

MAIDSTONE BOROUGH COUNCIL

BUDGET BOOK

REVENUE & CAPITAL ESTIMATES

2024/25



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STATEMENT OF ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. INTRODUCTION

- 1.1 Section 25 of the Local Government Act 2003 requires that a local authority's Chief Finance Officer must report on:
- the robustness of the estimates made for the purposes of the budget calculations; and
 - the adequacy of the proposed financial reserves.
- 1.2 The authority must have regard to this report when making decisions about the calculations in connection with which it is made, these decisions being to set a budget and to agree the level of Council Tax.
- 1.3 The following statement seeks to fulfil this requirement in respect of the 2024/25 budget setting process for Maidstone Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of the process.

2. ROBUSTNESS OF ESTIMATES

Background

- 2.1 The budget contains estimates of future income and expenditure, which like any future events are subject to risk and uncertainty. The external environment at present is challenging because of low UK economic growth, the risk that inflation may remain above target, and challenged public finances.
- 2.2 The financial framework within which the Council operates is set by central government. Whilst the government has announced for 2024/25 the Council Tax referendum limit and the share of business rates to be retained locally, the position for future years is unclear, which makes longer term forecasting difficult.
- 2.3 The budget reflects careful consideration and prudent judgements about the risks posed by these elements of uncertainty, drawing on the lessons of previous years and seeking to take into account all relevant factors.
- 2.4 The Council's exposure to risk is mitigated by a strong financial position, with adequate but not excessive levels of reserves, and a track record of effective financial management.
- 2.5 The context for the budget setting process is described more fully in the Council's Medium Term Financial Strategy (MTFS), which is included as section 9 of this Appendix. The MTFS covers both revenue and capital budgets and underpins the budget setting process over the coming five year period. It sets out in financial terms how the Council will deliver its Strategic Plan given the resources available.

Budget preparation

- 2.6 A structured approach has been taken to preparing the budget estimates. They are the outcome of an exhaustive process, which commenced with Members agreeing underlying assumptions and a plan for developing a Medium Term Financial Strategy at the meeting of the Cabinet on 26 July 2023. Given the high degree of uncertainty about the medium term financial position, various potential scenarios were tested.
- 2.7 Where possible, future financial projections have been validated against current performance as reported through the Council’s regular quarterly budget monitoring. The budget estimates have been reviewed in the light of the latest budget monitoring information. Where appropriate, allowance has been included in respect of additional expenditure and shortfalls in income where these are likely to continue into 2024/25.

Factors considered in drawing up MTFS and setting budget

- 2.8 The table below sets out the specific factors that have been taken into account in the process of drawing up the MTFS and setting the 2024/25 budget.

The Council's corporate objectives and key priorities	The estimates are intended to support the priorities within the Council’s Strategic Plan and to maintain service delivery. The MTFS addresses emerging new priorities within the framework of the Strategic Plan.
Consultation with the community	The results of the 2023 Residents’ Budget Survey have been taken into account when developing the budget proposals.
Consultation with Policy Advisory Committees and Overview and Scrutiny	The Policy Advisory Committees and Overview and Scrutiny Committee were consulted on the budget proposals at their meetings in September 2023 (revenue) and January 2024 (capital).
The level of funding likely from Central Government	<p>The Council relies primarily on local sources of income, namely Council Tax, its share of Business Rates, and income from Council services (eg parking) and investments.</p> <p>The main unringfenced sources of central government funding are New Homes Bonus and the Funding Guarantee. The recommendations to Council propose that the bulk of these grants are transferred to the Housing Investment Fund, to support the Council’s Affordable Housing programme.</p>

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Retained element of business rates	Since 1 April 2013 a proportion of business rates income has been retained by the Council. The amount of business rates income due to the Council under existing arrangements has been projected using prudent assumptions and has been reflected in the Strategic Revenue Projections. Additional income is anticipated as a result of the Council's participation in the Kent Business Rates Pool and is earmarked as a separate exercise from the main budget setting process.
Council Tax Base	The recommended council tax base for 2024/25 is 68,263.55, which is a 1.64% increase in the tax base over the 2023/24 figure.
Level of Council Tax	The level of Council Tax is an important determinant of the Council's financial resilience. A low Council Tax base and/or a low level of Council Tax have been demonstrated from analysis of local authority accounts to signal lack of resilience. It is therefore appropriate for the Council to maximise Council Tax income within the constraints imposed by the government's referendum limits. The recommended £8.46 increase in Band D Council Tax does this.
The Council's Capital Programme	<p>The Council's capital programme is based on the principles of prioritisation, affordability and deliverability. The Council has adopted a Medium Term Financial Strategy for capital which sets out the planning process and priorities for capital. The revenue costs of the capital programme are reflected in the Strategic Revenue Projections.</p> <p>The Affordable Housing Programme, within the overall capital programme, will also require a separate revenue subsidy. Accordingly, the Council has established a Housing Investment Fund which will be used to provide this subsidy.</p>
The Prudential Code and its impact on Capital Planning	The Council uses a number of sources for the financing of its capital expenditure. The main source in the past has been New Homes Bonus but external borrowing will be the principal source of funding in future years. Borrowing will be undertaken in line with the requirements of the Prudential Code, which aims to ensure, within a clear framework, that the capital expenditure plans of the authority are affordable, prudent and sustainable. These principles are set out in the Capital Strategy.

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Availability of funding for capital programme	It is assumed that funding will continue to be available for the capital programme. Historically the main source of funding for local authorities has been the Public Works Loan Board. The Council has also locked in £80 million of private sector borrowing at a competitive rate, to be drawn down between 2024 and 2026.
Interest Rates	Interest costs and returns on future borrowing have been assumed based on the advice of the Council's treasury management advisors as set out in the Treasury Management Strategy.
Financial resilience	Maidstone Borough Council is in a strong financial position and holds adequate reserves, as is evidenced by its score in CIPFA's latest Financial Resilience Index, which gives the Council an average ranking of 7 amongst a comparator group of 16 authorities.
Adequacy of Balances	At the start of 2024/25 it is anticipated that the uncommitted general fund balance will be £16.2 million. This is equivalent to 3.6 months expenditure, given projected annual expenditure of £54.5 million.
Earmarked Reserves	The Council maintains a series of Earmarked Reserves to manage the resources set aside for specific activities. At the start of 2024/25 these reserves are projected to be £20.5 million. Details are set out in Section 6 of the Budget Book.
Pay and Price Inflation	The MTFs takes account of the impact of inflation on service expenditure, based on current predictions of the future level of inflation. Included within service budgets is suitable provision for these increases.
Fees and Charges	The Council's strategy is to maximise income, subject to market conditions, opportunities, comparable charges elsewhere and the impact of charges on the delivery of key objectives. The Council has approved a policy on the use of fees and charges and service managers have regard to that policy when proposing changes to fees and charges. Increased levels of fees and charges are incorporated in the 2024/25 budget where these have been proposed and subsequently agreed by Members.

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Growth Pressures	<p>The Budget for 2024/25 and the projections within the MTFS for the revenue budget reflect an estimate of potential additional expenditure and shortfalls in income to the extent that the Council is aware of these at the present time. New pressures are anticipated to emerge over the MTFS period and in consequence, the strategy will be updated at least annually. There is an expectation that expenditure on expanding and improving services should be accommodated by direct charges to service users or reductions elsewhere within the Council's budget.</p>
Achieving budget savings	<p>The MTFS depends on the delivery of budgeted savings. The Council has a good track record of delivering planned savings and regular budget monitoring ensures that prompt action is taken where savings are delayed. The deliverability of future savings is assessed as part of the budget preparation process.</p>
Financial Management	<p>The Council's financial information, management and reporting arrangements are sound. Officers and members are fully engaged in the budget setting process. Financial performance is reported regularly to officers and members. Where variances arise, prompt action is taken to address them.</p> <p>The Council's external auditor has found the Council's budgetary control procedures to be sound and is satisfied with the overall internal financial control arrangements, the Council's arrangements for ensuring the legality of transactions and gave an unqualified opinion on the 2021/22 Accounts. It is anticipated that a similar position will be reported for future years.</p>
Insurance Arrangements and Business Continuity	<p>Risks identified via the preparation of Service Risk Registers have wherever possible been mitigated to an acceptable level. Any remaining risks have been transferred to an external insurance provider where possible. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council has a well-established Business Continuity Plan for key services.</p>

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

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

3.2 The Council has agreed a target for the minimum General Fund balance of £4 million, which is equivalent to approximately 7% of the Council's gross income or 15% of its net income.

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

- Financial uncertainty
- Election failure / challenge
- Construction costs / contractor insolvency
- Housing pressures increasing
- Diminished local retail and leisure sector
- Not fulfilling residential health and safety property responsibilities
- Environmental damage
- Cost of living crisis
- Major unforeseen emergency
- Major contractor, supplier or tenant failure
- ICT network failure
- Ability to access / leverage new funding
- Loss of workforce cohesion and talent
- Reduced effectiveness of relationships with strategic partners
- Governance changes

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

3.4 Specific financial risks facing the Council include the following:

- Inflation rate is higher than the 2% government target
- Capital programme cannot be funded given available budgets and funding
- Constraints on council tax increases
- Failure to contain expenditure within agreed budgets
- Planned savings are not delivered
- Financial impact from major emergencies such as Covid-19
- Adverse impact from changes in local government funding
- Collection targets for Council Tax and Business Rates are missed

- Financial impact from IT security failure
- Business Rates pool fails to generate sufficient growth
- Fees and Charges fail to deliver sufficient income
- Other income fails to achieve budget
- Pension liability cannot be funded
- Litigation costs exceed budgeted provisions
- Increased complexity of government regulation
- Shared services fail to meet budget
- Council holds insufficient balances

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

- 3.5 The Council's risk management strategy and policies seek to identify risks such as those outlined above and to promote appropriate mitigations. Nevertheless, there will remain a degree of residual risk, and it is for this reason that it is appropriate to hold reserves.
- 3.6 The uncommitted General Fund balance as at 31 March 2024 is projected to be £16.2 million. Other earmarked balances are expected to total 20.5 million. A balanced budget position is projected for the coming year (2024/25). In this way, the uncommitted General Fund balance can be maintained at £16.2 million in 2024/25.
- 3.7 The Council has a good track record of managing within budget. In any case, the Council has sufficient revenue reserves to ensure that the level of uncommitted General Fund balances will remain well above the minimum of £4 million at all times. The level of reserves will remain under regular review and is reported to Members as part of the quarterly budget monitoring process.
- 3.8 Taking into account the risks that the Council faces, and the overall scale and scope of the Council's activities, I therefore consider the level of reserves to be adequate but not excessive.

4. Conclusion

- 4.1 I am of the opinion that the approach taken in developing the 2024/25 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves.

Mark Green
Director of Finance, Resources
and Business Improvement

Date: 21 February 2024

Guidance from the Monitoring Officer

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

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

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

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

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

REVENUE ESTIMATE 2024/25 to 2028/29

STRATEGIC REVENUE PROJECTION - SCENARIO 4

2023/24 £000		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
19,107	COUNCIL TAX	19,998	21,100	22,178	23,313	24,511
	BUSINESS RATES					
4,186	RETAINED BUSINESS RATES	4,456	4,545	4,454	4,365	4,278
2,453	BUSINESS RATES GROWTH	2,824	2,880	2,823	2,766	2,711
0	CHANGES TO LOCAL GOVERNMENT FUNDING	0	0	-818	-818	-818
	COLLECTION FUND ADJUSTMENT					
616	COLLECTION FUND ADJUSTMENT (COUNCIL TAX)	302	0	0	0	0
-2,501	COLLECTION FUND ADJUSTMENT (BUSINESS RATES)	86	0	0	0	0
1,916	COLLECTION FUND SMOOTHING	-388	0	0	0	0
25,777	RESOURCE - COUNCIL TAX AND BUSINESS RATES	27,277	28,526	28,637	29,627	30,681
26,212	OTHER INCOME	26,212	27,190	28,505	29,925	31,230
	FORECAST CHANGE IN INCOME	978	1,315	1,420	1,305	3,034
26,212	RESOURCES - OTHER INCOME	27,190	28,505	29,925	31,230	34,264
51,990	TOTAL RESOURCES AVAILABLE	54,467	57,030	58,562	60,857	64,945
51,202	CURRENT BUDGET / PROJECTED SPEND	51,990	54,633	57,286	59,512	61,245
	INFLATION & CONTRACT INCREASES					
	PAY, NI & INFLATION INCREASES	2,643	2,653	2,226	1,733	1,186
787	BUDGET SURPLUS / (GAP) - BEFORE PRESSURE AND SAVINGS	-165	-256	-949	-388	2,514
	SERVICE PRESSURES					
-541	PENSION DEFICIT FUNDING REDUCTION	25	26	26	26	26
1,057	ONE OFF PROVISION - WASTE CONTRACTS	143	0	0	0	0
0	REFUSE BINS – REPLACEMENT OF BROKEN BINS	100	0	0	0	0
600	TEMPORARY ACCOMMODATION	450	-250	-100	0	0
152	VACANT PROPERTIES	0	-152	0	0	0
50	MEMBERS ALLOWANCES	0	0	0	0	0
135	EXTERNAL AUDIT FEES	0	0	0	0	0
0	REVENUE COSTS OF CAPITAL PROGRAMME	963	3,777	3,690	2,877	2,580
50	GENERAL GROWTH PROVISION	50	50	50	50	50
0	INFLATIONARY CONTINGENCY	-1,000	0	0	0	0
0	PRESSURES FUNDED BY NHB/FUNDING GUARANTEE	700	0	0	0	0
1,504	PRESSURE AND SAVINGS	1,431	3,451	3,666	2,953	2,656
52,706	TOTAL PREDICTED REQUIREMENT	56,064	60,737	63,177	64,198	65,087
-716	BUDGET SURPLUS / GAP (-VE)	-1,596	-3,707	-4,615	-3,341	-142
690	NEW AND AMENDED SAVINGS / GROWTH (-VE)	1,596	-260	292	125	125
-27	SURPLUS / DEFICIT (-VE)	0	-3,967	-4,323	-3,216	-17

APPENDIX A**THE MAIDSTONE BOROUGH COUNCIL****STATEMENT OF COUNCIL TAX REQUIREMENT - 2024/25**

	£	£	BAND D £
MAIDSTONE BOROUGH COUNCIL NET SPEND		27,277,285	399.59
ADD:			
Parish Precepts		2,942,043	43.10
DEDUCT:			
Retained Business Rates	-4,455,678		
Business Rates Growth	-2,823,800		
		-7,279,478	-106.64
TOTAL COUNCIL TAX REQUIREMENT		<u>22,939,850</u>	336.05
ADD PRECEPTS			
Kent County Council Precept		94,054,884	1377.82
Kent County Council Adult Social Care Charge		15,905,407	233.00
Kent Police & Crime Commissioner Precept		17,485,708	256.15
Kent & Medway Fire & Rescue Authority Precept		<u>6,137,576</u>	<u>89.91</u>
TOTAL COUNCIL TAX REQUIREMENT		<u>156,523,426</u>	<u>2,292.93</u>
MAIDSTONE BOROUGH COUNCIL (EXCLUDING PARISH PRECEPTS)			292.95
TOTAL COUNCIL TAX (EXCLUDING PARISH PRECEPTS)			2,249.83
TAX BASE			68,263.6

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2023/24 AND ESTIMATE 2024/25

POLICY ADVISORY COMMITTEE SUMMARY

Policy Advisory Committee	Original Estimate 2023/24	Revised Estimate 2023/24	Estimate 2024/25
	£	£	£
Corporate Services	8,347,960	8,482,040	7,724,435
Planning, Infrastructure & Economic Development	372,870	553,030	-132,630
Housing, Health & Environment	11,074,860	11,255,030	12,484,990
Communities, Leisure & Arts	1,320,210	1,400,580	1,401,530
	21,115,900	21,690,680	21,478,325
Transfers to Reserves	4,661,220	4,086,440	5,798,960
Net Revenue Expenditure	25,777,120	25,777,120	27,277,285

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2023/243 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Contingency	1,096,140	1,338,420	446,295		446,295
Unapportionable Central Overheads	961,570	949,630	977,110		977,110
Non Service Related Government Grants	-4,661,220	-4,661,220		-5,098,960	-5,098,960
Appropriation Account	1,861,790	1,892,230	1,861,790		1,861,790
Pensions Fund Appropriation	0	0	0		0
Balances, Pensions & Appropriation	-741,720	-480,940	3,285,195	-5,098,960	-1,813,765
Street Naming & Numbering	-73,350	-73,350		-73,350	-73,350
Building Control	-73,350	-73,350	0	-73,350	-73,350
Sandling Road Site	30,150	4,900	228,810	-223,130	5,680
Business Support	30,150	4,900	228,810	-223,130	5,680
Council Tax Collection	66,180	67,780	122,900	-49,850	73,050
Council Tax Collection - Non Pooled	-376,060	-331,280	118,880	-466,730	-347,850
Council Tax Benefits Administration	-164,320	-139,920	31,770	-170,180	-138,410
NNDR Collection	1,810	1,810	3,790	-1,640	2,150
NNDR Collection - Non Pooled	-240,410	-230,410	57,670	-256,490	-198,820
MBC- BID	740	740	19,830	-19,030	800
Registration Of Electors	68,640	68,410	79,470	-2,640	76,830
Elections	164,260	164,380	120,500	-480	120,020
External Interest Payable & MRP	2,202,550	2,202,550	3,165,550		3,165,550
Interest & Investment Income	-150,000	-150,000		-500,000	-500,000
Central Services to the Public	1,573,390	1,654,060	3,720,360	-1,467,040	2,253,320
Palace Gatehouse	-7,270	7,730	5,270	0	5,270
Archbishops Palace	3,120	-1,900	42,800	0	42,800
Parkwood Industrial Estate	-301,400	-313,680	6,920	-322,770	-315,850
Industrial Starter Units	-18,400	-41,290	27,720	-67,600	-39,880
Parkwood Equilibrium Units	-93,180	-135,390	58,880	-190,550	-131,670
Sundry Corporate Properties	-179,810	7,010	60,380	-226,070	-165,690
Phoenix Park Units	-229,600	-239,060	26,020	-263,460	-237,440
Granada House - Commercial	-99,380	-91,640	89,930	-178,160	-88,230
MPH Residential Properties	-857,250	-876,490	147,690	-1,244,950	-1,097,260
Heronden Road Units	-158,920	-209,680	13,580	-222,300	-208,720
Boxmend Industrial Estate	-104,600	-117,630	12,800	-129,560	-116,760
Wren Industrial Estate	-108,220	-134,620	66,130	-200,610	-134,480
Commercial Investments	-2,154,910	-2,146,640	558,120	-3,046,030	-2,487,910
Corporate Projects	0	930	76,390	-75,940	450
Corporate Management	825,540	460,660	560,120		560,120
Corporate Management	825,540	461,590	636,510	-75,940	560,570
Democratic Services Section	286,320	289,100	310,030	-1,810	308,220
Mayoral & Civic Services Section	125,080	125,920	131,280		131,280
Chief Executive	197,850	194,770	201,830		201,830
Biodiversity & Climate Change	99,280	102,810	155,720		155,720
Director of Strategy Governance and Insight	131,680	134,300	134,300		134,300
Electoral Registration Section	94,050	94,780	103,930	-3,510	100,420
Director of Finance, Resources & Business Imp	148,270	145,030	156,120	-5,130	150,990
Accountancy Section	885,740	896,150	953,050	-25,440	927,610
Director of Regeneration & Place	156,480	153,240	159,530		159,530
Procurement Section	118,830	118,830	139,500	-14,730	124,770
Property & Projects Section	363,850	472,210	504,020	-6,270	497,750
Corporate Support Section	314,560	319,940	334,240		334,240
Improvement Section	252,200	253,630	290,470	-28,680	261,790
Executive Support Section	98,970	99,750	103,940		103,940
Emergency Planning & Resilience	134,180	169,460	176,890	-20,000	156,890
Head of Property and Leisure	115,790	117,620	124,210		124,210
Facilities Section	257,250	157,590	165,390		165,390
Town Centre Services Manager	0	65,630	70,350		70,350
Salary Slippage 1PR	-253,970	-279,140	-317,430		-317,430
Corporate Support Services	3,526,410	3,631,620	3,897,370	-105,570	3,791,800
Civic Occasions	46,030	46,520	48,710		48,710
Members Allowances	455,540	455,540	477,970		477,970
Members Facilities	18,300	18,430	19,370		19,370
Democratic Representation	519,870	520,490	546,050	0	546,050
Emergency Centre	23,680	23,560	24,580		24,580
Emergency Planning	23,680	23,560	24,580	0	24,580
Drainage	34,070	34,070	35,780		35,780
Climate change	7,050	14,050	37,400		37,400
Flood Defences & Land Drainage	41,120	48,120	73,180	0	73,180

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Housing Benefits Administration	-314,880	-285,980	87,670	-370,500	-282,830
Housing Benefit Administration	-314,880	-285,980	87,670	-370,500	-282,830
General Fund Residential Properties	-55,920	-53,200	12,670	-65,740	-53,070
Housing Strategy	-55,920	-53,200	12,670	-65,740	-53,070
Upper Maidway Internal Drainage Board	134,390	134,390	138,430		138,430
Levies	134,390	134,390	138,430	0	138,430
Maidstone House - Landlord	-413,080	-140,150	1,420,490	-1,596,870	-176,380
Town Hall	126,570	109,060	121,410	-1,500	119,910
South Maidstone Depot	177,360	224,900	189,100		189,100
The Link	49,590	60,420	349,650	-281,240	68,410
Maidstone House - MBC Tenant	683,000	480,440	576,120	-92,650	483,470
Museum Buildings	268,380	278,000	244,760	-1,230	243,530
Office Accommodation	891,820	1,012,670	2,901,530	-1,973,490	928,040
Maintenance of Closed Churchyards	11,030	6,030	7,910		7,910
Open Spaces	11,030	6,030	7,910	0	7,910
Rent Allowances	-114,070	-114,070	28,432,000	-28,546,070	-114,070
Non HRA Rent Rebates	-8,760	-8,760	1,426,050	-1,434,810	-8,760
Discretionary Housing Payments	0	0	231,980	-231,980	0
Rent Rebates	-122,830	-122,830	30,090,030	-30,212,860	-122,830
Revenues Section	570,350	530,820	929,730	-407,880	521,850
Benefits Section	553,610	512,030	830,350	-313,720	516,630
Fraud Section	40,990	45,910	271,270	-222,120	49,150
Mid Kent Audit Partnership	219,690	220,570	712,650	-540,180	172,470
Legal Services Section	659,430	659,430	771,160	-128,530	642,630
Mid Kent ICT Services	608,850	620,570	1,817,230	-1,146,260	670,970
GIS Section	129,130	130,440	228,840	-91,560	137,280
Director of Mid Kent Services	48,940	45,980	150,310	-99,820	50,490
Mid Kent HR Services Section	418,410	422,820	720,210	-281,400	438,810
MBC HR Services Section	177,450	103,220	189,070	-2,350	186,720
Head of Revenues & Benefits	84,400	64,630	81,190	-33,100	48,090
Revenues & Benefits Business Support	117,100	156,050	253,090	-102,150	150,940
Dartford HR Services Section	-15,740	-16,040	66,810	-83,510	-16,700
IT Support for Revenues and Benefits	27,390	0	0	0	0
I.T. Operational Services	664,490	664,490	689,720		689,720
Central Telephones	16,290	16,290	17,100		17,100
Shared Services	4,320,780	4,177,210	7,728,730	-3,452,580	4,276,150
Apprentices Programme	54,180	73,700	55,870		55,870
Internal Printing	-920	-920	58,800	-61,920	-3,120
Debt Recovery Service	-19,430	-19,410	959,700	-980,000	-20,300
Debt Recovery MBC Profit Share	-120,440	-83,030		-79,970	-79,970
Trading Accounts	-86,610	-29,660	1,074,370	-1,121,890	-47,520
Corporate Services	8,347,960	8,482,040	55,011,515	-47,287,080	7,724,435

CORPORATE SERVICES POLICY ADVISORY COMMITTEE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	863,670	863,670	906,860
Allowances	453,760	453,760	476,450
Benefits	31,268,120	30,090,030	30,090,030
Employee Direct	9,364,690	9,816,710	10,211,390
Employee Other	1,625,100	1,135,240	1,128,570
Equipment & Furniture	1,060,110	901,730	875,830
Fees & Charges	-1,175,760	-1,074,730	-1,445,850
General Insurances	15,140	15,140	16,710
Grants & Contributions Paid	2,304,090	2,330,920	3,277,150
Grants & Contributions Received	-40,314,840	-39,201,960	-39,241,970
Income Other	-1,432,960	-1,647,360	-2,006,220
Information & Communications	1,890	1,820	1,900
Leasing & Capital Charges	1,861,790	1,892,230	1,861,790
Premises Other	1,022,990	1,203,830	1,048,220
Printing & Stationery	107,250	107,020	111,770
Professional Services	944,990	1,113,450	1,092,390
Rent	-3,753,920	-4,356,270	-4,593,040
Repairs & Maintenance	795,390	988,460	969,870
Security & Protection	37,210	182,510	191,660
Subsistence & Training	190,770	119,350	200,200
Supplies & Services Other	2,004,650	2,384,160	1,350,355
Utilities	989,100	1,063,430	1,101,530
Vehicle & Transport	114,730	98,900	98,840
Corporate Services	8,347,960	8,482,040	7,724,435

PLANNING, INFRASTRUCTURE & ECONOMIC DEVELOPMENT POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2023/243 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Building Regulations Chargeable	-394,790	-394,790	8,140	-442,540	-434,400
Building Control	-1,040	-1,040		-1,090	-1,090
Building Control	-395,830	-395,830	8,140	-443,630	-435,490
Innovation Centre	-35,590	-61,150	447,450	-500,370	-52,920
Business Support & Enterprise	0	22,690	5,730		5,730
Business Terrace - Incubator Units	99,480	100,110	162,770	-62,850	99,920
Business Terrace - 1st Floor MH	-10,840	-37,450	211,740	-245,480	-33,740
Business Support	53,050	24,200	827,690	-808,700	18,990
Land Charges	-263,370	-262,280	25,440	-286,900	-261,460
Central Services to the Public	-263,370	-262,280	25,440	-286,900	-261,460
Spatial Policy Planning Section	345,670	489,280	263,490		263,490
Head of Planning and Development	118,920	116,380	121,080		121,080
Building Surveying Section	511,880	520,720	545,740		545,740
Economic Development Section	77,920	31,850	18,000	-15,330	2,670
Heritage Landscape and Design Section	347,780	350,760	369,180		369,180
Innovation Centre Section	213,130	220,680	296,870	-60,490	236,380
CIL Management Section	11,570	12,470	112,540	-147,250	-34,710
Development Management Section – Majors	314,060	240,680	247,470		247,470
Development Management Section – Others	1,144,950	1,158,930	1,225,670		1,225,670
Head of Spatial Planning and Economic Develop	115,540	111,960	116,730		116,730
Parking Services Section	404,380	410,380	581,980	-148,630	433,350
Salary Slippage 2SPI	-175,280	-175,280	-202,550		-202,550
Corporate Support Services	3,430,520	3,488,810	3,696,200	-371,700	3,324,500
Development Control Advice	-292,700	-292,700		-344,200	-344,200
Development Control Appeals	138,450	138,450	145,370		145,370
Development Control Majors	-557,030	-557,030	23,870	-654,740	-630,870
Development Control - Other	-771,760	-774,580	6,980	-856,220	-849,240
Development Control Enforcement	74,800	74,800	78,540		78,540
Development Control	-1,408,240	-1,411,060	254,760	-1,855,160	-1,600,400
Economic Dev - Promotion & Marketing	2,300	108,400	6,090	-3,500	2,590
Economic Development	2,300	108,400	6,090	-3,500	2,590
Environment Improvements	7,310	42,660	8,090		8,090
Name Plates & Notices	20,420	20,420	21,450		21,450
Network & Traffic Management	27,730	63,080	29,540	0	29,540
On Street Parking	-314,030	-307,680	498,440	-783,270	-284,830
Residents Parking	-195,910	-197,300	67,890	-261,280	-193,390
Pay & Display Car Parks	-1,328,660	-1,334,580	603,920	-1,949,630	-1,345,710
Non Paying Car Parks	15,290	15,290	16,070	-10	16,060
Off Street Parking - Enforcement	-87,890	-92,850	193,030	-276,690	-83,660
Mote Park Pay & Display	-194,010	-194,190	35,500	-228,500	-193,000
Sandling Road Car Park	-670	-740	4,420	-55,160	-50,740
Parking Services	-2,105,880	-2,112,050	1,419,270	-3,554,540	-2,135,270
Planning Policy	520,750	549,470	525,540		525,540
Neighbourhood Planning	-20,000	-20,000		-20,000	-20,000
Conservation	-11,390	-11,390	4,340	-15,600	-11,260
Planning Policy	489,360	518,080	529,880	-35,600	494,280
Park & Ride	109,040	101,690	0		0
Other Transport Services	-2,900	-5,150	32,490	-36,110	-3,620
Public Transport	106,140	96,540	32,490	-36,110	-3,620
Mid Kent Planning Support Service	349,860	356,140	616,930	-234,530	382,400
Mid Kent Local Land Charges Section	87,230	79,000	191,910	-140,600	51,310
Shared Services	437,090	435,140	808,840	-375,130	433,710
Planning, Infrastructure & Economic Development	372,870	553,030	7,638,340	-7,770,970	-132,630

**PLANNING, INFRASTRUCTURE & ECONOMIC DEVELOPMENT POLICY ADVISORY
COMMITTEE - SUBJECTIVE ANALYSIS**

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	580,790	574,310	603,040
Employee Direct	4,312,990	4,358,380	4,529,820
Employee Other	-137,430	-49,660	-404,570
Equipment & Furniture	103,890	104,220	109,150
Fees & Charges	-5,747,350	-5,780,170	-6,063,570
General Insurances	20,590	18,960	20,140
Grants & Contributions Paid	21,360	62,950	22,360
Grants & Contributions Received	-813,480	-671,420	-686,470
Income Other	-379,610	-301,940	-365,240
Information & Communications	41,160	41,160	43,220
Premises Other	685,090	645,230	583,340
Printing & Stationery	27,310	26,330	27,640
Professional Services	943,420	982,804	983,520
Rent	-520,520	-650,990	-655,690
Repairs & Maintenance	440,580	435,460	448,650
Security & Protection	87,100	100,870	91,460
Subsistence & Training	7,700	20,190	7,960
Supplies & Services Other	478,060	392,576	324,550
Utilities	161,210	181,620	185,790
Vehicle & Transport	60,010	62,150	62,270
Planning, Infrastructure & Economic Development	372,870	553,030	-132,630

HOUSING, HEALTH & ENVIRONMENT POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2023/243 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Cemetery	-23,560	-20,720	236,110	-243,080	-6,970
National Assistance Act	-430	-430	2,430	-2,880	-450
Crematorium	-966,480	-963,350	644,620	-1,578,700	-934,080
Bereavement Services	-990,470	-984,500	883,160	-1,824,660	-941,500
Social Inclusion	0	0	0	0	0
Community Development	0	0	0	0	0
Community Safety	32,590	32,590	34,230	0	34,230
PCC Grant - Building Safer Communities	0	0	34,390	-34,390	0
C C T V	37,450	38,230	39,780		39,780
Community Safety	70,040	70,820	108,400	-34,390	74,010
Head of Environment and Public Realm	120,320	117,850	122,700		122,700
Bereavement Services Section	315,510	307,890	324,850		324,850
Community Partnerships & Resilience Section	539,840	546,320	560,220		560,220
Licensing Section	124,740	125,750	131,090		131,090
Environmental Protection Section	294,430	294,430	309,150		309,150
Food and Safety Section	288,460	288,460	302,880		302,880
Depot Services Section	922,480	948,950	1,009,380	-38,520	970,860
New Business & Housing Development	119,760	202,570	393,180	-176,000	217,180
Head of Housing & Community Services	118,370	116,030	120,490		120,490
Homechoice Section	235,440	239,190	365,920	-117,740	248,180
Housing Advice Section	318,020	243,760	1,051,850	-797,310	254,540
Housing Standards Team	290,330	294,640	334,330	-23,360	310,970
Housing Management	243,770	337,490	572,970	-224,800	348,170
Homelessness Outreach	48,270	78,320	557,550	-477,390	80,160
Accommodation Resource Team	0	41,830	178,990	-131,680	47,310
Housing and Inclusion	0	1,750	200,960	-199,780	1,180
Salary Slippage 3CHE	-439,110	-439,110	-401,420		-401,420
Corporate Support Services	3,540,630	3,746,120	6,135,090	-2,186,580	3,948,510
Dwellings rents (gross) Affordable	0	-42,000		-42,000	-42,000
Insurance Costs Paid By The Landlord	0	710	1,680		1,680
Homeless Temporary Accommodation	910,280	910,280	2,214,790	-920,470	1,294,320
Homelessness Prevention	186,820	182,480	156,550	0	156,550
Aylesbury House	49,890	30,990	105,290	-69,140	36,150
Magnolia House	2,200	44,350	99,390	-50,240	49,150
St Martins House	680	5,180	18,290	-12,240	6,050
Marsham Street	71,260	38,130	165,880	-115,500	50,380
Sundry Temporary Accommodation (TA) Properties	-8,180	22,970	80,830	-50,700	30,130
2 Bed Property - Temporary Accommodation	-26,200	-24,710	120,350	-137,760	-17,410
3 Bed Property - Temporary Accommodation	-64,400	-55,820	107,570	-155,760	-48,190
4 bed Property - Temporary Accommodation	9,610	-14,390	55,520	-66,140	-10,620
1 Bed Property- Temporary Accommodation	-2,970	17,350	32,880	-13,730	19,150
Trinity	31,240	-12,360	218,270	-220,000	-1,730
Chillington House	-4,740	-1,560	12,550	-16,250	-3,700
276 Willington Street	0	10,290	10,830	0	10,830
St Pauls Vicarage	0	4,340	0	0	0
Homelessness	1,155,490	1,116,230	3,400,670	-1,869,930	1,530,740
Housing Register & Allocations	14,790	14,790	15,530		15,530
Housing Advice	14,790	14,790	15,530	0	15,530
Strategic Housing Role	12,440	12,440	13,060		13,060
Housing Strategy	12,440	12,440	13,060	0	13,060
Parks & Open Spaces	995,060	982,570	1,217,590	-181,950	1,035,640
Playground Maintenance & Improvements	151,570	150,610	159,070		159,070
Parks Pavilions	48,180	32,530	34,010	-10	34,000
Mote Park	286,500	337,190	379,740	-17,410	362,330
Allotments	14,390	14,450	15,390		15,390
Open Spaces	1,495,700	1,517,350	1,805,800	-199,370	1,606,430
Marden Caravan Site (Stilebridge Lane)	20,440	-21,690	10,720	-31,860	-21,140
Ulcombe Caravan Site (Water Lane)	7,020	7,100	51,600	-42,000	9,600
Other Council Properties	27,460	-14,590	62,320	-73,860	-11,540

HOUSING, HEALTH & ENVIRONMENT POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2023/243 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Private Sector Renewal	-46,950	-46,950	3,200	-50,000	-46,800
HMO Licensing	-20,380	-20,380		-33,270	-33,270
Private Sector Housing Renewal	-67,330	-67,330	3,200	-83,270	-80,070
Lettable Halls	-3,620	-3,510	8,370	-12,020	-3,650
Community Halls	52,780	53,090	48,040	-18,560	29,480
Recreation & Sport	49,160	49,580	56,410	-30,580	25,830
Recycling Collection	1,937,410	1,846,260	3,801,960	-1,688,990	2,112,970
Recycling	1,937,410	1,846,260	3,801,960	-1,688,990	2,112,970
Licences	-4,810	3,470	26,800	-23,160	3,640
Licensing Statutory	-63,330	-63,330	89,330	-155,840	-66,510
Licensing Non Chargeable	8,520	8,520	8,950		8,950
Animal Licensing	0	-8,280		-8,690	-8,690
Dog Control	30,340	30,340	35,960	-3,900	32,060
Health Improvement Programme	5,640	5,640	5,920		5,920
Pollution Control - General	10,130	16,460	26,100	-14,870	11,230
Contaminated Land	-2,840	-2,840	1,220	-4,000	-2,780
Waste Crime	-1,000	3,880	33,070	-28,130	4,940
Food Hygiene	9,700	9,700	13,940	-3,570	10,370
Sampling	3,830	3,830	4,020		4,020
Occupational Health & Safety	-7,550	-7,550		-11,380	-11,380
Infectious Disease Control	1,390	1,370	1,540		1,540
Noise Control	1,280	1,290	1,360		1,360
Pest Control	-11,840	-11,840	160	-12,000	-11,840
Public Conveniences	319,770	273,530	229,520		229,520
Licensing - Hackney & Private Hire	-67,000	-67,000	83,010	-153,360	-70,350
Regulatory Services	232,230	197,190	560,900	-418,900	142,000
Street Cleansing	1,267,350	1,312,540	1,410,840	-44,390	1,366,450
Street Cleansing	1,267,350	1,312,540	1,410,840	-44,390	1,366,450
Commercial Waste Services	-52,340	-44,600	237,630	-276,250	-38,620
Trade Waste	-52,340	-44,600	237,630	-276,250	-38,620
Fleet Workshop & Management	250,820	250,430	261,820		261,820
MBS Support Crew	-53,600	-43,930	98,030	-147,420	-49,390
Trading Accounts	197,220	206,500	359,850	-147,420	212,430
Household Waste Collection	2,185,080	2,276,230	2,706,830	-198,070	2,508,760
Waste Collection	2,185,080	2,276,230	2,706,830	-198,070	2,508,760
Housing, Health & Environment	11,074,860	11,255,030	21,561,650	-9,076,660	12,484,990

HOUSING, HEALTH & ENVIRONMENT POLICY ADVISORY COMMITTEE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	6,897,330	6,826,530	7,309,470
Employee Direct	7,114,450	7,727,760	8,012,570
Employee Other	171,640	166,560	85,740
Equipment & Furniture	584,090	589,620	603,600
Fees & Charges	-3,427,280	-3,401,270	-3,554,160
General Insurances	16,760	14,380	15,400
Grants & Contributions Paid	33,080	105,010	23,100
Grants & Contributions Received	-1,819,850	-3,607,910	-2,206,450
Income Other	-1,650,110	-1,696,170	-1,555,030
Information & Communications	44,310	31,260	45,570
Premises Other	558,940	598,890	648,080
Printing & Stationery	19,160	24,860	23,410
Professional Services	1,369,410	2,271,750	2,538,170
Rent	-1,003,780	-1,770,430	-1,761,020
Repairs & Maintenance	802,670	789,110	817,800
Security & Protection	68,290	65,200	68,460
Subsistence & Training	110	41,500	120
Supplies & Services Other	579,530	1,717,970	542,310
Utilities	311,420	357,420	424,620
Vehicle & Transport	404,690	402,990	403,230
Housing, Health & Environment	11,074,860	11,255,030	12,484,990

COMMUNITIES, LEISURE & ARTS POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Grants	165,950	165,950	170,930		170,930
Delegated Grants	2,140	2,140	2,200		2,200
Parish Services	144,490	139,410	143,720		143,720
Central Services to the Public	312,580	307,500	316,850	0	316,850
Lockmeadow	242,530	242,530	418,790	-164,130	254,660
Lockmeadow Complex	-1,452,480	-1,521,450	1,357,740	-2,862,050	-1,504,310
Commercial Investments	-1,209,950	-1,278,920	1,776,530	-3,026,180	-1,249,650
Performance & Development	47,520	117,370	49,910		49,910
Press & Public Relations	4,660	4,660	37,890	0	37,890
Corporate Management	52,180	122,030	87,800	0	87,800
Leisure Services Section	68,300	70,570	114,860	-41,720	73,140
Cultural Services Section	406,070	337,320	351,040		351,040
Visitor Economy Section	96,140	134,060	103,670		103,670
Market Section	94,880	97,320	101,430		101,430
Communications Section	256,080	261,220	271,030	-460	270,570
Policy & Information Section	512,010	553,820	596,530	0	596,530
Customer Services Section	730,150	734,450	775,930		775,930
Salary Slippage 4ERL	-43,250	-43,250	-104,660		-104,660
Corporate Support Services	2,120,380	2,145,510	2,209,830	-42,180	2,167,650
Cultural Development Arts	71,880	70,130	73,620	0	73,620
Museum	19,790	25,100	105,240	-76,690	28,550
Carriage Museum	4,310	6,620	9,030	-1,600	7,430
Museum-Grant Funded Activities	0	10	0	0	0
Hazlitt Arts Centre	330,710	334,820	353,360		353,360
Festivals and Events	-26,220	13,800	5,570	0	5,570
Culture & Heritage	400,470	450,480	546,820	-78,290	468,530
Market	26,030	26,940	139,410	-112,040	27,370
Economic Development	26,030	26,940	139,410	-112,040	27,370
Mote Park Adventure Zone	-72,230	-76,500	5,700	-86,000	-80,300
Mote Park Cafe	-63,930	-65,260	11,740	-75,630	-63,890
Parks & Open Spaces Leisure Activities	-1,600	-1,600		-1,600	-1,600
Mote Park Leisure Activities	-19,690	-43,030	0	-43,030	-43,030
Open Spaces	-157,450	-186,390	17,440	-206,260	-188,820
Leisure Centre	-186,380	-140,740	40,310	-220,500	-180,190
Cobtree Golf Course	-35,000	-35,000		-36,750	-36,750
Recreation & Sport	-221,380	-175,740	40,310	-257,250	-216,940
Tourism	19,630	11,450	37,750	-25,620	12,130
Museum Shop	-22,280	-22,280	12,890	-36,280	-23,390
Tourism	-2,650	-10,830	50,640	-61,900	-11,260
Communities, Leisure & Arts	1,320,210	1,400,580	5,185,630	-3,784,100	1,401,530

**COMMUNITIES, LEISURE & ARTS POLICY ADVISORY COMMITTEE -
SUBJECTIVE ANALYSIS**

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	295,740	312,340	317,090
Employee Direct	2,144,560	2,224,170	2,106,970
Employee Other	-26,600	-9,260	37,620
Equipment & Furniture	17,050	17,760	17,570
Fees & Charges	-143,690	-191,810	-180,790
General Insurances	38,470	38,570	40,500
Grants & Contributions Paid	334,010	405,820	340,470
Grants & Contributions Received	0	-316,360	0
Income Other	-1,600,850	-1,731,700	-1,756,680
Information & Communications	48,870	54,390	51,320
Premises Other	349,020	335,780	358,090
Printing & Stationery	4,120	37,420	7,400
Professional Services	1,014,770	1,310,380	1,191,790
Rent	-1,820,440	-1,837,840	-1,846,630
Repairs & Maintenance	388,730	408,670	428,440
Security & Protection	5,800	9,190	6,090
Subsistence & Training	740	5,430	780
Supplies & Services Other	247,280	290,450	240,730
Utilities	10,590	30,650	34,240
Vehicle & Transport	12,040	6,530	6,530
Communities, Leisure & Arts	1,320,210	1,400,580	1,401,530

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2023/24 AND ESTIMATE 2024/25

PRIORITY SUMMARY

Priority	Original Estimate 2023/24	Revised Estimate 2023/24	Estimate 2024/25
	£	£	£
Safe, Clean and Green	9,096,850	9,232,160	10,012,560
Homes and Communities	1,678,090	1,676,330	1,924,750
Thriving Place	1,409,110	1,481,690	1,305,850
Embracing Growth and Enabling Infrastructure	12,860	157,870	-380,790
Central and Democratic	8,918,990	9,142,630	8,615,955
	21,115,900	21,690,680	21,478,325
Transfers to Reserves	4,661,220	4,086,440	5,798,960
Net Revenue Expenditure	25,777,120	25,777,120	27,277,285

SAFE, CLEAN & GREEN

Cost Centre/Service	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Cemetery	-23,560	-20,720	236,110	-243,080	-6,970
National Assistance Act	-430	-430	2,430	-2,880	-450
Crematorium	-966,480	-963,350	644,620	-1,578,700	-934,080
Bereavement Services	-990,470	-984,500	883,160	-1,824,660	-941,500
Community Safety	32,590	32,590	34,230	0	34,230
PCC Grant - Building Safer Communities	0	0	34,390	-34,390	0
C C T V	37,450	38,230	39,780		39,780
Community Safety	70,040	70,820	108,400	-34,390	74,010
Head of Environment and Public Realm	120,320	117,850	122,700		122,700
Bereavement Services Section	315,510	307,890	324,850		324,850
Community Partnerships & Resilience Section	539,840	546,320	560,220		560,220
Licensing Section	124,740	125,750	131,090		131,090
Environmental Protection Section	294,430	294,430	309,150		309,150
Food and Safety Section	288,460	288,460	302,880		302,880
Depot Services Section	922,480	948,950	1,009,380	-38,520	970,860
New Business & Housing Development	119,760	202,570	393,180	-176,000	217,180
Corporate Support Services	2,725,540	2,832,220	3,153,450	-214,520	2,938,930
Drainage	34,070	34,070	35,780		35,780
Climate change	7,050	14,050	37,400		37,400
Flood Defences & Land Drainage	41,120	48,120	73,180	0	73,180
Upper Medway Internal Drainage Board	134,390	134,390	138,430		138,430
Levies	134,390	134,390	138,430	0	138,430
Mote Park Adventure Zone	-72,230	-76,500	5,700	-86,000	-80,300
Parks & Open Spaces	995,060	982,570	1,217,590	-181,950	1,035,640
Playground Maintenance & Improvements	151,570	150,610	159,070		159,070
Parks Pavilions	48,180	32,530	34,010	-10	34,000
Mote Park	286,500	337,190	379,740	-17,410	362,330
Mote Park Cafe	-63,930	-65,260	11,740	-75,630	-63,890
Parks & Open Spaces Leisure Activities	-1,600	-1,600		-1,600	-1,600
Mote Park Leisure Activities	-19,690	-43,030	0	-43,030	-43,030
Allotments	14,390	14,450	15,390		15,390
Maintenance of Closed Churchyards	11,030	6,030	7,910		7,910
Open Spaces	1,349,280	1,336,990	1,831,150	-405,630	1,425,520
Recycling Collection	1,937,410	1,846,260	3,801,960	-1,688,990	2,112,970
Recycling	1,937,410	1,846,260	3,801,960	-1,688,990	2,112,970
Licences	-4,810	3,470	26,800	-23,160	3,640
Licensing Statutory	-63,330	-63,330	89,330	-155,840	-66,510
Licensing Non Chargeable	8,520	8,520	8,950		8,950
Animal Licensing	0	-8,280		-8,690	-8,690
Dog Control	30,340	30,340	35,960	-3,900	32,060
Health Improvement Programme	5,640	5,640	5,920		5,920
Pollution Control - General	10,130	16,460	26,100	-14,870	11,230
Contaminated Land	-2,840	-2,840	1,220	-4,000	-2,780
Waste Crime	-1,000	3,880	33,070	-28,130	4,940
Food Hygiene	9,700	9,700	13,940	-3,570	10,370
Sampling	3,830	3,830	4,020		4,020
Occupational Health & Safety	-7,550	-7,550		-11,380	-11,380
Infectious Disease Control	1,390	1,370	1,540		1,540
Noise Control	1,280	1,290	1,360		1,360
Pest Control	-11,840	-11,840	160	-12,000	-11,840
Public Conveniences	319,770	273,530	229,520		229,520
Licensing - Hackney & Private Hire	-67,000	-67,000	83,010	-153,360	-70,350
Regulatory Services	232,230	197,190	560,900	-418,900	142,000
Street Cleansing	1,267,350	1,312,540	1,410,840	-44,390	1,366,450
Street Cleansing	1,267,350	1,312,540	1,410,840	-44,390	1,366,450
Commercial Waste Services	-52,340	-44,600	237,630	-276,250	-38,620
Trade Waste	-52,340	-44,600	237,630	-276,250	-38,620
Fleet Workshop & Management	250,820	250,430	261,820		261,820
MBS Support Crew	-53,600	-43,930	98,030	-147,420	-49,390
Trading Accounts	197,220	206,500	359,850	-147,420	212,430
Household Waste Collection	2,185,080	2,276,230	2,706,830	-198,070	2,508,760
Waste Collection	2,185,080	2,276,230	2,706,830	-198,070	2,508,760
Safe, Clean & Green	9,096,850	9,232,160	15,265,780	-5,253,220	10,012,560

SAFE, CLEAN & GREEN - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	6,897,330	6,843,130	7,309,470
Employee Direct	4,629,170	4,866,690	5,112,510
Employee Other	106,450	53,030	40,700
Equipment & Furniture	511,770	512,820	527,640
Fees & Charges	-3,354,330	-3,368,260	-3,491,660
General Insurances	26,000	19,780	21,100
Grants & Contributions Paid	25,440	23,920	15,070
Grants & Contributions Received	-31,880	-317,970	-34,390
Income Other	-1,739,840	-1,816,360	-1,697,080
Information & Communications	27,910	26,990	28,350
Premises Other	273,600	287,590	303,080
Printing & Stationery	17,420	23,420	21,580
Professional Services	250,760	496,990	265,210
Rent	-27,950	-28,690	-30,090
Repairs & Maintenance	466,030	437,150	457,210
Security & Protection	8,210	8,210	8,620
Subsistence & Training	110	25,300	120
Supplies & Services Other	361,950	456,670	409,820
Utilities	286,670	309,970	372,810
Vehicle & Transport	362,030	371,780	372,490
Safe, Clean & Green	9,096,850	9,232,160	10,012,560

HOMES & COMMUNITIES

Cost Centre/Service	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Grants	165,950	165,950	170,930		170,930
Delegated Grants	2,140		2,200		2,200
Parish Services	144,490	139,410	143,720		143,720
Central Services to the Public	312,580	307,500	316,850	0	316,850
MPH Residential Properties	-857,250	-876,490	147,690	-1,244,950	-1,097,260
Commercial Investments	-857,250	-876,490	147,690	-1,244,950	-1,097,260
Social Inclusion	0	0	0	0	0
Community Development	0	0	0	0	0
Homechoice Section	235,440	239,190	365,920	-117,740	248,180
Housing Advice Section	318,020	243,760	1,051,850	-797,310	254,540
Housing Standards Team	290,330	294,640	334,330	-23,360	310,970
Housing Management	243,770	337,490	572,970	-224,800	348,170
Homelessness Outreach	48,270	78,320	557,550	-477,390	80,160
Accommodation Resource Team	0	41,830	178,990	-131,680	47,310
Housing and Inclusion	0	1,750	200,960	-199,780	1,180
Corporate Support Services	1,135,830	1,236,980	3,262,570	-1,972,060	1,290,510
Dwellings rents (gross) Affordable	0	-42,000		-42,000	-42,000
Insurance Costs Paid By The Landlord	0	710	1,680		1,680
Homeless Temporary Accommodation	910,280	910,280	2,214,790	-920,470	1,294,320
Homelessness Prevention	186,820	182,480	156,550	0	156,550
Aylesbury House	49,890	30,990	105,290	-69,140	36,150
Magnolia House	2,200	44,350	99,390	-50,240	49,150
St Martins House	680	5,180	18,290	-12,240	6,050
Marsham Street	71,260	38,130	165,880	-115,500	50,380
Sundry Temporary Accommodation (TA) Properties	-8,180	22,970	80,830	-50,700	30,130
2 Bed Property - Temporary Accommodation	-26,200	-24,710	120,350	-137,760	-17,410
3 Bed Property - Temporary Accommodation	-64,400	-55,820	107,570	-155,760	-48,190
4 bed Property - Temporary Accommodation	9,610	-14,390	55,520	-66,140	-10,620
1 Bed Property- Temporary Accommodation	-2,970	17,350	32,880	-13,730	19,150
Trinity	31,240	-12,360	218,270	-220,000	-1,730
Chillington House	-4,740	-1,560	12,550	-16,250	-3,700
276 Willington Street	0	10,290	10,830	0	10,830
St Pauls Vicarage	0	4,340	0	0	0
Homelessness	1,155,490	1,116,230	3,400,670	-1,869,930	1,530,740
Housing Register & Allocations	14,790	14,790	15,530		15,530
Housing Advice	14,790	14,790	15,530	0	15,530
General Fund Residential Properties	-55,920	-53,200	12,670	-65,740	-53,070
Strategic Housing Role	12,440	12,440	13,060		13,060
Housing Strategy	-43,480	-40,760	25,730	-65,740	-40,010
Marden Caravan Site (Stilebridge Lane)	20,440	-21,690	10,720	-31,860	-21,140
Ulcombe Caravan Site (Water Lane)	7,020	7,100	51,600	-42,000	9,600
Other Council Properties	27,460	-14,590	62,320	-73,860	-11,540
Private Sector Renewal	-46,950	-46,950	3,200	-50,000	-46,800
HMO Licensing	-20,380	-20,380		-33,270	-33,270
Private Sector Housing Renewal	-67,330	-67,330	3,200	-83,270	-80,070
Public Health - Obesity	0	0	0	0	0
Public Health - Misc Services	0	0	0	0	0
Public Health	0	0	0	0	0
Homes & Communities	1,678,090	1,676,330	7,234,560	-5,309,810	1,924,750

HOMES & COMMUNITIES - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Employee Direct	2,820,050	3,197,450	3,194,200
Employee Other	44,940	94,180	25,260
Equipment & Furniture	63,670	76,650	68,970
Fees & Charges	-94,240	-94,240	-107,130
General Insurances	150	0	0
Grants & Contributions Paid	319,740	388,110	324,370
Grants & Contributions Received	-1,787,970	-3,289,940	-2,172,060
Income Other	-48,920	-18,460	-3,540
Information & Communication	16,400	4,270	17,220
Premises Other	298,140	353,980	392,740
Printing & Stationery	1,740	1,940	1,830
Professional Services	1,119,910	1,777,220	2,275,560
Rent	-1,910,040	-2,807,440	-3,027,080
Repairs & Maintenance	383,830	440,670	460,170
Security & Protection	60,080	58,290	61,220
Subsistence & Training	0	16,000	0
Supplies & Services Other	217,450	1,278,310	206,340
Utilities	132,480	170,110	177,920
Vehicle & Transport	40,680	29,230	28,760
Homes & Communities	1,678,090	1,676,330	1,924,750

THRIVING PLACE

Cost Centre/Service	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Sandling Road Site	30,150	4,900	228,810	-223,130	5,680
Innovation Centre	-35,590	-61,150	447,450	-500,370	-52,920
Business Support & Enterprise	0	22,690	5,730		5,730
Business Terrace - Incubator Units	99,480	100,110	162,770	-62,850	99,920
Business Terrace - 1st Floor MH	-10,840	-37,450	211,740	-245,480	-33,740
Business Support	83,200	29,100	1,056,500	-1,031,830	24,670
Leisure Services Section	68,300	70,570	114,860	-41,720	73,140
Cultural Services Section	406,070	337,320	351,040		351,040
Visitor Economy Section	96,140	134,060	103,670		103,670
Economic Development Section	77,920	31,850	18,000	-15,330	2,670
Market Section	94,880	97,320	101,430		101,430
Innovation Centre Section	213,130	220,680	296,870	-60,490	236,380
Head of Spatial Planning and Economic Develop	115,540	111,960	116,730		116,730
Corporate Support Services	1,071,980	1,003,760	1,102,600	-117,540	985,060
Cultural Development Arts	71,880	70,130	73,620	0	73,620
Museum	19,790	25,100	105,240	-76,690	28,550
Carriage Museum	4,310	6,620	9,030	-1,600	7,430
Museum-Grant Funded Activities	0	10	0	0	0
Hazlitt Arts Centre	330,710	334,820	353,360		353,360
Festivals and Events	-26,220	13,800	5,570	0	5,570
Culture & Heritage	400,470	450,480	546,820	-78,290	468,530
Market	26,030	26,940	139,410	-112,040	27,370
Economic Dev - Promotion & Marketing	2,300	108,400	6,090	-3,500	2,590
Economic Development	28,330	135,340	145,500	-115,540	29,960
Lettable Halls	-3,620	-3,510	8,370	-12,020	-3,650
Community Halls	52,780	53,090	48,040	-18,560	29,480
Leisure Centre	-186,380	-140,740	40,310	-220,500	-180,190
Cobtree Golf Course	-35,000	-35,000		-36,750	-36,750
Recreation & Sport	-172,220	-126,160	96,720	-287,830	-191,110
Tourism	19,630	11,450	37,750	-25,620	12,130
Museum Shop	-22,280	-22,280	12,890	-36,280	-23,390
Tourism	-2,650	-10,830	50,640	-61,900	-11,260
Thriving Place	1,409,110	1,481,690	2,998,780	-1,692,930	1,305,850

THRIVING PLACE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	344,120	353,120	377,350
Employee Direct	1,110,710	1,112,360	1,031,190
Employee Other	-95,540	-112,520	-113,440
Equipment & Furniture	36,460	37,170	37,950
Fees & Charges	-125,900	-134,080	-139,660
General Insurances	32,310	37,120	39,470
Grants & Contributions Paid	17,980	102,010	19,980
Grants & Contributions Received	-285,820	-372,230	-151,190
Income Other	-472,960	-566,830	-593,560
Information & Communications	70,840	71,360	74,390
Premises Other	458,180	411,110	426,020
Printing & Stationery	12,400	13,630	13,930
Professional Services	163,190	379,560	182,430
Rent	-548,640	-796,530	-808,520
Repairs & Maintenance	276,270	309,470	323,910
Security & Protection	3,940	151,330	155,340
Subsistence & Training	5,300	18,900	5,560
Supplies & Services Other	226,720	272,710	221,250
Utilities	168,150	188,140	197,560
Vehicle & Transport	11,400	5,890	5,890
Thriving Place	1,409,110	1,481,690	1,305,850

EMBRACING GROWTH & ENABLING INFRASTRUCTURE

Cost Centre/Service	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
Building Regulations Chargeable	-394,790	-394,790	8,140	-442,540	-434,400
Building Control	-1,040	-1,040		-1,090	-1,090
Street Naming & Numbering	-73,350	-73,350		-73,350	-73,350
Building Control	-469,180	-469,180	8,140	-516,980	-508,840
Land Charges	-263,370	-262,280	25,440	-286,900	-261,460
Central Services to the Public	-263,370	-262,280	25,440	-286,900	-261,460
Spatial Policy Planning Section	345,670	489,280	263,490		263,490
Head of Planning and Development	118,920	116,380	121,080		121,080
Building Surveying Section	511,880	520,720	545,740		545,740
Heritage Landscape and Design Section	347,780	350,760	369,180		369,180
CIL Management Section	11,570	12,470	112,540	-147,250	-34,710
Development Management Section – Majors	314,060	240,680	247,470		247,470
Development Management Section – Others	1,144,950	1,158,930	1,225,670		1,225,670
Parking Services Section	404,380	410,380	581,980	-148,630	433,350
Corporate Support Services	3,199,210	3,299,600	3,467,150	-295,880	3,171,270
Development Control Advice	-292,700	-292,700		-344,200	-344,200
Development Control Appeals	138,450	138,450	145,370		145,370
Development Control Majors	-557,030	-557,030	23,870	-654,740	-630,870
Development Control - Other	-771,760	-774,580	6,980	-856,220	-849,240
Development Control Enforcement	74,800	74,800	78,540		78,540
Development Control	-1,408,240	-1,411,060	254,760	-1,855,160	-1,600,400
Environment Improvements	7,310	42,660	8,090		8,090
Name Plates & Notices	20,420	20,420	21,450		21,450
Network & Traffic Management	27,730	63,080	29,540	0	29,540
On Street Parking	-314,030	-307,680	498,440	-783,270	-284,830
Residents Parking	-195,910	-197,300	67,890	-261,280	-193,390
Pay & Display Car Parks	-1,328,660	-1,334,580	603,920	-1,949,630	-1,345,710
Non Paying Car Parks	15,290	15,290	16,070	-10	16,060
Off Street Parking - Enforcement	-87,890	-92,850	193,030	-276,690	-83,660
Mote Park Pay & Display	-194,010	-194,190	35,500	-228,500	-193,000
Sandling Road Car Park	-670	-740	4,420	-55,160	-50,740
Parking Services	-2,105,880	-2,112,050	1,419,270	-3,554,540	-2,135,270
Planning Policy	520,750	549,470	525,540		525,540
Neighbourhood Planning	-20,000	-20,000		-20,000	-20,000
Conservation	-11,390	-11,390	4,340	-15,600	-11,260
Planning Policy	489,360	518,080	529,880	-35,600	494,280
Park & Ride	109,040	101,690	0		0
Other Transport Services	-2,900	-5,150	32,490	-36,110	-3,620
Public Transport	106,140	96,540	32,490	-36,110	-3,620
Mid Kent Planning Support Service	349,860	356,140	616,930	-234,530	382,400
Mid Kent Local Land Charges Section	87,230	79,000	191,910	-140,600	51,310
Shared Services	437,090	435,140	808,840	-375,130	433,710
Embracing Growth & Enabling Infrastructure	12,860	157,870	6,575,510	-6,956,300	-380,790

EMBRACING GROWTH & ENABLING INFRASTRUCTURE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	532,410	516,930	542,780
Employee Direct	4,095,580	4,190,020	4,399,390
Employee Other	-62,460	28,970	-326,060
Equipment & Furniture	88,270	88,600	92,750
Fees & Charges	-5,817,200	-5,850,020	-6,133,420
General Insurances	17,240	15,010	15,470
Grants & Contributions Paid	20,470	54,920	21,430
Grants & Contributions Received	-527,660	-535,550	-535,280
Income Other	-322,980	-228,000	-287,590
Information & Communications	200	200	210
Premises Other	354,940	336,070	268,770
Printing & Stationery	17,130	16,150	16,950
Professional Services	791,450	748,704	839,410
Rent	-7,400	-10	-10
Repairs & Maintenance	255,610	243,760	243,160
Security & Protection	83,160	96,930	87,320
Subsistence & Training	2,820	4,610	2,840
Supplies & Services Other	400,280	295,456	237,050
Utilities	32,200	74,180	72,980
Vehicle & Transport	58,800	60,940	61,060
Embracing Growth & Enabling Infrastructure	12,860	157,870	-380,790

CENTRAL & DEMOCRATIC

Cost Centre/Service	Original Approved	Revised Estimate	Estimate 2024/25	Estimate 2024/25	Estimate 2024/25
	Estimate 2023/24	2023/24	(Expenditure)	(Income)	
	£	£	£	£	£
Contingency	1,096,140	1,338,420	446,295		446,295
Unapportionable Central Overheads	961,570	949,630	977,110		977,110
Non Service Related Government Grants	-4,661,220	-4,661,220		-5,098,960	-5,098,960
Appropriation Account	1,861,790	1,892,230	1,861,790		1,861,790
Pensions Fund Appropriation	0	0	0		0
Balances, Pensions & Appropriation	-741,720	-480,940	3,285,195	-5,098,960	-1,813,765
Council Tax Collection	66,180	67,780	122,900	-49,850	73,050
Council Tax Collection - Non Pooled	-376,060	-331,280	118,880	-466,730	-347,850
Council Tax Benefits Administration	-164,320	-139,920	31,770	-170,180	-138,410
NNDR Collection	1,810	1,810	3,790	-1,640	2,150
NNDR Collection - Non Pooled	-240,410	-230,410	57,670	-256,490	-198,820
MBC- BID	740	740	19,830	-19,030	800
Registration Of Electors	68,640	68,410	79,470	-2,640	76,830
Elections	164,260	164,380	120,500	-480	120,020
External Interest Payable & MRP	2,202,550	2,202,550	3,165,550		3,165,550
Interest & Investment Income	-150,000	-150,000		-500,000	-500,000
Central Services to the Public	1,573,390	1,654,060	3,720,360	-1,467,040	2,253,320
Lockmeadow	242,530	242,530	418,790	-164,130	254,660
Lockmeadow Complex	-1,452,480	-1,521,450	1,357,740	-2,862,050	-1,504,310
Palace Gatehouse	-7,270	7,730	5,270	0	5,270
Archbishops Palace	3,120	-1,900	42,800	0	42,800
Parkwood Industrial Estate	-301,400	-313,680	6,920	-322,770	-315,850
Industrial Starter Units	-18,400	-41,290	27,720	-67,600	-39,880
Parkwood Equilibrium Units	-93,180	-135,390	58,880	-190,550	-131,670
Sundry Corporate Properties	-179,810	7,010	60,380	-226,070	-165,690
Phoenix Park Units	-229,600	-239,060	26,020	-263,460	-237,440
Granada House - Commercial	-99,380	-91,640	89,930	-178,160	-88,230
Heronden Road Units	-158,920	-209,680	13,580	-222,300	-208,720
Boxmend Industrial Estate	-104,600	-117,630	12,800	-129,560	-116,760
Wren Industrial Estate	-108,220	-134,620	66,130	-200,610	-134,480
Commercial Investments	-2,507,610	-2,549,070	2,186,960	-4,827,260	-2,640,300
Performance & Development	47,520	117,370	49,910		49,910
Corporate Projects	0	930	76,390	-75,940	450
Press & Public Relations	4,660	4,660	37,890	0	37,890
Corporate Management	825,540	460,660	560,120		560,120
Corporate Management	877,720	583,620	724,310	-75,940	648,370
Democratic Services Section	286,320	289,100	310,030	-1,810	308,220
Mayoral & Civic Services Section	125,080	125,920	131,280		131,280
Chief Executive	197,850	194,770	201,830		201,830
Communications Section	256,080	261,220	271,030	-460	270,570
Policy & Information Section	512,010	553,820	596,530	0	596,530
Biodiversity & Climate Change	99,280	102,810	155,720		155,720
Director of Strategy Governance and Insp	131,680	134,300	134,300		134,300
Electoral Registration Section	94,050	94,780	103,930	-3,510	100,420
Head of Housing & Community Services	118,370	116,030	120,490		120,490
Director of Finance, Resources & Business	148,270	145,030	156,120	-5,130	150,990
Accountancy Section	885,740	896,150	953,050	-25,440	927,610
Director of Regeneration & Place	156,480	153,240	159,530		159,530
Procurement Section	118,830	118,830	139,500	-14,730	124,770
Property & Projects Section	363,850	472,210	504,020	-6,270	497,750
Corporate Support Section	314,560	319,940	334,240		334,240
Improvement Section	252,200	253,630	290,470	-28,680	261,790
Executive Support Section	98,970	99,750	103,940		103,940
Customer Services Section	730,150	734,450	775,930		775,930
Emergency Planning & Resilience	134,180	169,460	176,890	-20,000	156,890
Head of Property and Leisure	115,790	117,620	124,210		124,210
Facilities Section	257,250	157,590	165,390		165,390
Town Centre Services Manager	0	65,630	70,350		70,350
Salary Slippage 1COS	-253,970	-279,140	-317,430		-317,430
Salary Slippage 2SPI	-175,280	-175,280	-202,550		-202,550
Salary Slippage 3CHE	-439,110	-439,110	-401,420		-401,420
Salary Slippage 4ERL	-43,250	-43,250	-104,660		-104,660
Corporate Support Services	4,485,380	4,639,500	4,952,720	-106,030	4,846,690
Civic Occasions	46,030	46,520	48,710		48,710
Members Allowances	455,540	455,540	477,970		477,970
Members Facilities	18,300	18,430	19,370		19,370
Democratic Representation	519,870	520,490	546,050	0	546,050
Emergency Centre	23,680	23,560	24,580		24,580
Emergency Planning	23,680	23,560	24,580	0	24,580
Housing Benefits Administration	-314,880	-285,980	87,670	-370,500	-282,830
Housing Benefit Administration	-314,880	-285,980	87,670	-370,500	-282,830
Maidstone House - Landlord	-413,080	-140,150	1,420,490	-1,596,870	-176,380
Town Hall	126,570	109,060	121,410	-1,500	119,910

CENTRAL & DEMOCRATIC

Cost Centre/Service	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 (Expenditure) £	Estimate 2024/25 (Income) £	Estimate 2024/25 £
South Maidstone Depot	177,360	224,900	189,100		189,100
The Link	49,590	60,420	349,650	-281,240	68,410
Maidstone House - MBC Tenant	683,000	480,440	576,120	-92,650	483,470
Museum Buildings	268,380	278,000	244,760	-1,230	243,530
Office Accommodation	891,820	1,012,670	2,901,530	-1,973,490	928,040
Rent Allowances	-114,070	-114,070	28,432,000	-28,546,070	-114,070
Non HRA Rent Rebates	-8,760	-8,760	1,426,050	-1,434,810	-8,760
Discretionary Housing Payments	0	0	231,980	-231,980	0
Rent Rebates	-122,830	-122,830	30,090,030	-30,212,860	-122,830
Revenues Section	570,350	530,820	929,730	-407,880	521,850
Benefits Section	553,610	512,030	830,350	-313,720	516,630
Fraud Section	40,990	45,910	271,270	-222,120	49,150
Mid Kent Audit Partnership	219,690	220,570	712,650	-540,180	172,470
Legal Services Section	659,430	659,430	771,160	-128,530	642,630
Mid Kent ICT Services	608,850	620,570	1,817,230	-1,146,260	670,970
GIS Section	129,130	130,440	228,840	-91,560	137,280
Director of Mid Kent Services	48,940	45,980	150,310	-99,820	50,490
Mid Kent HR Services Section	418,410	422,820	720,210	-281,400	438,810
MBC HR Services Section	177,450	103,220	189,070	-2,350	186,720
Head of Revenues & Benefits	84,400	64,630	81,190	-33,100	48,090
Revenues & Benefits Business Support	117,100	156,050	253,090	-102,150	150,940
Dartford HR Services Section	-15,740	-16,040	66,810	-83,510	-16,700
IT Support for Revenues and Benefits	27,390	0	0	0	0
I.T. Operational Services	664,490	664,490	689,720		689,720
Central Telephones	16,290	16,290	17,100		17,100
Shared Services	4,320,780	4,177,210	7,728,730	-3,452,580	4,276,150
Apprentices Programme	54,180	73,700	55,870		55,870
Internal Printing	-920	-920	58,800	-61,920	-3,120
Debt Recovery Service	-19,430	-19,410	959,700	-980,000	-20,300
Debt Recovery MBC Profit Share	-120,440	-83,030		-79,970	-79,970
Trading Accounts	-86,610	-29,660	1,074,370	-1,121,890	-47,520
Central & Democratic	8,918,990	9,142,630	57,322,505	-48,706,550	8,615,955

CENTRAL & DEMOCRATIC - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2023/24 £	Revised Estimate 2023/24 £	Estimate 2024/25 £
Agency & Contractor	863,670	863,670	906,860
Allowances	453,760	453,760	476,450
Benefits	31,268,120	30,090,030	30,090,030
Employee Direct	10,281,180	10,760,500	11,123,460
Employee Other	1,639,320	1,179,220	1,220,900
Equipment & Furniture	1,064,970	898,090	878,840
Fees & Charges	-1,102,410	-1,001,380	-1,372,500
General Insurances	15,260	15,140	16,710
Grants & Contributions Paid	2,308,910	2,335,740	3,282,230
Grants & Contributions Received	-40,314,840	-39,281,960	-39,241,970
Income Other	-2,478,830	-2,747,520	-3,101,400
Information & Communications	20,880	25,810	21,840
Leasing & Capital Charges	1,861,790	1,892,230	1,861,790
Premises Other	1,231,180	1,394,980	1,247,120
Printing & Stationery	109,150	140,490	115,930
Professional Services	1,947,280	2,275,910	2,243,260
Rent	-4,604,630	-4,982,860	-4,990,680
Repairs & Maintenance	1,045,630	1,190,650	1,180,310
Security & Protection	43,010	43,010	45,170
Subsistence & Training	191,090	121,660	200,540
Supplies & Services Other	2,103,120	2,482,010	1,383,485
Utilities	852,820	890,720	924,910
Vehicle & Transport	118,560	102,730	102,670
Central & Democratic	8,918,990	9,142,630	8,615,955

Medium Term Financial Strategy 2024/25
Estimate of General Fund Balances and Earmarked Reserves to 31 March 2025

	Unallocated General Fund	Earmarked Reserves	Grand Total
	£000	£000	£000
Balance as at 31st March 2023	14,832	19,497	34,329
Movement in balances during 2023/24	1,325	1,035	2,361
Estimated Balance as at 31 March 2024	16,157	20,533	36,690
Expected movement during 2024/25	0	1,432	1,432
Estimated Balance as at 31 March 2025	16,157	21,965	38,122

	Balance 1st April 2023	Estimated movement in	Estimated movement out	Estimated Balance as at 31st March 2024	Estimated movement in	Estimated movement out	Estimated Balance as at 31st March 2025
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Unallocated Balance	14,832	1,325	(300)	16,157			16,157
Subtotal	14,832	1,325	(300)	16,157	0	0	16,157
Earmarked Reserves							
Spatial Planning reserve	558	0	(558)	0	0	0	0
Neighbourhood Planning	77	0	(20)	57	0	0	57
Planning Appeals	229	0	0	229	0	0	229
Civil Parking Enforcement	370	0	(40)	330	0	(275)	55
Future Capital Expenditure	2,455	0	0	2,455	0	(2,455)	(0)
Future Funding Pressures	2,481	500	0	2,981	0	0	2,981
Homelessness Prevention & Temporary Accommodation	1,124	0	(135)	989	0	(150)	839
Business Rates Earmarked Balances	4,305	0	(451)	3,854	0	(150)	3,704
Funding for Future Collection Fund Deficits	2,504	0	(1,916)	588	0	(388)	200
Commercial Risk	500	0	0	500	0	0	500
Invest to Save	500	0	0	500	0	0	500
Recovery and Renewal Reserve	575	0	(350)	225	0	(50)	175
Renewable Energy	188	50	0	238	0	0	238
Enterprise Zone	0	120	(120)	0	0	0	0
Major Works (MH) Sinking Fund	213	200	0	413	0	0	413
Housing Investment Fund	3,216	3,956	0	7,172	4,900	0	12,073
Resources carried forward from 2022/23 to 2023/24	200	0	(200)	0	0	0	0
Subtotal	19,497	4,826	(3,791)	20,533	4,900	(3,468)	21,965
Total General Fund and Earmarked Reserves	34,329	6,151	(4,091)	36,690	4,900	(3,468)	38,122

Capital Programme 2024/25 to 2033/34

	2024/25	2025/26	2026/27	2027/28	2028/29	5 Year Total	2029/30	2030/31	2031/32	2032/33	2033/34	10 Year Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Housing, Health & Environment												
Private Rented Sector Housing (Gross cost)	21,065	31,879	25,574	12,370	7,274	98,161	1,656					99,817
1,000 Homes Affordable Housing Programme (Gross cost)	31,096	42,722	25,921	13,908	14,995	128,643	10,251	4,711	5,487	4,026	2,576	155,693
Temporary Accommodation	20,000					20,000						20,000
Other Property - Community and Commercial	1,809	1,089	663	143	100	3,804						3,804
Housing - Disabled Facilities Grants Funding	800	800	800	800	800	4,000	800	800	800	800	800	8,000
Street Scene Investment	50	50	50	50	50	250	50	50	50	50	50	500
Flood Action Plan	200	150				350						350
Continued Improvements to Play Areas	50	60	70	80	80	340	80	80	80	80	80	740
Parks Improvements	260	70	80	90	100	600	100	100	100	100	100	1,100
Parks Improvements - Infrastructure Maintenance	200	200	200	200	200	1,000	200	200	200	200	200	2,000
Grounds Maintenance Machinery Replacement Programme	100	110	105	123	42	480	75	75	75	75	75	855
Waste Crime Team - Additional Resources	20	10	10			40						40
Open Spaces - Section 106 funded works	400	400	400	400	400	2,000	400	400	400	400	400	4,000
Improvements to Cemetery	120					120						120
Purchase of New Waste Collection Vehicles								6,380				6,380
Total	76,170	77,540	53,873	28,163	24,041	259,787	13,612	12,796	7,192	5,731	4,281	303,398
Communities, Leisure & Arts												
Museum Development Plan	180					180						180
Leisure Provision	2,250					2,250						2,250
New Leisure Centre	500	500	2,000	15,000	29,000	47,000	13,000					60,000
Mote Park Kiosk Refurbishment & Extension	250					250						250
Total	3,180	500	2,000	15,000	29,000	49,680	13,000					62,680

	2024/25	2025/26	2026/27	2027/28	2028/29	5 Year Total	2029/30	2030/31	2031/32	2032/33	2033/34	10 Year Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Corporate Services												
Asset Management / Corporate Property	1,695	175	175	175	175	2,395	175	175	175	175	175	3,270
Corporate Property Acquisitions	2,500	2,500	2,500	2,500	2,500	12,500	2,500	2,500	2,500	2,500	2,500	25,000
Kent Medical Campus - Innovation Centre	350					350						350
Lockmeadow Ongoing Investment	100	100	100	100	100	500	100	100	100	100	100	1,000
Garden Community	1,187	630	83	82		1,982						1,982
Infrastructure Delivery	1,000	1,000	1,000	1,000	1,000	5,000	1,000	1,000	1,000	1,000	1,000	10,000
Other Property Works	800	200				1,000						1,000
Carbon Reduction to Maidstone B.C. Estate	5,542	2,616	2,493	1,641	1,075	13,367	300	300	300	300	300	14,867
Parkwood Property Investment to meet EPC targets	785	440				1,225						1,225
Feasibility Studies	50	50	50	50	50	250	50	50	50	50	50	500
Digital Projects	30	30	30	30	30	150	30	30	30	30	30	300
Software / PC Replacement	200	200	200	200	200	1,000	200	200	200	200	200	2,000
Maidstone House Works	400	100	100	100	100	800						800
Leeds Langley					1,000	1,000						1,000
Fleet Vehicle Replacement Programme	478	470	200	300	300	1,748	300	300	300	300	300	3,248
Total	15,116	8,511	6,931	6,178	6,530	43,267	4,655	4,655	4,655	4,655	4,655	66,542
Planning, Infrastructure & Economic Development												
Public Realm & Greening relating to the Town Centre	1,000					1,000						1,000
Medway Street Car Park	195					195						195
Total	1,195					1,195						1,195
TOTAL	95,661	86,551	62,803	49,342	59,571	353,928	31,267	17,451	11,847	10,386	8,936	433,814

ESTIMATED CAPITAL PROGRAMME RESOURCES 2024/25 - 2033/34

Source of Funding	Estimate					5 year Total £000	Estimate					10 year Total £000
	2024/25	2025/26	2026/27	2027/28	2028/29		2029/30	2030/31	2031/32	2032/33	2033/34	
	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	
External Sources	5,421	2,979	13,486	21,356	9,963	53,205	1,200	1,200	13,900	1,200	1,200	71,905
Own resources (including Internal borrowing)	2,445	2,250	10,250	6,243	2,250	23,438	2,250	2,250	2,250	2,250	2,250	34,688
External Borrowing	87,795	81,322	39,067	21,743	47,358	277,285	27,817	14,001	-4,303	6,936	5,486	327,221
Total	95,661	86,551	62,803	49,342	59,571	353,928	31,267	17,451	11,847	10,386	8,936	433,814

MAIDSTONE BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2024/25 – 2028/29



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1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

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

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

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

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

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

2. CORPORATE OBJECTIVES AND KEY PRIORITIES

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

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

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

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

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

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

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

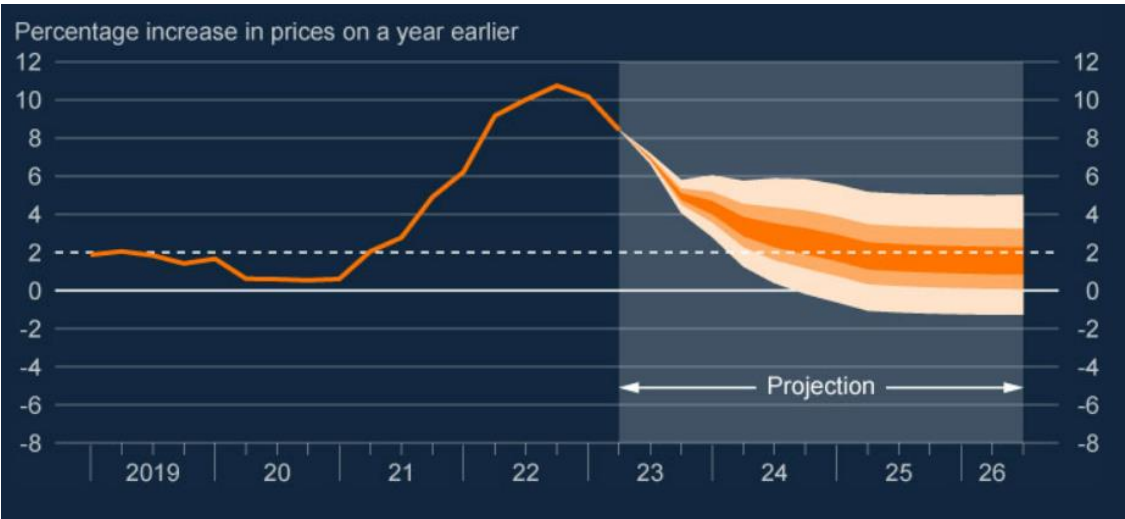
- 2.3 Since the adoption of the Strategic Plan in December 2018, the objective of 'Embracing growth and enabling infrastructure' has started to be realised, for example the completion of the Innovation Centre and development of a new Garden Community.
- 2.4 Amongst initiatives to help make Maidstone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

3. ECONOMIC ENVIRONMENT

Macro outlook

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

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



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

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

Public Finances

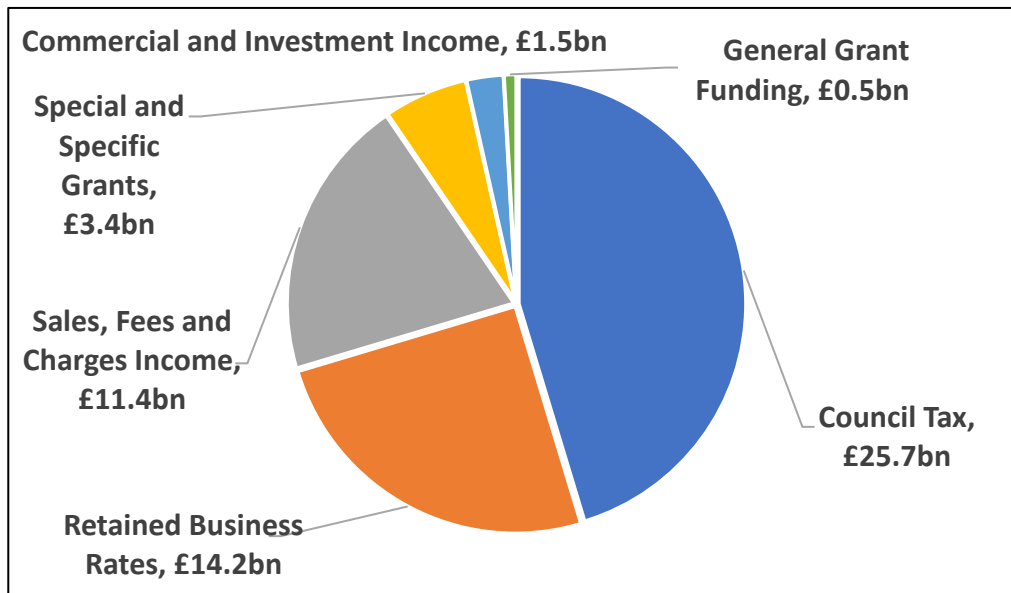
3.3 Slow growth and higher interest rates have negatively impacted the public finances. To address this, HM Treasury envisages a programme of fiscal consolidation over the next few years, with taxes set to rise to nearly 38% of GDP and increases in public service spending limited to 1% a year in real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

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

Local Government Funding

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

Figure 2: How Council Services are funded



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

- 3.6 In recent years, the reduction in direct central government funding for local government has been mitigated by increases in locally generated sources of income, with Council Tax rising by more than the overall rate of inflation. Upper tier authorities in particular have been able to raise additional tax through a social care precept. This has led the government's preferred measure of council spending, 'Council spending power', to increase, even though it may not reflect the actual resources available. However, funding has failed to keep up with the increased demands on council services, particularly for social care and housing.
- 3.7 The other main element of local government funding, beside Council Tax, is Business Rates. The 2010-15 Coalition Government transferred a notional 50% of locally-collected Business Rates income back to local government, but the requirement to adjust the amount of business rates retained between authorities, based on respective service needs, means that authorities with an active commercial sector and low perceived levels of need, like Maidstone, retain a low proportion of business rates (just 10% in Maidstone's case). It was originally intended to increase the 50% share of business rates retained locally to 75%, but this is no longer government policy.
- 3.8 The gradual squeeze on council funding means that an increasing number of councils are unable to set balanced budgets. This is formally signalled by the issue of a section 114 report. The councils that are most vulnerable tend to be those facing social care cost pressures, ie upper tier or single tier authorities, so it is likely that any additional support for local government in 2024/25 will be focused on them.

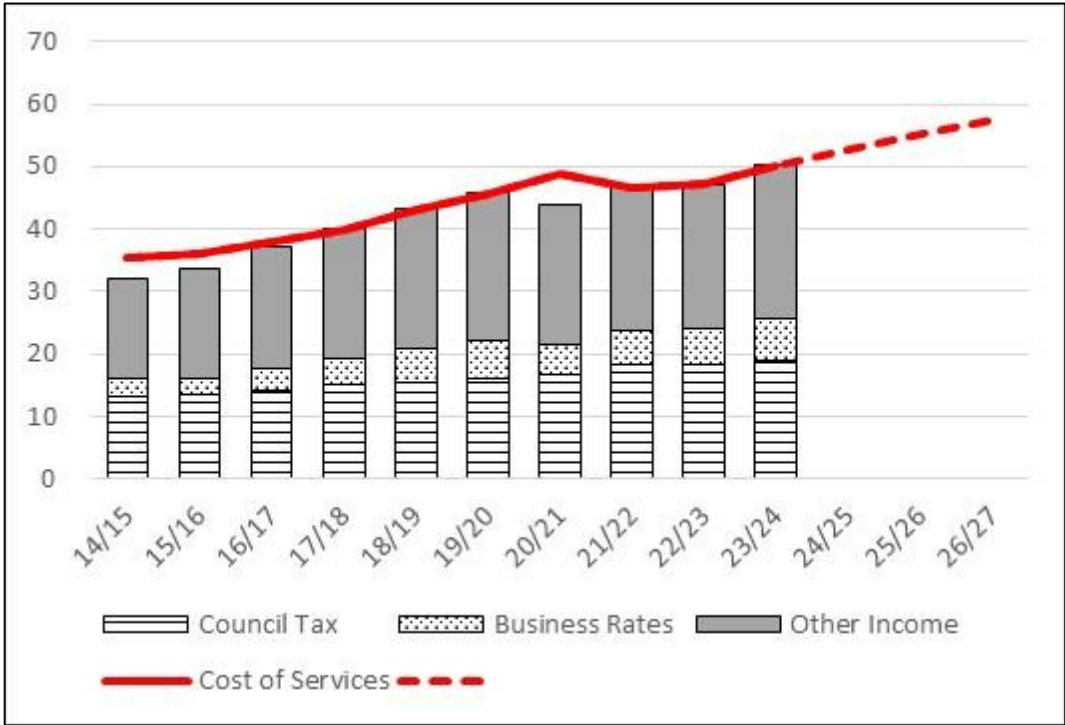
Conclusion

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

4. CURRENT FINANCIAL POSITION

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

Figure 3: Sources of Council funding



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

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



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

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

Reserves:

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

Indebtedness:

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

Financial profile:

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

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

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

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

Reserves

- 4.6 Indicators of financial stress relating to reserves for Maidstone are generally towards the 'lower risk' end of the spectrum, as compared with our peers. As at 31 March 2023 the Council had unallocated General Fund reserves of £14 million. This corresponds to three months of service expenditure, thus providing an adequate but not excessive level of 'cushion' against unforeseen events.
- 4.7 It should be noted that 'earmarked reserves' are shown as being towards the higher end of the risk spectrum, meaning that the Council holds lower earmarked reserves than many of its peers. Given that such reserves are, by definition, 'earmarked', it is not necessarily the case that high levels of earmarked reserves should be regarded as reducing risk. Drawing on such reserves could mean diverting them from the projects for which they were intended. A high level of earmarked reserves could also indicate a failure in project delivery.
- 4.8 It is nevertheless the case that the council needs to build up its Housing Investment Fund, which comes within the category of earmarked reserves. This is because the affordable housing programme requires a revenue subsidy, which needs to be in place before properties are transferred to a Housing Revenue Account (see paragraph 8.7 below).
- 4.9 Reserves are shown below within the context of the council's overall financial position, as represented by its most recent balance sheet (previous year shown for comparative purposes).

Table 2: Maidstone Borough Council balance sheet (unaudited)

31st March 2022 £000		31st March 2023 £000
194,798	Long Term Assets	204,587
53,195	Current Assets	25,345
76,495	Current Liabilities	51,942
90,382	Long Term Liabilities	15,606
81,115	Net Assets	162,384
12,517	Unallocated General Fund Balance	14,402
21,358	Earmarked General Fund Balance	19,322
1,459	Capital Reserves	1,540
45,781	Unusable Reserves	127,120
81,115	Total Reserves	162,384

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

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

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

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

4.13 Maidstone Council historically set £2 million as a minimum level for unallocated reserves. In the light of the heightened risk environment facing the Council, it was agreed from 2021/22 that this minimum should be increased to £4 million. In practice, the level of unallocated reserves held is higher, at £14 million, thus providing a reasonable, but not excessive, level of additional assurance.

Indebtedness

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

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

Financial profile

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

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

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

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

Financial management

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

Table 3: 2022/23 Revenue Out-turn

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

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

Capital investment

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

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

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

Ability to deliver budget savings

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

Risk management

- 4.33 The Council's MTFs is subject to a high degree of risk and uncertainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.

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

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

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

Conclusion

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

5. SCENARIO PLANNING

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

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

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

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

6. PLANNING ASSUMPTIONS

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

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

Each of these is considered in more detail below.

Council Tax base

6.2 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.

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

Table 4: Number of Dwellings in Maidstone

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

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

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

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

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

Level of Council Tax

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

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

6.7 Given that CPI inflation was 8.7% for the year to May 2023, it was not expected that the referendum limit would be reduced in 2024/25 from the 2023/24 level of 3%, and indeed this has been confirmed to be the case. However after the General Election that is due to take place by January 2025, the government will seek to bear down on inflation by restricting the limit to 2%, being the target level of inflation¹.

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

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

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

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

Retained business rates

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

Table 5: Baseline Business Rates Income 2023/24

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

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

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

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

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

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

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

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

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

Other income

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

Table 6: Projected Other Income 2023/24

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

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

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

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

Cost of services

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

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

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

7. REVENUE PROJECTIONS

- 7.1 Strategic revenue projections for scenario 4 are summarised in table 7 below. In light of the many uncertainties around future funding, it is important to note that projections like these can only represent a 'best estimate' of what will happen. It is important to note that projections like these can only represent a 'best estimate' of what will happen.

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

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

- 7.2 Issues contributing to the budget gap of £900,000 in 2024/25 are inflation and £700,000 of additional growth in 2023/24 which was funded from one-off resources and is now built into base budgets. In 2026/27 and future years, the potential loss of funding from a local government funding reset and the cost of borrowing for the capital programme lead to much larger budget gap figures.
- 7.3 Note that all these assumptions assume that Council Tax income is increased by the maximum possible given the referendum limit, and fees and charges are increased in line with inflation. In all cases, the budget gap would be greater if these measures were not taken. See below for illustrative figures for 2024/25.

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

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

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

Approach to balancing the budget

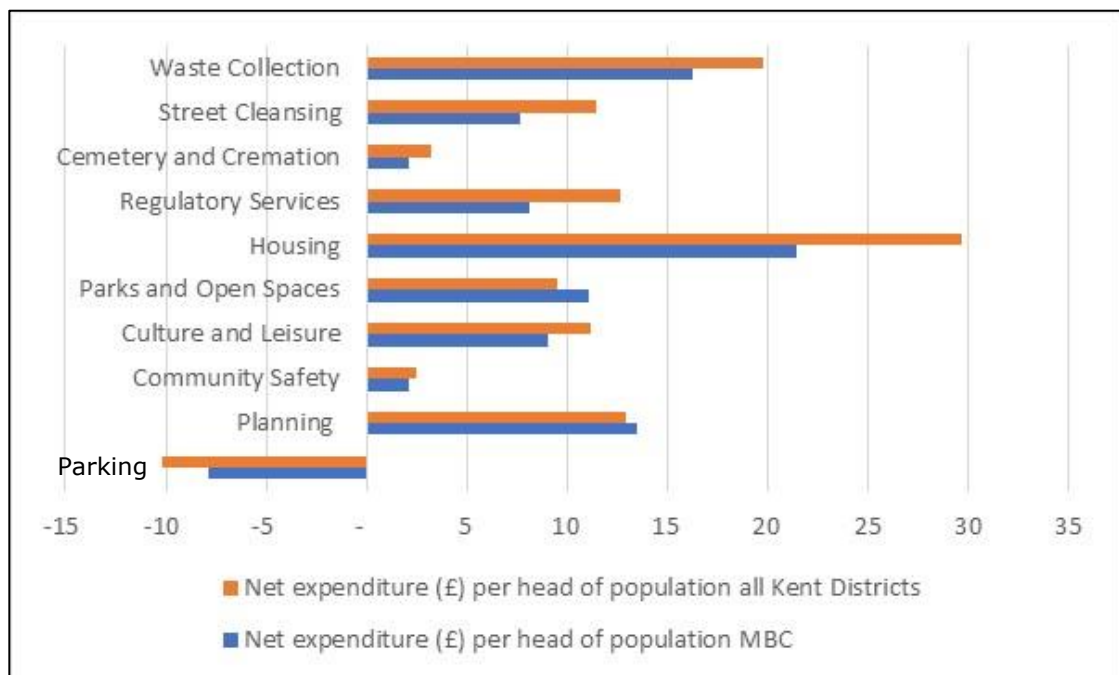
- 7.5 The immediate priority in setting a balanced budget for 2024/25 is to close the budget gap of £925,000 for next year. In line with the Council's usual practice, savings proposals have been sought from service managers.

Whilst individual proposals may not amount to significant sums, in aggregate they may contribute substantially to meeting the deficit. Budget proposals have been developed, following a similar approach and these have been reviewed by Policy Advisory Committees who have provided a recommendation for the Executive and Council which would balance the budget in 2024/25.

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

Figure 5: Expenditure per head of population

Source: Local Authority 2021/22 Revenue Outturn returns



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

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

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

8. CAPITAL STRATEGY

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

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

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

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

8.3 As the level of investment increases, the revenue cost of borrowing increases. Ultimately this is offset by income, to the extent that capital schemes generate income, eg in the form of housing rents. However, there is a period during which capital schemes need to be funded before they start to generate income. We have developed a 10 year programme for 24/25 onwards to aid making these longer terms decisions.

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

- Construction price
- Contractor failure / liquidation

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

9. CONSULTATION AND NEXT STEPS

- 9.1 Each year the Council carries out consultation as part of the development of the MTFS. The budget survey has been carried out and the results of the survey have been considered as part of the update on the MTFS to Policy Advisory Committees in December 2023
- 9.2 Consultation with members took place in September 2023 on detailed revenue budget proposals. Individual Policy Advisory Committees will consider the budget proposals relating to the services within their areas of responsibility, and Overview and Scrutiny Committee and Cabinet considered the budget proposals for the Council as a whole.
- 9.3 Proposed fees and charges for 2024/25 were be considered by the Policy Advisory Committees and Cabinet in December 2023; capital budget proposals were considered by the PACs, Overview and Scrutiny Committee and Cabinet in January 2024. The final budget will be presented to Council on the 21st February 2024.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement
and Annual Investment Strategy

2024/25

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1.1 Background

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

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

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

CIPFA defines treasury management as:

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

1.2 Reporting Requirements

1.2.1 Capital Strategy

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

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

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

1.2.2 Treasury Management Reporting

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

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

Scrutiny

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

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

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital issues

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

Treasury management issues

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

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

1.4 Training

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

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

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

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

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

Training on Treasury Management for members is carried out at least once a year, generally taking the form of a briefing from third party treasury experts in advance of members' consideration of the annual Treasury Management Strategy.

The training needs of treasury management officers are periodically reviewed.

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

1.5 Treasury Management Consultants

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

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

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

2. THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2028/29

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

2.1 Capital Expenditure and Financing

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

Capital Expenditure £m	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	41.924	95.661	86.551	62.803	49.342	59.571

The table shows how the above capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing need.

Financing of capital expenditure £m	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital grants	1.100	3.098	1.379	13.086	20.956	9.563
Capital reserves	0.505	2.323	1.600	0.400	0.400	0.400
Revenue	2.649	4.358	6.548	16.437	13.384	9.673
Net financing need for the year	37.670	85.882	77.024	32.880	14.603	39.935

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

2.2 The Authority's Borrowing Need (the CFR)

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

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

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI or lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £0.905m of such schemes within the CFR.

The Authority is asked to approve the CFR projections below:

£m	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Capital Financing						
Total CFR	110.511	195.197	271.221	303.101	316.704	355.639
Movement in CFR	36.271	82.773	71.725	25.693	6.462	31.512

Movement in CFR						
Net financing need for the year	37.670	85.882	77.024	32.880	14.603	39.935
Less MRP/VRP and other financing movements	-1.399	-3.108	-5.298	-7.187	-8.141	-8.423
Movement in CFR	36.271	82.773	71.725	25.693	6.462	31.512

2.3 Affordability Prudential Indicators

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

Ratio of Financing Costs to Net Revenue Stream

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

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Interest Paid £000	400	4,634	7,675	8,083	8,355	9,134
Interest Paid (Aviva) £000	0	1,146	1,707	2,268	2,243	2,243
Interest Received £000	-950	-320	-300	-280	-250	-250
Net Revenue Exp £000	6,093	25,810	26,518	27,245	27,993	27,993
%	-9.03	21.16	34.25	36.97	36.97	39.75

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

Maturity Structure of Borrowing

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

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

Maturity structure of fixed interest rate borrowing 2024/25

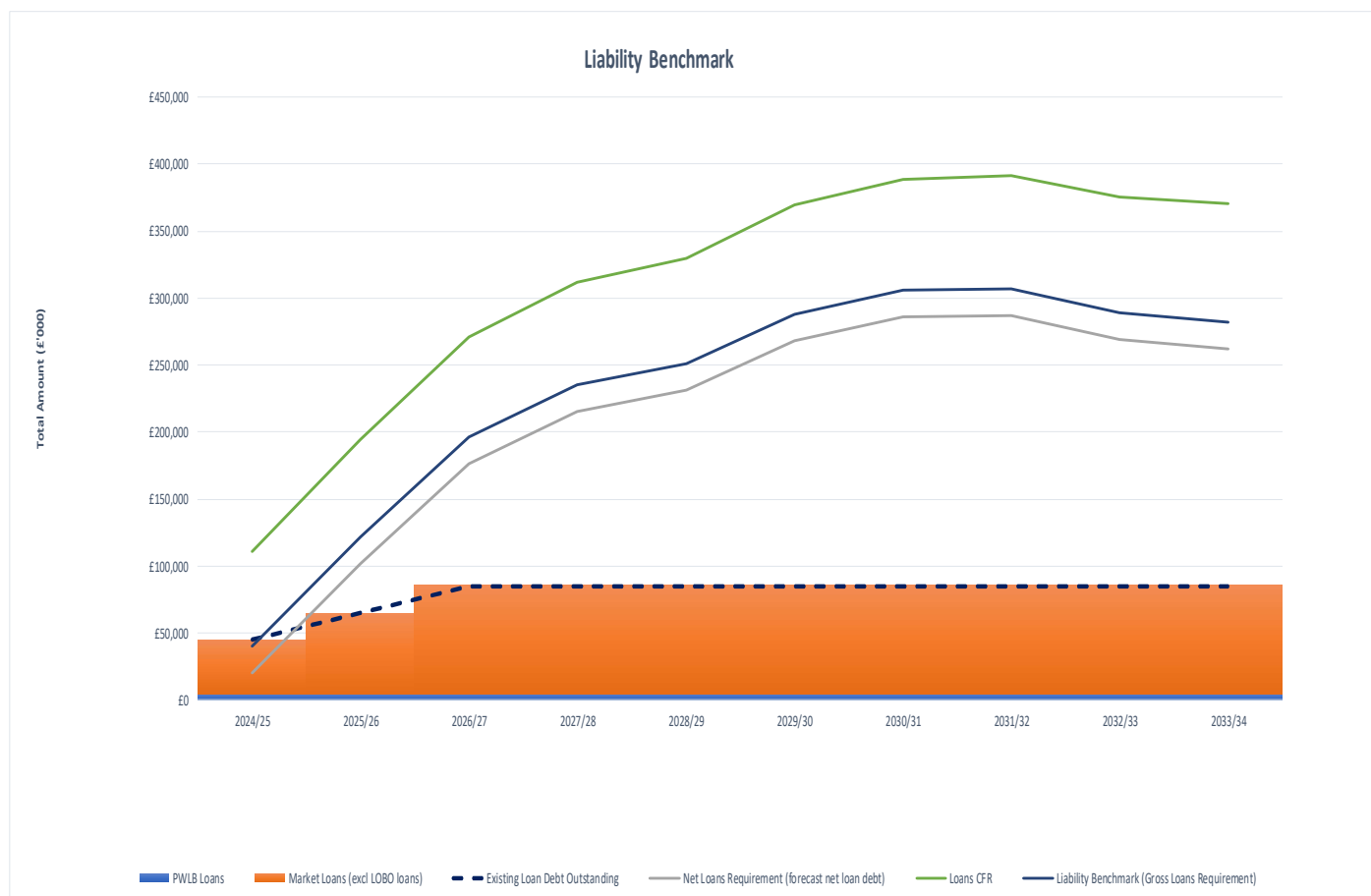
	Upper Limit %	Lower Limit %
Under 12 months	50	0
1 year to 5 years	50	0
5 years to under 10 years	100	0
10 years and within 20 years	100	0
20 years and within 30 years	100	0
30 years and within 40 years	100	0
40 years and within 50 years	100	0

2.4 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



There was a net borrowing position at the end of 2022/23 of £1.46m. Thereafter the Council borrowing position is due to increase as the Capital Programme ramps up. At present, the Council has only locked in £85 million of borrowing (£5m PWLB and £80m market loans), leaving a gap between the liability benchmark and borrowing from as early as 2025/26. In practice, further borrowing will be undertaken only if it meets the prudential criteria. If not, the capital spending profile of the council will be adjusted to defer investment until such time as it is affordable.

2.5 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc

2.6 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably

commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

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

The Authority is recommended to approve the following MRP Statement:

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

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

Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

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

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

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

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

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

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. There have been no overpayments of MRP to date and none are planned.

3. BORROWING

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

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31st March 2023 and that for 31st December 2023 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual 31.3.23	actual 31.3.23	current 31.12.23	current 31.12.24
	£000	%	£000	%
Treasury investments				
Banks	0	0%	0	0%
Building societies - unrated	0	0%	0	0%
Building societies - rated	0	0%	0	0%
Local authorities	0	0%	0	0%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	8,540	100%	18,185	100%
Certificates of Deposit	0	0%	0	0%
Total managed in house	8,540	100%	18,185	100%
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total managed externally	0	0%	0	0%
Total treasury investments	8,540	100%	18,185	100%
Treasury external borrowing				
Local Authorities	5,000	50%	5,000	50%
PWLB	5,000	50%	5,000	50%
LOBOs	0	0%	0	0%
Total external borrowing	10,000	100%	10,000	100%
Net treasury investments / (borrowing)	-1,460	0	8,185	0

The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
External Debt						
Debt at 1 April	9.000	46.979	131.666	207.690	221.293	260.228
Expected change in Debt	37.670	84.687	76.024	13.603	38.935	18.884
Other long-term liabilities (OLTL)	0.905	0.309	0.000	0.000	0.000	0.000
Expected change in OLTL	-0.596	-0.309	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	46.979	131.666	207.690	221.293	260.228	279.112
The Capital Financing Requirement	110.511	195.197	271.221	303.101	316.704	355.639
Under / (over) borrowing	63.532	63.532	63.531	81.809	56.476	76.528

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.2 Treasury Indicators: Limits to Borrowing Activity

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

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m	£m
Ext Borrowing	50.000	139.687	220.710	257.590	276.193	320.128
Other LT Liab	0.905	0.309	0.000	0.000	0.000	0.000
Total	50.905	139.996	220.710	257.590	276.193	320.128

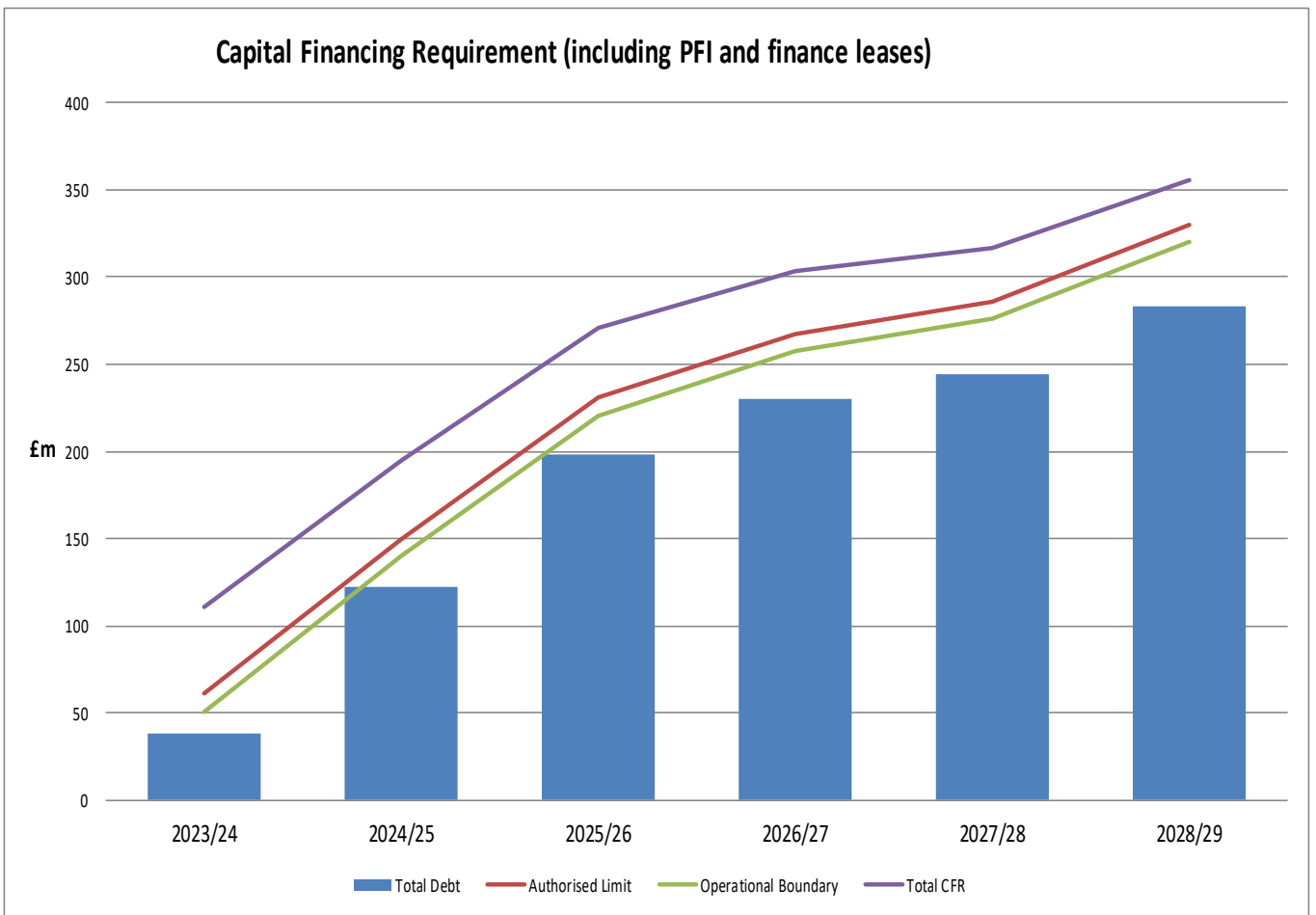
The Authorised Limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external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

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

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Ext Borrowing	60.000	149.687	230.710	267.590	286.193	330.128
Other LT Liab	0.905	0.309	0.000	0.000	0.000	0.000
Total	60.905	149.996	230.710	267.590	286.193	330.128

The table and graph below summarise the Council's debt profile, Operational Boundary and Authorised Limit, and show that they remain below the Capital Financing Requirement.

CAPITAL FINANCING REQUIREMENT including PFI and finance leases						
	Est 2023/24	Est 2024/25	Est 2025/26	Est 2026/27	Est 2027/28	Est 2028/29
	£m	£m	£m	£m	£m	£m
GF CFR	110.5	195.2	271.2	303.1	316.7	355.6
Total CFR	110.5	195.2	271.2	303.1	316.7	355.6
External Borrowing	37.7	122.4	198.4	230.3	243.9	282.8
Other long term liabilities	0.9	0.3	0.0	0.0	0.0	0.0
Total Debt	38.6	122.7	198.4	230.3	243.9	282.8
Authorised Limit	60.9	150.0	230.7	267.6	286.2	330.1
Operational Boundary	50.9	140.0	220.7	257.6	276.2	320.1



3.3 Prospects for Interest Rates

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View		07.11.23											
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Additional notes by Link on this forecast table: -

- Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
- Naturally, timing on this matter 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.
- 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.
- On the positive side, consumers are still anticipated to be sitting on some 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, as noted previously, most of those excess savings are held by more affluent households 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 broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is to the downside.

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

We now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therefore gilt yields, to drop back later in 2024.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

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

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

3.4 Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Forward borrowing of £80 million has been undertaken in anticipation of significant capital expenditure over the next two years.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations in relation to any further borrowing. The Director of Finance, Resources and Business Improvement will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

3.5 Policy on Borrowing in Advance of Need

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

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

3.6 Rescheduling

Rescheduling of current borrowing in our debt portfolio is not currently envisaged.

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

3.7 Approved Sources of Long and Short-term Borrowing

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

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

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

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

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

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

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

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

4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in use.

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

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

5. **Non-specified and loan investment limits.** The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 25%.
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This Authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

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

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

4.2 Creditworthiness Policy

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

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

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

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

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

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

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

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

movements may result in downgrade of an institution or removal from the Authority's lending list.

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

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

	Colour (and long-term rating where applicable)	Money and/or % limit	Transaction limit	Time limit
Banks *	Yellow	£8m	£8m	5yrs
Banks	Purple	£7m	£7m	2 yrs
Banks	Orange	£5m	£5m	1 yr
Banks – part nationalised	Blue	£5m	£5m	1 yr
Banks	Red	£5m	£5m	6 mths
Banks	Green	£3m	£3m	100 days
Banks	No Colour	Not to be used	£0m	
Limit 3 category – Authority's banker (where "No Colour")	-	£1m	£1m	1 day
Other institutions limit	-	£3m	£3m	5yrs
DMADF	UK sovereign rating	unlimited	£5m	6 months
Local authorities	n/a	£8m	£8m	5yrs
Housing associations	Colour bands	£8m	£8m	As per colour band
	Fund rating**	Money and/or % Limit		Time Limit
Money Market Funds CNAV	AAA	£10m	£10m	liquid
Money Market Funds LVNAV	AAA	£10m	£10m	liquid

Money Market Funds VNAV	AAA	£10m	£10m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark Pink / AAA	£8m	£8m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light Pink / AAA	£8m	£8m	liquid

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

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

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

4.3 Limits

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

- a. **Non-specified treasury management investment limit.** The Authority has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 25% of the total treasury management investment portfolio.
- b. **Country limit.** The Authority has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

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

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

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

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25% in Q4 2023.

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

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

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

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

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

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

Upper limit for principal sums invested for longer than 365 days			
£m	2024/25	2025/26	2026/27
Principal sums invested for longer than 365 days	£5m	£5m	£5m
Current investments as at 31.12.23 in excess of 1 year maturing in each year	£0m	£0m	£0m

4.5 Investment Performance / Risk Benchmarking

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

4.6 End of Year Investment Report

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

4.7 External Fund Managers

£18.185m of the Council's funds are externally managed within Money Market Funds with the following institutions:

- Aberdeen Standard Investments
- Federated Investors (UK) LLP
- CCLA – The Public Sector Deposit Fund

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

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

5 APPENDICES

1. Economic background
2. Approved countries for investments
3. Treasury management scheme of delegation
4. The treasury management role of the section 151 officer
5. Key Considerations

5.1 ECONOMIC BACKGROUND

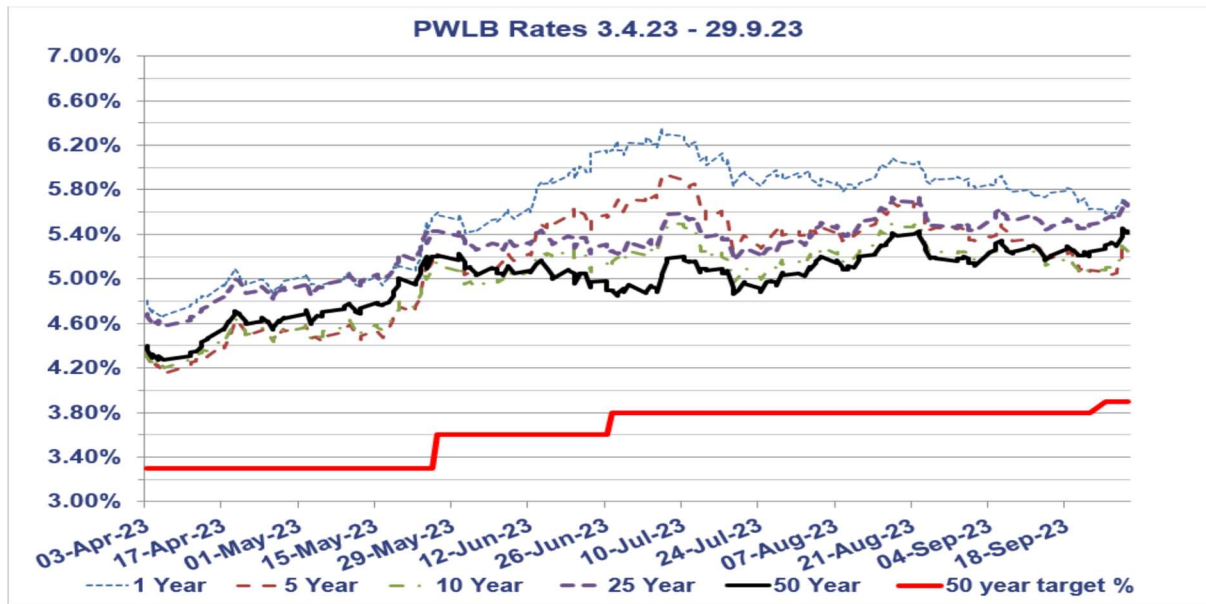
- The first half of 2023/24 saw:
 - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
 - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
 - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
 - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
 - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).
- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in

the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

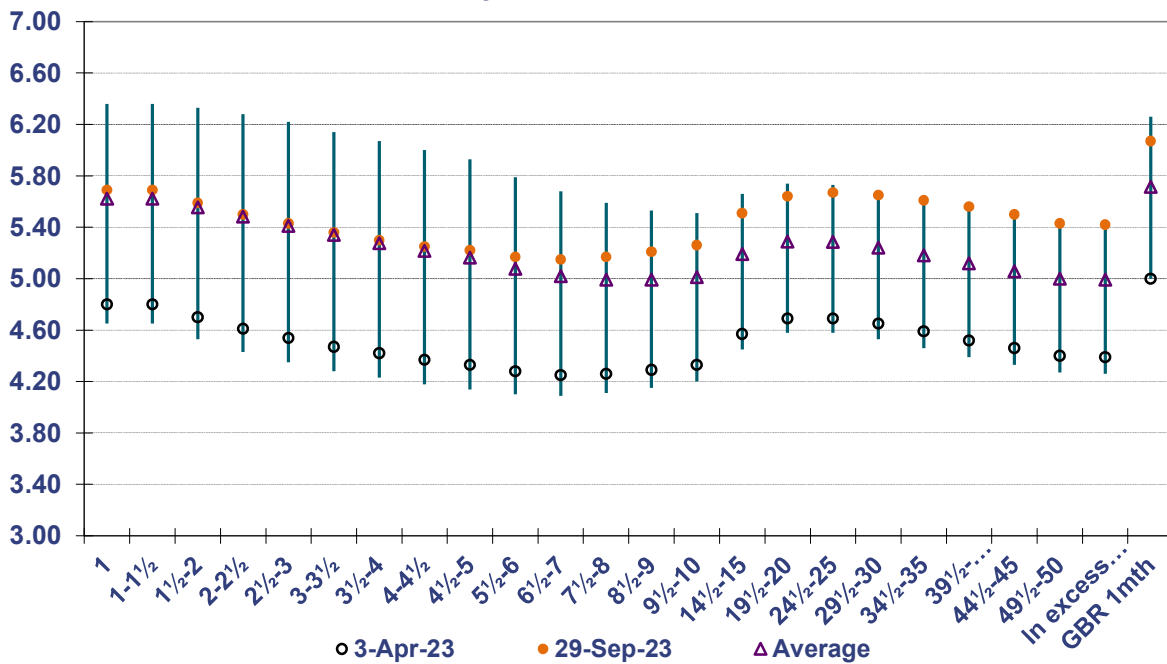
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23



PWLB Certainty Rate Variations 3.4.23 to 29.9.23



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

5.2 APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

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

5.3 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full council

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

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

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

(iii) Audit Governance & Standards Committee

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

5.4 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

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

- *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

Key Considerations

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

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

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

-

Treasury management

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

Service delivery

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

Commercial return

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

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

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

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

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

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

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

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could

be absorbed in budgets or reserves without unmanageable detriment to local services);

- 3.** Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
- 4.** Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
- 5.** Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
- 6.** State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

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

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

MAIDSTONE BOROUGH COUNCIL CAPITAL STRATEGY 2024/25

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1. INTRODUCTION

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

2. CAPITAL EXPENDITURE AND LINKS TO OTHER CORPORATE STRATEGIES

Strategic Plan

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

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

Embracing Growth and Enabling Infrastructure

- 2.3. The Council has a vital role in leading and shaping our borough as it grows. This means being proactive in policy and master planning for key sites in the borough, and where appropriate, investing directly ourselves.
- 2.4. Separate objectives, set out below, address specifically the development of new housing, and other investments intended to make Maidstone a thriving place. In order to enable these developments to take place, investment in infrastructure will be needed. In general, infrastructure schemes are funded from the benefits gained from the development. To address any potential funding gap, the Council will enable infrastructure spending, to the extent that it meets our strategic priorities.

Home and Communities

- 2.5. The Strategic Plan seeks to make Maidstone a place where people love to live and can afford to live. This means a range of different types of homes, including affordable housing.
- 2.6. We aim, and are required by law, to address homelessness and rough sleeping. The Council has invested in temporary accommodation for homeless families, thereby ensuring a good standard of accommodation and providing a more cost-effective solution than is offered by the private sector.

A Thriving Place

- 2.7. The Strategic Plan seeks to make Maidstone a borough that is open for business, attractive for visitors and is an enjoyable and prosperous place to live for our residents. This can be achieved through investment in the County town and rural service centres.
- 2.8. There are a number of ways in which the Council will take the lead, including working with partners and through direct investment ourselves. The Council has a successful track record of acquiring property within the borough to support wider regeneration objectives. These acquisitions both generate a return that supports the viability of the investment and contribute to making Maidstone a thriving place. We will continue to seek good quality investment opportunities which deliver value and support our strategic goals.
- 2.9. Where appropriate, we will seek to achieve the necessary scale of investment by identifying joint venture partners. The amount available for direct investment by Maidstone Council is governed by the overall size of the capital programme, but we will adopt a flexible approach within this constraint in order to take advantage of investment opportunities that meet our criteria.

Safe, Clean and Green

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

Capital Programme Proposals

- 2.11. Capital Programme proposals have been developed based on the principles set out above and reflect the strategic priorities agreed by Council when it set the current Strategic Plan. The Capital Programme 2024/25 to 2033/34 sets out the recommended programme for schemes which were programmed within the existing capital programme together with new schemes that it is now proposed to include within the capital programme. Details of some of the larger schemes are set out below.

Private Rented Sector Housing Programme - £99.8 million

This encompasses a number of schemes that are in the process of being identified and brought forward, where PRS housing will form part of a mix of tenures alongside Affordable Housing. This covers projects such as Maidstone East and Springfield library, but at this stage in the main are not contractually committed. These will be the subject of separate committee reports at the point a decision to proceed or not is required. All these PRS assets will be owned by the Council but leased (on a long-term basis) upon completion to Maidstone Property Holdings Limited to manage.

1,000 Homes Affordable Housing Programme - £155.7 million

In the Autumn of 2021, The Leader of the Council announced his ambition to build 1,000 affordable homes in the shortest period possible. A development strategy setting out how this ambition can best be achieved was agreed by Policy & Resources Committee on 19th January 2022. It is likely that the whole programme will take ten years to deliver. The programme is likely to provide predominantly Affordable Rented homes that will be let at 80% of market rent, capped at the Local Housing Allowance. The expenditure shown includes grant receipts from the likes of Homes England that will be necessary to deliver the programme. Assumptions have been made around the level of funding that could be received and this is dealt with in the funding section of this report. During 2023/24 a number of sites were identified and they are schemes that are now being actively developed.

Temporary Accommodation - £20.0 million

The Council has a programme to acquire housing on the open market for temporary accommodation, as it is more cost-effective to use our own property for this purpose and enables delivery of a revenue saving. It is proposed to buy further units in 2024/25 to help deal with the rising numbers of people who are being made homeless because of the current economic crisis.

Commercial and Community Developments £3.8m

The New Business and Housing Development team are in the process of developing sites including Maidstone East and Heather House Community Centre.

Disabled Facilities Grants - £8.0 million

The Council works with Kent County Council Social Services to deliver adaptations and facilities to enable disabled people to remain at home. This element of the capital programme therefore has a directly beneficial impact for individual local residents. Assistance under this budget is not funded by the Council but is funded from the Department of Health Better Care Fund (BCF) as a specific capital grant.

Parks Improvements - £1.1 million

This is an annual budget to allow for any works that are identified in the parks to be undertaken to improve the standard of the facilities for the public when they visit the parks.

Parks & Open Spaces Infrastructure Maintenance – £2.0 million

Ongoing investment in the infrastructure of the parks will enable the revenue budgets to remain focused on delivering the more regular maintenance such as shrub bed pruning, grass cutting, weeding etc and on ensuring the parks are safe and functional for residents and visitors. Poor maintenance of the parks infrastructure will also impact on the parks revenue budgets due to insurance claims or having to close sections of pathway.

Section 106 Funded Works Open Spaces – £4.0 million

This reflects open spaces capital projects that are funded by S.106 contributions. These works have been taking place for a number of years,

but it is considered appropriate that the programme reflects this to show the total forecast capital expenditure.

Purchase of New Waste Collection Vehicles - £6.4 million

Funding is allocated within the Capital Programme for the purchase of the waste collection fleet that forms part of the new contract for Refuse Collection due to commence in March 2024. Replacement of the fleet is envisaged seven years later when the fleet acquired in March 2024 has reached the end of its useful life.

Existing Leisure Centre – Capital Improvements £2.2 million

Cabinet considered proposals for minor capital improvements to the Leisure Centre at its meeting on 8 February 2023. The purpose was to reduce costs and generate increased revenue over the likely extension period of the existing contract. This was agreed by Cabinet and built into the capital programme for 2023/24. As this work has been dependent on decisions about extension of the contract, it has not started as yet, and the majority of the expenditure is now likely to slip to 2024/25.

New Leisure Centre - £60.0 million

The Council is committed to providing leisure services that are accessible to all the borough's residents. This follows from the Council's strategic priorities, and in particular the cross-cutting priority of addressing and reducing health inequalities.

The existing Mote Park Leisure Centre is over 50 years old. It is becoming increasingly expensive to maintain and detracts from the Council's net zero carbon emissions objective. Modelling presented in February 2023 indicated that the optimum time for a replacement, or at the very least a significantly refurbishment, would be towards the end of the extension period for the existing leisure contract (which is subject to a separate report on this agenda). It was reported in February 2023 that projected capital costs for a new build leisure centre would be in the region of £40 million. A Passivhaus centre or more sophisticated design would cost in excess of £50m. Owing to the complexity of a major refurbishment, the capital costs arising would be at least £35 million, ie not significantly less than the cost of a complete replacement.

It is proposed to make provision in the capital programme for £60 million, which would offer the opportunity to build a new leisure centre commensurate with the Council's ambitions, given current prices. Expenditure is profiled over the next six years, with some initial investment in design and feasibility in 2024/25 and a build programme extending over the three years 2027/28 to 2028/29.

All opportunities to source external funding to mitigate the cost to the Council will be explored. At this stage the proportion to be externally funded cannot be estimated, so the figure of £60 million represents the gross cost of a new leisure centre.

Asset Management / Corporate Property - £3.07 million

The Property Services section carries out a 5-year cycle of condition surveys of Council property which provide a costed programme of essential replacement or refurbishment of building elements to ensure the

proper, compliant and efficient operation of the buildings in accordance with the Asset Management Plan. There is no financial return from the projects, but they do eliminate the accumulation of a backlog of maintenance, reduce the risk of failure and interruption of service and the cost of reactive maintenance.

Corporate Property Acquisitions - £25.0 million

It is envisaged that the Council will continue to seek further suitable opportunities to acquire assets which help deliver the Council's strategic objectives, following the previous acquisitions of the Lockmeadow Leisure Complex, Maidstone House and various industrial units. The capital programme includes this fund which is intended to give the capacity to pursue opportunities to enhance the corporate property portfolio. The Council continues to work with selected agents to identify suitable opportunities and these will be brought forward for member approval when identified.

Infrastructure Delivery - £10.0 million

Infrastructure schemes as outlined in the Local Plan are in general funded directly from the benefits gained from the development. However, in some cases, it is appropriate for the Council to invest directly in infrastructure, for example where viability assessments indicate a funding gap and where it is appropriate for the Council to meet the shortfall in order to enable strategic priorities to be met. An annual amount of £1.0 million has been set aside within the capital programme for this purpose. Including rolled up unspent budget from previous years, this gives a total allocation of £6.2 million over the lifetime of the capital programme.

Biodiversity & Climate Change - £14.867 million

This funding will be used for a number of projects including the purchase of electric vehicles along with investment in charging infrastructure, carbon offsetting, solar investment and looking to make the Council's buildings more energy efficient with a view to reducing both costs and carbon emissions.

Fleet Vehicle Replacement Programme - £3.248 million

Vehicle purchases have been capitalised previously but not included on the programme. Funding comes from capital receipts including the sale of vehicles when they reach the end of their useful life.

A full list of the Council's Capital Programme can be found within Table 1 on page 15.

Medium-Term Financial Strategy

- 2.12. The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council adopted a Strategic Plan for the period 2021 – 2045 in December 2018, and the existing MTFS for the period 2024/25 to 2028/29 reflects the Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.

- 2.13. The Strategic Plan depends on the Council's financial capacity and capability. Accordingly, the MTFS considers the economic environment and the Council's own current financial position. The external environment is challenging because of high inflation and the state of the UK's public finances. In assessing the Council's own financial position, attention is paid to its track record of budget management, current financial performance and the level of reserves that it holds. It is imperative that the MTFS both ensures Maidstone Council's continuing financial resilience and is sufficiently flexible to accommodate a range of potential scenarios. The Council has prepared financial projections under different scenarios, continuing a practice that has been followed for several years. The MTFS sets out financial projections based on the assumption that inflation will remain elevated and central government continues to give the council limited funding flexibility. The MTFS sets out a proposed approach which will address the budget gap in 2024/25. The position in future years is much more challenging and will require a more radical approach.
- 2.14. The Council's strategic priorities are met not only through day-to-day revenue spending but also through capital investment. The MTFS makes clear that the council's programme of building 1,000 Affordable Homes will be the principal element of the Capital Strategy.
- 2.15. The draft MTFS was approved by Cabinet on 20th September 2023. The latest draft capital programme to be considered by Council on 21st February 2023 can be found at page 15 of this Strategy.

Treasury Management Strategy

- 2.16. The Treasury Management Strategy sets out how the Council manages its investments and cash flows, including banking, money market and capital market transactions, and how optimum performance is assured whilst managing the risks associated with these activities.
- 2.17. These specific aspects of the Treasury Management Strategy address the Council's capital expenditure plans and how borrowing needs are met. Capital expenditure is funded from the internal resources, borrowing and third party contributions such as Section 106 and Community Infrastructure Levy (CIL) payments on new developments and grant funding, eg from Homes England. The Council allocates some internal resources to fund capital expenditure, including revenue funding and internal borrowing, along with external funding via grant funding and borrowing externally. Long term borrowing costs have been budgeted for within the MTFS. The Council currently has £5m of long-term loans with the PWLB, and has also committed to £80m long term funding through Aviva Life & Pensions UK Limited, paid in tranches over the next 3 years, the first £40m being due in February 2024.

- 2.18. The Prudential Code 2021 requires that Authorities include a long-term projection of external debt and the capital financing requirement (CFR). This projection should enable review of how the level of underlying borrowing for capital purposes (the CFR) is offset by other cash flows and balances, which (in nearly all authorities) reduce the level of actual debt required. This can be found within the Treasury Management Strategy Statement (TMSS) 2024/25.

Asset Management Plan

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

The current capital programme includes a provision of £3.7 million for Corporate Property Improvements including works to industrial properties. There is also a provision of £800,000 for works to the offices of Maidstone House, based on the requirements of the Asset Management Plan.

The Asset Management Strategy is currently under review for the Council's Housing and Property Portfolios. This work is due to be completed during 2024.

3. GOVERNANCE FRAMEWORK

Background

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

Developing capital expenditure proposals

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

- 3.8. The MTFS requires the Council to identify actual funding before commencement of schemes. Accordingly, while schemes may be prioritised for the programme, ultimately commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.
- 3.9. The MTFS principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:
- (a) The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies;
 - (b) Opportunities to obtain receipts from asset sales as identified in the Asset Management Plan and approved for sale by Policy and Resources Committee;
 - (c) The approval of prudential borrowing when the following criteria also apply to the schemes funded by this method:
 - i. financial viability of the schemes can be clearly evidenced;
 - ii. the outcome returns economic value commensurate to the cost incurred by borrowing to fund the schemes;
 - iii. after covering the cost of funding, a further benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan or the medium term financial strategy.
 - (d) The use of residual one-off funding such as New Homes Bonus or Funding Guarantee for capital purposes (after any topslice to support the revenue budget), in line with the Council's strategic plan priorities;
 - (e) The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.
- 3.10. Service managers submit proposals to include projects in the Council's capital programme. Bids are collated by the Finance Section who calculate the financing cost (which can be nil if the project is fully externally financed). The relevant decisionmaker appraises the proposals with reference to corporate priorities set out in the strategic plan. The Cabinet recommends the capital programme which is then presented to Council in March each year.
- 3.11. Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections is considered by the relevant service committee.
- 3.12. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). Further details are set out in section 4 of the Capital Strategy.

Performance Monitoring

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

Capitalisation

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

Asset Disposals

- 3.18. The Council's policy for asset disposals is set out in a policy adopted by Policy and Resources Committee at its meeting on 25th July 2017.
- 3.19. The policy distinguishes between the following categories.
- Operational Property held and used by the Council for the direct delivery of services for which it has either a statutory or discretionary responsibility. Assets may be disposed of if they have reached the end of their economic or useful life.
 - Investment Property held by the Council for revenue generation purposes, which should be assessed by its potential for improved rates of return by either better asset management, or disposal and re-investment of the receipt.

- Community assets such as open space. The Council will not usually dispose of areas of parks or other areas which are classed as public open space.

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

4. FINANCING THE CAPITAL PROGRAMME

4.1. Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, however there are various borrowing options within the commercial sector which are open to the Authority. All capital expenditure must be financed, either from external sources (government grants, including New Homes Bonus, and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and other long-term liabilities). The planned Capital Programme 2024/25 to 2033/34 is set out in Table 1 below along with the planned funding for the programme in Table 2.

Table 1: Capital Programme 2024/25 to 2033/34

	2024/25	2025/26	2026/27	2027/28	2028/29	5 Year Total	2029/30	2030/31	2031/32	2032/33	2033/34	10 Year Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Housing, Health & Environment												
Private Rented Sector Housing (Gross cost)	21,065	31,879	25,574	12,370	7,274	98,161	1,656					99,817
1,000 Homes Affordable Housing Programme (Gross cost)	31,096	42,722	25,921	13,908	14,995	128,643	10,251	4,711	5,487	4,026	2,576	155,693
Temporary Accommodation	20,000					20,000						20,000
Other Property - Community and Commercial	1,809	1,089	663	143	100	3,804						3,804
Housing - Disabled Facilities Grants Funding	800	800	800	800	800	4,000	800	800	800	800	800	8,000
Street Scene Investment	50	50	50	50	50	250	50	50	50	50	50	500
Flood Action Plan	200	150				350						350
Continued Improvements to Play Areas	50	60	70	80	80	340	80	80	80	80	80	740
Parks Improvements	260	70	80	90	100	600	100	100	100	100	100	1,100
Parks Improvements - Infrastructure Maintenance	200	200	200	200	200	1,000	200	200	200	200	200	2,000
Grounds Maintenance Machinery Replacement Programme	100	110	105	123	42	480	75	75	75	75	75	855
Waste Crime Team - Additional Resources	20	10	10			40						40
Open Spaces - Section 106 funded works	400	400	400	400	400	2,000	400	400	400	400	400	4,000
Improvements to Cemetery	120					120						120
Purchase of New Waste Collection Vehicles								6,380				6,380
Total	76,170	77,540	53,873	28,163	24,041	259,787	13,612	12,796	7,192	5,731	4,281	303,398
Communities, Leisure & Arts												
Museum Development Plan	180					180						180
Leisure Provision	2,250					2,250						2,250
New Leisure Centre	500	500	2,000	15,000	29,000	47,000	13,000					60,000
Mote Park Kiosk Refurbishment & Extension	250					250						250
Total	3,180	500	2,000	15,000	29,000	49,680	13,000					62,680

	2024/25	2025/26	2026/27	2027/28	2028/29	5 Year Total	2029/30	2030/31	2031/32	2032/33	2033/34	10 Year Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Corporate Services												
Asset Management / Corporate Property	1,695	175	175	175	175	2,395	175	175	175	175	175	3,270
Corporate Property Acquisitions	2,500	2,500	2,500	2,500	2,500	12,500	2,500	2,500	2,500	2,500	2,500	25,000
Kent Medical Campus - Innovation Centre	350					350						350
Lockmeadow Ongoing Investment	100	100	100	100	100	500	100	100	100	100	100	1,000
Garden Community	1,187	630	83	82		1,982						1,982
Infrastructure Delivery	1,000	1,000	1,000	1,000	1,000	5,000	1,000	1,000	1,000	1,000	1,000	10,000
Other Property Works	800	200				1,000						1,000
Carbon Reduction to Maidstone B.C. Estate	5,542	2,616	2,493	1,641	1,075	13,367	300	300	300	300	300	14,867
Parkwood Property Investment to meet EPC targets	785	440				1,225						1,225
Feasibility Studies	50	50	50	50	50	250	50	50	50	50	50	500
Digital Projects	30	30	30	30	30	150	30	30	30	30	30	300
Software / PC Replacement	200	200	200	200	200	1,000	200	200	200	200	200	2,000
Maidstone House Works	400	100	100	100	100	800						800
Leeds Langley					1,000	1,000						1,000
Fleet Vehicle Replacement Programme	478	470	200	300	300	1,748	300	300	300	300	300	3,248
Total	15,116	8,511	6,931	6,178	6,530	43,267	4,655	4,655	4,655	4,655	4,655	66,542
Planning, Infrastructure & Economic Development												
Public Realm & Greening relating to the Town Centre	1,000					1,000						1,000
Medway Street Car Park	195					195						195
Total	1,195					1,195						1,195
TOTAL	95,661	86,551	62,803	49,342	59,571	353,928	31,267	17,451	11,847	10,386	8,936	433,814

Table 2: Capital Financing

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/24	Total 24/25 to 33/34 £000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
External sources	1,605	5,421	2,979	13,486	21,356	9,963	1,200	1,200	13,900	1,200	1,200	71,905
Own resources - incl Internal borrowing/MRP	2,649	5,553	7,548	17,437	14,384	10,673	11,183	13,102	14,033	14,083	14,334	122,330
External Borrowing	37,670	84,687	76,024	31,880	13,603	38,935	18,884	3,149	-16,086	-4,897	-6,598	239,580
TOTAL	41,924	95,661	86,551	62,803	49,342	59,571	31,267	17,451	11,847	10,386	8,936	433,814

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

Table 3: Replacement of debt finance

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total £000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
MRP	1,399	3,108	5,298	7,187	8,141	8,423	8,933	10,852	11,783	11,833	12,084	89,041
Capital receipts	0	0	1,200	0	0	0	0	0	0	0	0	1,200
TOTAL	1,399	3,108	6,498	7,187	8,141	8,423	8,933	10,852	11,783	11,833	12,084	90,241

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

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Brought forward	72,841	110,511	195,197	271,221	303,101	316,704	355,639	374,523	377,672	361,586	356,689
Capital Expenditure	41,924	95,661	86,551	62,803	49,342	59,571	31,267	17,451	11,847	10,386	8,936
External funding	-1,605	-5,421	-2,979	-13,486	-21,356	-9,963	-1,200	-1,200	-13,900	-1,200	-1,200
Own resources	-1,250	-2,445	-2,250	-10,250	-6,243	-2,250	-2,250	-2,250	-2,250	-2,250	-2,250
MRP	-1,399	-3,108	-5,298	-7,187	-8,141	-8,423	-8,933	-10,852	-11,783	-11,833	-12,084
TOTAL CFR	110,511	195,197	271,221	303,101	316,704	355,639	374,523	377,672	361,586	356,689	350,091

Borrowing Strategy

4.5. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. Due to increasing interest rates, the Council secured £80m of long term borrowing through Aviva Life & Pensions UK Limited to fund the increasing capital programme at a cost of 2.89%. The first tranche totalling £40m is due to be received in February 2024, with the remainder on the following dates:

- February 2025 £20m
- February 2026 £20m

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

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

	31.03.24 budget £000	31.03.25 budget £000	31.03.26 budget £000	31.03.27 budget £000	31.03.28 budget £000	31.03.29 budget £000	31.03.30 budget £000	31.03.31 budget £000	31.03.32 budget £000	31.03.33 budget £000	31.03.34 budget £000
Debt (excl.PFI & leases)	37,670	122,356	198,380	230,260	243,863	282,798	301,682	304,830	288,745	283,848	277,250
Capital Financing Requirement	110,511	195,197	271,221	303,101	316,704	355,639	374,523	377,672	361,586	356,689	350,091

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

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

Table 6: Prudential Indicators: Authorised limit and operational boundary**Authorised Limit**

	31.03.24 budget £m	31.03.25 budget £m	31.03.26 budget £m	31.03.27 budget £m	31.03.28 budget £m	31.03.29 budget £m	31.03.30 budget £m	31.03.31 budget £m	31.03.32 budget £m	31.03.33 budget £m	31.03.34 budget £m
Borrowing	60.000	149.687	230.710	267.590	286.193	330.128	354.012	362.161	351.075	351.178	349.580
Other Long Term Liabilities	0.905	0.309	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	60.905	149.99556	230.71	267.59	286.193	330.128	354.012	362.161	351.075	351.178	349.58

Operational Boundary

	31.03.24 budget £m	31.03.25 budget £m	31.03.26 budget £m	31.03.27 budget £m	31.03.28 budget £m	31.03.29 budget £m	31.03.30 budget £m	31.03.31 budget £m	31.03.32 budget £m	31.03.33 budget £m	31.03.34 budget £m
Borrowing	50.000	139.687	220.710	257.590	276.193	320.128	344.012	352.161	341.075	341.178	339.580
Other Long Term Liabilities	0.905	0.309	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	50.905	139.99556	220.71	257.59	276.193	320.128	344.012	352.161	341.075	341.178	339.58

- 4.8. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 4.9. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 7: Treasury management investments

	31.03.24 budget £000	31.03.25 budget £000	31.03.26 budget £000	31.03.27 budget £000	31.03.28 budget £000	31.03.29 budget £000	31.03.30 budget £000	31.03.31 budget £000	31.03.32 budget £000	31.03.33 budget £000
Short-term investments	25,000	25,000	20,000	10,000	4,000	4,000	4,000	4,000	4,000	4,000
Longer-term investments	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total	25,000	30,000	25,000	15,000	9,000	9,000	9,000	9,000	9,000	9,000

- 4.10. In years 2023/24 to 2025/26, it is envisaged short term balances will be high due to the forward loans with Aviva Life & Pensions UK Ltd which will be received in February of each financial year. This is expected to be short term as the funds will be utilised within the capital programme.
- 4.11. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance, Resources and Business Improvement and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are included within the budget monitoring reports which are presented to the Council's Corporate Services Policy Advisory Committee with the half yearly and annual reviews which are scrutinised by Audit, Governance and Standards Committee then recommending to Full council. The Audit, Governance and Standards Committee is responsible for scrutinising treasury management decisions.
- 4.12. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. Full budget provision is made for capital financing costs within the Council's revenue budgets. This is based on estimates derived from the capital programme, and projected 50 year borrowing costs.

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

	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Financing costs (£m)	-0.550	5.460	9.082	10.071	10.348	11.127
Proportion of net revenue stream (%)	-9.026	21.156	34.249	36.966	36.968	39.750

- 4.13. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend beyond 5 years into the future. The Director of Finance, Resources and Business Improvement is satisfied that the proposed capital programme is prudent, affordable and sustainable.
- 4.14. The Authority is required to estimate and measure the Liability Benchmark which is based on 3 month SONIA (Sterling Overnight Index Average) Rate.

Other Long Term-Liabilities

- 4.15. This section deals with other long term liabilities to which the Council has committed itself in order to secure capital investment. The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.

- 4.16. The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council are then repaying this loan over a 15 year term, by equal monthly instalments which is due to be finished in 2025/26. The principal element of this loan is reflected on the Council's Balance Sheet and will be written down annually by the amount of principal repaid. Interest paid on the loan is charged to revenue.

5. Investment Strategy

Service Investments: Loans

- 5.1. The Council can make investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, Charities and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to provide value for money to the tax payer.
- 5.2. The Council has made loans to Kent Savers for £25,000 in 2017/18 which is repayable in 2032/33 at an interest rate of 1%. A loan to Cobtree Manor Estates Trust towards the construction of the new car park which had been agreed in 2019/20 for an amount of £323,000 repayment over 5 years at an annual interest rate of 3%. Current balance owing is £139,293. There has been no agreement to enter into further service loans in the immediate future.
- 5.3. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. As these loans are very small materially, no loss allowance is required to be accounted for.
- 5.4. The Authority assesses the risk of loss before entering into a loan agreement assessing the borrower's ability to repay the loan, based on past financial performance. This is monitored over the period of the loan in line with the agreed repayment terms.

Commercial Investments: Property

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

requirement that an authority must not borrow to invest for the primary purpose of financial return.

6. KNOWLEDGE AND SKILLS

- 6.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Director of Finance and Business Improvement is a qualified accountant with over 16 years' experience in local government, the Corporate Property Manager and the team are experienced in Property Management and the Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), and ACCA.
- 6.2. The Council also employs Link Asset Services for Treasury Management advice, who support with the provision of training to members.
- 6.3. Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance, Resources and Business Improvement and relevant committee (where appropriate) and must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.
- 6.4. Staff are kept updated on latest developments on Treasury, Non-Treasury and Capital through email bulletins and training courses through the Council's advisors Link Asset Services. The Council is also part of the Kent Treasury Benchmarking Group which meet to discuss ongoing issues every 6 months.
- 6.5. Training is offered to all Members on Treasury, Non-Treasury and Capital to prior to decision making on the relevant Strategies. Training is arranged at least every year, maybe earlier for new Members.

7. RISK MANAGEMENT

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

Corporate

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

Financial

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

Service

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

Project

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