to make or complete their claim.		-747	-990
<b>Environmental Protection Section</b> – Recruitment has been an issue, with a number of vacant posts in the team, which has led to an underspend.	65		84
<b>Depot Services Section</b> – There have been a number of vacant posts in this team during the year.	88		90
<b>Fleet Workshop &amp; Management</b> – Spend has been less than forecast on vehicle maintenance and hire. The service aims to keep the fleet up to date rather than keeping vehicles on the road longer than is cost-effective.	54		62

**Communities, Leisure & Arts PAC Variances (@ 3<sup>rd</sup> Quarter 2023/24)**

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
<b>Communities, Leisure &amp; Arts</b>	<b>£000</b>		
<b>Leisure Centre</b> - Under the terms of the current contract with the operator the Council is responsible for excess utility costs, and with utility prices continuing to be at a high level this is reflected in this overspend. The Council has recently been successful with a capital grant application which will help to improve energy efficiency.		-54	-80
<b>Lockmeadow Complex</b> - A number of units at the complex have fallen vacant during the period, leading to a shortfall against budget. However, progress has been made in identifying new tenants. A tenant offering virtual reality experiences has moved one of the vacant units. The former David Lloyd unit now operates as the Lockmeadow Health Club, under the same management as the council's leisure centre. The Club has built up membership numbers quickly although running costs are proving higher than expected. Head of Terms have been agreed with a prospective tenant at the former Frankie & Benny's and although there has been delays in finalising the lease it is expected that the unit will be occupied shortly. Work is under way to clear the former Feathers unit to make it more marketable. Note that the business case for the Lockmeadow acquisition anticipated that at the end of existing leases there would be a period during which these units would be non-income producing, so the adverse variance does not alter the overall financial basis of the acquisition.		-551	-280

**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 3 are presented in the table below.

**Reportable Virements Quarter 3 2023-2024****Temporary Reportable**

Fund Town Centre Strategy	17,100
From Recovery and Renewal Reserve	-17,100

Part fund Officer Economic Development.	31,190
Contribution to MELA	5,000
Financial Contribution to Greater North Kent	14,000
From Business Rates Growth Earmarked Balances	-50,190

**Permanent Reportable Virements**

Transfer income budget from Maidstone Property Holdings	42,000
To Affordable Housing	-42,000

# Part B - Third Quarter Capital Budget 2023/24

## B1) Capital Budget 2023/24 (@ 3<sup>rd</sup> Quarter 2023/24)

Capital Programme Heading	Revised Estimate 2023/24	Actual to December 2023	Budget Remaining	Q4 Profile	Projected Total Expenditure	Projected Slippage to 2024/25
	£000	£000	£000	£000	£000	£000
<b>Housing, Health &amp; Environment</b>						
Private Rented Sector Housing	4,039	44	3,995		95	3,944
1,000 Homes Affordable Housing Programme - Expenditure	9,917	5,847	4,121	715	6,562	3,355
Temporary Accommodation	15,879	9,306	6,574	700	10,006	5,874
Commercial Development - Maidstone East	356		356			356
Heather House Community Centre	138		138			138
Housing - Disabled Facilities Grants Funding	1,212	892	320	320	1,212	
Acquisitions Officer - Social Housing Delivery Partnership	52	39	13		39	13
Street Scene Investment	50	49	1	1	50	
Flood Action Plan	618	6	612		6	612
Continued Improvements to Play Areas	144	7	137	50	57	87
Parks Improvements	69	75	-5		75	-5
Gypsy & Traveller Sites Refurbishment	200	197	3	3	200	
Waste Crime Team - Additional Resources	25	4	21	21	25	
Section 106 funded works - Open Spaces	517		517	517	517	
Expansion of Cemetery	80	13	67	67	80	
Expansion of Crematorium	340	13	327	50	63	277
Purchase of New Waste Collection Vehicles	5,800		5,800	5,800	5,800	
CCTV Upgrade & Relocation		80	-80		80	-80
<b>Total</b>	<b>39,438</b>	<b>16,572</b>	<b>22,916</b>	<b>8,243</b>	<b>24,867</b>	<b>14,571</b>
<b>Communities, Leisure &amp; Arts</b>						
Mote Park Lake - Dam Works	40	39	1	1	40	
Museum Development Plan	389	146	243	275	421	-32
Leisure Provision	699	73	626	250	323	376
Tennis Courts Upgrade	40	17	23	23	40	
Riverside Walk Works	250		250			250
Mote Park Kiosk Refurbishment & Extension	15	8	7	7	15	
<b>Total</b>	<b>1,433</b>	<b>284</b>	<b>1,149</b>	<b>555</b>	<b>839</b>	<b>593</b>

Capital Programme Heading	Adjusted Estimate 2023/24	Actual to June 2023	Budget Remaining	Q4 Profile	Projected Total Expenditure	Projected Slippage to 2024/25
	£000	£000	£000	£000	£000	£000
<b>Corporate Services</b>						
Asset Management / Corporate Property	626	173	453	154	327	299
Corporate Property Acquisitions	5,681		5,681			5,681
Kent Medical Campus - Innovation Centre	73	7	66		7	66
Lockmeadow Ongoing Investment	365	26	339	300	326	39
Garden Community	1,633	396	1,237	200	596	1,037
Infrastructure Delivery	2,000		2,000			2,000
Other Property Works	200	7	193	18	25	175
Biodiversity & Climate Change	2,961	249	2,713	664	912	2,049
Photovoltaic Panels	234		234	214	214	21
Feasibility Studies	81	83	-3		83	-3
Digital Projects	28		28	28	28	
Software / PC Replacement	413	163	250	100	263	150
Maidstone House Works	1,144	205	939	100	305	839
Automation Projects	185		185			185
New Ways of Working - Make the Office Fit for Purpose	31		31	31	31	
Fleet Vehicle Replacement Programme	633	213	420		213	420
Automation of Transactional Services	150	53	97	97	150	
<b>Total</b>	<b>16,439</b>	<b>1,574</b>	<b>14,865</b>	<b>1,907</b>	<b>3,481</b>	<b>12,958</b>
<b>Planning, Infrastructure &amp; Economic Development</b>						
Bridges Gyrotory Scheme	206		206	50	50	156
Town Centre Strategy	450		450			450
<b>Total</b>	<b>656</b>		<b>656</b>	<b>50</b>	<b>50</b>	<b>606</b>
<b>TOTAL</b>	<b>57,965</b>	<b>18,430</b>	<b>39,586</b>	<b>10,755</b>	<b>29,236</b>	<b>28,729</b>

## B2) Capital Budget Variances (@ 3<sup>rd</sup> Quarter 2023/24)

### Corporate Services

**Corporate Property Acquisitions** - This budget is available for Commercial Property acquisition opportunities that may arise during the year. Expenditure therefore depends on whether any suitable acquisitions emerge. So far this year no such opportunities have proved to be worth pursuing further. Even if any opportunities were identified at this stage completion would probably not take place in the current financial year, so no spend is projected.

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

**Infrastructure Delivery** - This budget exists to enable major infrastructure schemes to go ahead. It is intended that it will be used where a top-up from MBC can make the difference between a scheme proceeding or not. No requirement to use the budget has been identified so far in 2023/24. Given the time required to work up proposals for suitable schemes, it is unlikely that the budget will be used in the current financial year.

**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.

**Maidstone House Works** – The shortfall in spend is for works to the building that will not commence now until the next set of works (cladding, glazing and new plant) are completed in 24/25.

### Communities, Leisure & Arts

**Museum Development Plan** – Further works are planned for the new Archaeology Gallery in the final quarter, which will take the cost of the project over the approved budget for the year in the capital programme. However, this was anticipated as external funding had been secured to cover these costs.

**Leisure Provision** – The extension to the contract for the management of the centre has now been agreed, and subject to signing it is anticipated that capital works can proceed as soon as possible, so there could be spend in the final quarter of the year, although this could slip into 2024/25.

**Riverside Walk Works** – This project has now been subsumed into plans for Town Centre improvement works, including upgrades to lighting in the Town Centre. The budget will therefore be carried forward to 2024/25.

## 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. 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.

The projected slippage for the Maidstone East Commercial Development and the Heather House Community Scheme reflects that the progress on the wider schemes of which they are a part has not moved on as far as the initial programme anticipated. These budgets will be slipped into 2024/25.

**Temporary Accommodation** – There have been a significant number of acquisitions to date this year, and the team continue to seek suitable properties. A small number of further acquisitions are anticipated in the final quarter.

**Continued Improvements to Play Areas** – The projected slippage is a sum set aside for the refurbishment of the Penenden Heath play area, which is scheduled to take place in the first quarter of 2024/25.

**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.

**CCTV Upgrade & Relocation** – This is an unbudgeted cost relating the scheme which took place in 2020. The contractor contacted the Council and advised us that there was a final payment due. Officers reviewed the position and agreed that this was the case, and the payment was made.

## Planning, Infrastructure & Economic Development

**Bridges Gyratory Scheme** - Plans are in place for the construction of a flood barrier at the bottom of Medway Street as the final element of the Bridges Gyratory Scheme. It has unfortunately proved a slow process getting the necessary approvals for the barrier, as it will be situated on highways land. It is envisaged that construction will take place this summer.

**Public Realm & Greening relating to the Town Centre** - The current strategy is being developed and is likely to be adopted in early 2024, and it is unlikely there will be any spend in the final quarter of the year.



## Part C – Third 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 (Q3 2023/24)

Description	Target Q3 2023/24	Actual Q3 2023/24
Council Tax	91.2	90.6
Business Rates	88.1	90.9

- C2.2 The amount of Council Tax collected is marginally lower than the quarter 2 target, whilst Business Rates is showing a higher level of collection compared to their 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 3 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)	350	(225)
Renewable Energy	(188)	(50)	(238)
Major Works Sinking Fund	(213)	(200)	(413)
Housing Investment Fund	(3,216)	0	(3,216)
<b>Total Earmarked Reserves</b>	<b>(19,297)</b>	<b>804</b>	<b>(18,493)</b>
Unallocated Balances	(14,832)	(1,325)	(16,157)
Carry Forwards fr 22/23 to 23/24	(200)	200	0
<b>Unallocated Balances</b>	<b>(15,032)</b>	<b>(1,125)</b>	<b>(16,157)</b>
<b>Total General Fund Reserves</b>	<b>(34,329)</b>	<b>(321)</b>	<b>(34,650)</b>

# 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 22<sup>nd</sup> 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 31<sup>st</sup> December 2023, the Council's Advisors, Link Asset Services, reported:

- Bank Rate has been held at 5.25% from August 2023 ;
- CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
- Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
- A 0.3% month on month decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
- A sharp fall in wage growth, with the headline 3m year on year rate declining from 8.0% in September to 7.2% in October, although the Office of National Statistics "experimental" rate of unemployment has remained low at 4.2%.

## 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 latest forecast on 8<sup>th</sup> January 2024 sets out a view that short, medium 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.

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 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
<b>BANK RATE</b>	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

## BANK RATE

- At its 14th December meeting, the Bank of England's Monetary Policy Committee (MPC) kept rates on hold for the third time in a row, pushing back against the prospect of near-term interest rate cuts. The vote in favour of keeping rates on hold was 6-3.
- However, recent softer wage and inflation data (annual CPI is currently 3.9%) mean that markets have moved significantly in the direction of Link's November interest rate forecast, pricing in a first rate cut in Q2 2024, a full quarter earlier than our own forecast which has only undergone a little fine-tuning today. Link now expects Bank Rate to be cut to 4.25% by the end of 2024 (4.5% previously) and 3% by the end of 2025. The low point of the interest rate cycle is also expected to be 3%
- 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 also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

## PWLB RATES

- Regarding PWLB rates, movement in the short part of the curve has reflected the revised Bank Rate expectations to a large degree, whilst medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, but by the market's appetite for significant gilt issuance. Indeed, although we have a slightly lower starting point for the envisaged reduction in short and medium dated gilts, we now forecast the 10, 25 and 50 years part of the curve to not fall quite as low as we thought in November.
- The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a

similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

#### 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 £16.76m in the last quarter have increased to £18.185m on 31<sup>st</sup> December 2023. Average level of funds available for investment during the quarter was £21.138m. 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 (3<sup>rd</sup> 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	7,590,000			5.27%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	7,080,000			5.39%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	3,515,000			5.35%		£10,000,000
<b>Total Investments</b>		<b>18,185,000</b>					

The average rate of investments during this quarter is 5.3% accumulating £565k in investment income.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31<sup>st</sup> December 2023.

### E5) Council Borrowing

The Council held external borrowing amounting to £9m since the last quarter. £2m was repaid. A breakdown is shown in the table below.

#### Council Borrowing (3<sup>rd</sup> 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%
Total Loans		7,000,000			

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 (3<sup>rd</sup> 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 31<sup>st</sup> December 2023

The table below lists the Council's Prudential and Treasury Indicators showing budget for 2023/24 against the actual as at 31<sup>st</sup> 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 31<sup>st</sup> December 2023.

## Prudential and Treasury Indicators

Treasury Indicators	2023/24 Budget £'000	31.12.23 Actual £'000
Authorised limit for external debt	60,000	10,000
Operational boundary for external debt	50,000	10,000
Gross external debt	45,000	10,000
Investments	22,882	18,185
Net borrowing	22,118	(15,810)
<b>Maturity structure of fixed rate borrowing - upper and lower limits</b>		
Under 12 months	4,000	4,000
5 years to 10 years	0	0
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
<b>Upper limit for principal sums invested over 365 days</b>		
Year 1	2,000	2,000
Year 2	2,000	2,000
Year 3	2,000	2,000
Total	6,000	6,000

<b>Prudential Indicators</b>	<b>2023/24 Budget £'000</b>	<b>31.03.23 Actual £'000</b>
<b>Capital expenditure</b>	41,924	18,430
<b>Capital Financing Requirement (CFR)</b>	110,511	87,017
<b>Annual change in CFR</b>	37,670	14,176
<b>In year borrowing requirement</b>	37,670	4,000
<b>Ratio of financing costs to net revenue stream</b>	(550.00)	(419.00)