

**First Quarter Financial Update
2021/22**

Policy & Resources Committee

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Lead Officer: Mark Green

Report Authors: Ellie Dunnet/Paul Holland

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Part A

Executive Summary & Overview



This report provides members with the financial position as at 30 June 2021, covering activity for both the Council as a whole and this committee's revenue and capital accounts for the first quarter of 2021/22.

Members will be aware of the significant uncertainty in the 2021/22 budget estimates arising from the ongoing impact of the Covid-19 pandemic, both in relation to demands on the Council to respond and the speed of local economic recovery. Financial support from central government received during 2020/21 continues to support specific activities, and the unringfenced Covid-19 grant of £860,000 will be used to support recovery and renewal activities.

In addition, the Council will shortly be applying for the final round of funding under the government's sales, fees and charges compensation scheme covering income losses between April – June 2021 measured against the 2020/21 income budget. This is expected to be the final allocation of unringfenced Covid-19 funding from central government.

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

The headlines for Quarter 1 are as follows:

Part B: Revenue Budget – Q1 2021/22

- At the Quarter 1 stage, the Council has incurred net expenditure of £0.007m against a profiled budget of £1.634m, representing an underspend of £1.627m.
- For the services reporting directly to PRC, net expenditure of -£0.233m has been incurred against a profiled budget of £0.749m, representing an underspend of £0.982m. The large underspends for the year to date arise mainly from timing differences, principally receipt of government grants which have not yet been spent. The projected out-turn for the Council for the year as a whole as at the end of Quarter 1 is an underspend of £0.144m.

Part C: Capital Budget – Q1 2021/22

- At the Quarter 1 stage, the Council has incurred overall expenditure of £3.794m against a budget allocation within the Capital Programme of £54.600m.
- Expenditure for services reporting directly to PRC of £1.507m has been incurred against the budget of £22.850m.

Part D: Local Tax Collection 2021/22

- Adjusted target collection rates have been met for Council Tax but missed for Business Rates.
- It is anticipated that the Council will retain £0.35m through the Kent Business Rates Pool in 2021/22.

Part E: Reserves & Balances 2021/22

- The unallocated balance on the General Fund at 1 April 2021 was £9.2m. It is anticipated that balances will remain above the minimum level set by Council.

Part F: Treasury Management 2021/22

- The Council held short-term investments of £16.16m and had £11.0m in outstanding borrowing as at 31st March 2021.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for the first quarter of 2021/22 was £78,820. Rent arrears as at 30 June totalled £10,928.

Part B

First Quarter Revenue Budget 2021/22



B1) Revenue Budget: Council

B1.1 At the Quarter 1 stage, the Council has incurred net expenditure of £0.007m against a profiled budget of £1.634m, representing an underspend of £1.627m.

B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 1 2021/22 by providing alternative analyses: by Committee, Priority and Subjective Heading.

Table 1: Net Expenditure 2021/22 (@ 1st Quarter): Analysis by COMMITTEE

Committee	Full Year Budget £000	To 30 June 2021 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Policy & Resources	10,803	749	-233	982	11,053	-250
Strategic Planning and Infrastructure	-384	348	280	68	-462	78
Communities, Housing & Environment	8,212	209	-350	558	7,896	316
Economic Regeneration & Leisure	1,064	328	309	19	1,064	0
Net Revenue Expenditure	19,695	1,634	7	1,627	19,551	144

Table 2: Net Expenditure 2021/22 (@ 1st Quarter): Analysis by PRIORITY

Priority	Full Year Budget £000	To 30 June 2021 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Safe, Clean and Green	6,335	1,347	780	567	6,112	222
Homes and Communities	1,090	-1,313	-1,356	43	996	94
Thriving Place	1,191	369	374	-5	1,191	0
Embracing Growth and Enabling Infrastructure	-291	371	280	91	-369	78
Central & Democratic	11,370	859	-71	930	11,620	-250
Net Revenue Expenditure	19,695	1,634	7	1,627	19,551	144

Table 3: Net Expenditure 2021/22 (@ 1st Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget £000	To 30 June 2021 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Employees	21,636	5,451	5,524	-73	21,636	0
Premises	5,953	2,637	2,391	247	5,953	0
Transport	678	152	124	28	678	0
Supplies & Services	14,074	2,711	2,033	678	13,909	166
Agency	6,232	1,503	1,499	4	6,232	0
Transfer Payments	41,314	9,461	8,093	1,368	41,314	0
Asset Rents	1,106	0	0	0	1,106	0
Income	-71,299	-20,282	-19,657	-625	-71,277	-21
Net Revenue Expenditure	19,695	1,634	7	1,627	19,551	144

B2) Revenue Budget: Policy & Resources (PRC)

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

Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 1st Quarter 2021/22)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Civic Occasions	43	27	12	14	43	0
Members Allowances	397	99	87	12	397	0
Members Facilities	30	7	8	-1	30	0
Contingency	-357	-979	-1,406	426	-357	0
Performance & Development	13	4	1	3	13	0
Corporate Projects	38	10	2	8	38	0
Press & Public Relations	25	5	-4	9	25	0
Corporate Management	601	35	34	1	601	0
Unapportionable Central Overheads	1,459	345	332	13	1,459	0
Council Tax Collection	55	16	14	2	55	0
Council Tax Collection - Non Pooled	-357	12	24	-12	-357	0
Council Tax Benefits Administration	-152	-152	-160	7	-152	0
NNDR Collection	2	1	1	-0	2	0
NNDR Collection - Non Pooled	-234	2	38	-36	-194	-40
MBC- BID	1	4	0	4	1	0
Registration Of Electors	50	10	6	5	50	0
Elections	311	168	145	22	311	0
KCC Elections	0	0	0	-0	0	0
PCC Elections	0	0	-34	34	0	0
General Elections	0	0	0	-0	0	0
Emergency Centre	26	10	19	-10	26	0
Medway Conservancy	126	63	63	-0	126	0
External Interest Payable & Minimum Revenue Provision	2,263	0	5	-5	2,263	0
Interest & Investment Income	-100	-25	1	-26	-50	-50
Palace Gatehouse	-9	-2	-2	0	-9	0
Archbishops Palace	-95	-22	-31	9	-95	0
Parkwood Industrial Estate	-278	-63	-67	3	-278	0
Industrial Starter Units	-16	1	-4	5	-16	0
Parkwood Equilibrium Units	-70	-19	-29	10	-70	0
Sundry Corporate Properties	-531	-133	-23	-110	-341	-190
Phoenix Park Units	-204	-51	-65	13	-204	0
Granada House - Commercial	-95	-24	-55	31	-95	0
MPH Residential Properties	-842	-210	-185	-26	-842	0
Heronden Road Units	-151	-41	-48	7	-151	0
Boxmend Industrial Estate	-93	-23	-43	20	-93	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Lockmeadow	165	41	4	37	165	0
NEW Lockmeadow Complex	-1,378	-887	-757	-130	-1,248	-130
Wren Industrial Estate	-128	12	-37	49	-128	0
Pensions Fund Management	1,688	0	0	0	1,688	0
Non Service Related Government Grants	-3,995	-999	-1,015	16	-3,995	0
Rent Allowances	-125	-25	-202	177	-125	0
Non HRA Rent Rebates	-11	267	207	59	-11	0
Discretionary Housing Payments	1	75	79	-3	1	0
Housing Benefits Administration	-354	-92	-84	-8	-354	0
Innovation Centre Section	-3	-1	-1	-0	-3	0
Democratic Services Section	191	48	45	3	191	0
Mayoral & Civic Services Section	116	29	25	4	116	0
Chief Executive	184	46	47	-1	184	0
Communications Section	189	47	45	2	189	0
Policy & Information Section	289	72	68	4	289	0
Head of Policy and Communications	113	28	27	1	113	0
Revenues Section	515	250	240	10	515	0
Registration Services Section	93	23	26	-3	93	0
Benefits Section	491	212	218	-6	491	0
Fraud Section	43	-77	-74	-3	43	0
Mid Kent Audit Partnership	233	65	22	43	233	0
Director of Finance & Business Improvement	145	36	35	1	145	0
Accountancy Section	727	197	182	15	727	0
Legal Services Section	483	122	107	15	483	0
Director of Regeneration & Place	143	36	36	0	143	0
Procurement Section	110	-4	0	-4	110	0
Property & Projects Section	466	117	77	40	466	0
Corporate Support Section	267	67	69	-2	267	0
Improvement Section	361	90	87	3	361	0
Executive Support Section	174	43	38	6	174	0
Head of Commissioning and Business Improvement	107	27	41	-14	107	0
Mid Kent ICT Services	551	138	128	10	551	0
GIS Section	117	29	30	-1	117	0
Customer Services Section	653	164	151	13	653	0
Director of Mid Kent Services	46	-57	-58	1	46	0
Mid Kent HR Services Section	391	98	67	31	391	0
MBC HR Services Section	167	42	2	39	167	0
Head of Revenues & Benefits	72	39	36	3	72	0
Revenues & Benefits Business Support	98	32	31	0	98	0
Dartford HR Services Section	-23	-6	-6	0	-23	0
IT Support for Revenues and Benefits	30	11	11	-0	30	0
Emergency Planning & Resilience	26	6	-12	19	26	0
Salary Slippage 1PR	-261	-65	0	-65	-261	0
Town Hall	109	38	29	9	109	0
South Maidstone Depot	154	82	103	-21	154	0
The Link	97	105	100	5	97	0
Maidstone House	1,189	659	504	156	1,029	160
Museum Buildings	347	193	182	10	347	0
I.T. Operational Services	593	164	167	-3	593	0
Central Telephones	15	4	2	2	15	0
Apprentices Programme	75	12	4	8	75	0
Internal Printing	-5	-1	2	-3	-5	0
Debt Recovery Service	-17	38	-2	41	-17	0
Debt Recovery MBC Profit Share	-73	-18	-12	-6	-73	0
General Balances	-1,071	-1,071	-1,071	0	-1,071	0
Earmarked Balances	4,940	1,174	1,187	-14	4,940	0
Invest To Save	10	0	0	0	10	0
Appropriation Account	1,106	0	0	0	1,106	0
Pensions Fund Appropriation	-1,688	0	0	0	-1,688	0
Totals	10,803	749	-233	982	11,053	-250

B2.2 The table shows that, at the Quarter 1 stage, for the services reporting directly to PRC, net expenditure of -£0.233m has been incurred against an annual budget of £0.749m, representing an underspend of £0.982m. The large underspends for the year to date arise mainly from timing differences, principally receipt of government grants which have not yet been spent. The projected out-turn for the Council for the year as a whole as at the end of Quarter 1 is an underspend of £0.144m.

B3) PRC Revenue Budget: Significant Variances

- B3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning. Variances will be reported to each of the service committees on a quarterly basis throughout 2021/22.
- B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 1.

Table 5: PRC Variances (@ 1st Quarter 2021/22)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Policy & Resources Committee	£000		
Contingency - The various grants received for Covid-19 are held in this budget, and it is anticipated that they will be utilised over the remainder of the year.	426		0
Interest & Investment Income – Interest rates continue to be lower than forecast and are projected to stay low for the remainder of the year.		-26	-75
Sundry Corporate Properties – There is an income target of £0.440m in the Medium-Term Financial Strategy from the acquisition of new properties. There have not been any acquisitions yet in the current financial year but this position is expected to change.		-109	-190
Lockmeadow Complex – There are still vacant units in the complex. There will be adjustments to the budget when the new food hall is operational.		-129	-130
Rent Allowances & Rent Rebates - The variances are due to the rent allowances/rebates awarded and the income received from the government. These are an estimated cost until the year-end subsidy claim is submitted.	236		0
Maidstone House – This variance reflects additional income received from the sub-letting of the 4 th floor.	156		160

B4) Other Revenue Budgets: Significant Variances

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

Table 6: SPI Variances (@ 1st Quarter 2021/22)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PLANNING SERVICES			
Building Regulations Chargeable – The budget figure was reduced by 10% for this year, and income has been higher than expected so far, and is forecast to continue to be for the rest of the year.	38		61
Development Control (Majors) – The number of major applications remains low and is not expected to improve significantly for the remainder of the year.		-37	-160
Development Control (Minors) The positive variance is due to a high level of income being generated coupled with the 10% decrease in income budget. The excess in income is due to a substantial increase in principally householder applications.	53		277

Local Plan Review

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

B4.2 The LPR process is therefore funded through an annual £200,000 revenue contribution, in addition to the existing service budget, with any remaining unspent balances at year end automatically rolled forward into the following financial year. The table below shows the available revenue resources currently allocated to fund LPR activities, and the spend as at 30th June 2021.

Opening Balance 01/04/2021 (including 2021/22 allocation)	Spending April - June 2021	Forecast Spending July - March 2022	Forecast Spending Balance 31/03/2022
£'s	£'s	£'s	£'s
374,320	138,633	443,726	-208,039

Table 6a, Local Plan Review budget (Q1, 2021/22)

B4.3 The above forecast excludes expenditure on the Town Centre Strategy, which is covered by a separate report to this committee.

B4.4 The residual overspend, currently estimated to be £207,000 will be funded from corporate contingency budgets, as agreed by Policy and Resources Committee on 24 March 2021.

B4.5 In addition to the resources and planned expenditure outlined above, £140,000 was allocated from the 2020/21 underspend for non-spatial planning policy development. This will be overseen by the Interim Local Plan Review Director in consultation with the Chairman and Vice-Chairman of the Strategic Planning and Infrastructure Committee. Planned expenditure on these activities has not been included within the table above.

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
Pay & Display Car Parks - The adverse variance is due to a continuing reduction in income. Short Stay car parks are over budget for the 1st quarter, with Long Stay and Lockmeadow under budget. However, Lockmeadow income has recovered significantly in recent weeks, this trend is expected to continue. There is no evidence that long stay income will improve with the continuation of home working. Season ticket income has also been affected with a 50% drop against budget.		-61	-100

Table 7: CHE Variances (@ 1st Quarter 2021/22)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Crematorium – There continues to be a higher than normal level of demand for the service, and memorial sales are also higher than forecast.	40		80
Homeless Temporary Accommodation – Costs have reduced due to the increase on the Council's own properties that were specifically purchased to deal with homeless families. Use has also been made of other Council and Maidstone Property Holdings properties.	36		94
Food & Safety Section – A number of Covid-related grants are held in this section that have yet to be spent. These are Test & Trace Support, Compliance & Enforcement and Test & Trace Door Knocking Service.	162		0

Table 8: ERL Variances (@ 1st Quarter 2021/22)

There are no significant variances to report for this committee at the end of the first quarter.

B5) Virements

- B5.1 In accordance with the Council's commitment to transparency and recognised good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the Policy & Resources Committee on a quarterly basis.
- B5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.
- B5.3 The virements made in Quarter 1 are presented in Table 9 below. These were all temporary virements.

Table 9: Virements (@ 1st Quarter 2021/22)

Reason	From	To	Value £	Perm/Temp*
Funding for Cultural Arts Officer from Business Rates Pool	Earmarked Balances	Cultural Services Section	40,130	Temporary
Establish Business Rates Pilot Projects Budgets as per P&R Committee on 02/02/21	Business Rates	Sundry Corporate Properties, Phoenix Park Units, Archbishops Palace & Corporate Property	92,000	Temporary
Budget for DCLG Council Tax Support Grant to Earmarked Reserve	Contingency	Earmarked Balances	326,730	Temporary
Fund Tractivity Licence	Earmarked Balances	Town Centre Management Sponsorship	4,500	Temporary
Fund Contribution to Midsummer Nights Dream	Earmarked Balances	Economic Development - Promotion & Marketing	3,000	Temporary
Fund Final Invoice for Economic Development Strategy	Earmarked Balances	Economic Development - Promotion & Marketing	6,490	Temporary
			472,850	

Part C

First Quarter Capital Budget 2021/22



C1) Capital Budget: Council

- C1.1 The overall five-year Capital Programme for 2021/22 to 2025/26 was approved by the Council on 24th February 2021. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding does continue to be available from the New Homes Bonus (NHB).
- C1.2 The 2021/22 element of the Capital Programme (including unused resources brought forward from 2020/21) has a revised budget of £54.600m. At the Quarter 1 stage, capital expenditure of £3.794m had been incurred, with budget remaining of £50.762m.

C2) Capital Budget: Policy & Resources Committee (PRC)

- C2.1 Progress towards the delivery of the 2021/22 PRC element of the Capital Programme at the Quarter 1 stage is presented in Table 10 below.
- C2.2 At the Quarter 1 stage, expenditure of £1.507m has been incurred against an adjusted budget of £22.850m million for PRC. This leaves a remaining budget of £21.343m.

Table 10: Capital Expenditure (@ 1st Quarter 2021/22)

Capital Programme Heading	Adjusted	Actual to	Budget	Projected			Projected	Budget Not
	Estimate	June 2021	Remaining	Q2 Profile	Q3 Profile	Q4 Profile	Total Expenditure	
	2021/22	2021	2021	2021	2021	2021	2021/22	Required
	£000	£000	£000	£000	£000	£000	£000	£000
Communities, Housing & Environment								
Housing - Disabled Facilities Grants Funding	1,717	163	1,553	200	200	250	813	903
Temporary Accommodation	3,008	4	3,003		1,000	2,003	3,008	
Brunswick Street	233	183	50	50			233	
Union Street	217	167	50	50			217	
Springfield Mill - Phase 1 & 2	3,066	1,121	1,945	843	964	120	3,049	17
Granada House Extension	954	2	952				2	952
Private Rented Sector Housing Programme	12,366	19	12,347	80	322	42	463	11,903
Affordable Housing Programme	2,384	5	2,379	300	930		1,235	1,149
Acquisitions Officer - Social Housing Delivery P/ship	74	47	28	56	48	53	204	-129
Granada House Refurbishment Works	976		976		25	25	50	926
Street Scene Investment	50		50	20	15	15	50	
Flood Action Plan	244		244	80	80	84	244	
Electric Operational Vehicles	84		84	84			84	
Vehicle Telematics & Camera Systems	35		35	35			35	
Rent & Housing Management IT System	19	4	15	15			19	
Installation of Public Water Fountains	15		15			15	15	
Crematorium & Cemetery Development Plan	378	21	357		157	200	378	
Continued Improvements to Play Areas	200		200	75	50	75	200	
Parks Improvements	149		149	50	50	49	149	
Gypsy & Traveller Sites Refurbishment	1,000	2	998	50	100	250	402	598
Total	27,166	1,737	25,430	1,989	3,941	3,181	10,848	16,319
Economic Regeneration & Leisure								
Mote Park Visitor Centre & Estate Services Building	2,776	8	2,768	375	500	500	1,383	1,393
Mote Park Lake - Dam Works	672	25	647	100	50		175	497
Mall Bus Station Redevelopment	1,006	511	495	495			1,006	
Total	4,453	543	3,910	970	550	500	2,563	1,890
Policy & Resources								
Corporate Property Acquisitions	11,809		11,809		8,500		8,500	3,309
Kent Medical Campus - Innovation Centre	5,500	1,235	4,266	3,000	1,266		5,500	
Lockmeadow Ongoing Investment	932	26	906	906			932	
Garden Community	232		232	75	75	82	232	
Infrastructure Delivery	1,200		1,200					1,200
Asset Management / Corporate Property	1,653	77	1,577	100	100	100	377	1,277
Biodiversity & Climate Change	1,000		1,000		250	250	500	500
Feasibility Studies	162	52	109	38	38	34	162	
Digital Projects	20		20			20	20	
Software / PC Replacement	342	117	225	75	75	75	342	
Total	22,850	1,507	21,343	4,193	10,303	561	16,565	6,286
Strategic Planning & Infrastructure								
Bridges Gyrotory Scheme	86	7	80			80	86	
Total	86	7	80			80	86	
Section 106 Contributions	44							
TOTAL	54,600	3,794	50,762	7,152	14,794	4,321	30,061	24,495

C3) Capital Budget Variances (@ 1st Quarter 2021/22)

Policy and Resources Committee

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

Infrastructure Delivery – At this stage there are no plans to spend this budget during 2021/22.

Asset Management/Corporate Property – This is indicative spend for the year and is likely to change as further works are identified during the remainder of the year.

Communities, Housing and Environment Committee

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

Granada House Extension and Refurbishment Works – The rooftop extension is no longer going ahead. Some of this budget may be required for the refurbishment works should the cost of the works be greater than currently anticipated. These works are not scheduled to commence until towards the end of the year.

Private Rented Sector Housing and Affordable Housing Programmes – The housing team are working on various projects which are currently at different stages. Expenditure is very much indicative at this stage and expected to increase during the last two quarters of the year once schemes have progressed further and new ones are potentially secured.

Acquisitions Officer Social Housing Delivery Partnership – The overspend is due to an extra resource being required with two acquisition officers now being in post to help deliver the housing capital programme, both of which have had contract extensions. Funding for this will be identified.

Gypsy & Traveller Sites Refurbishment – The tenders for work have come in at £1.8m, which is significantly above the budget for the scheme. It is recommended that additional funding of £0.9m, which will include an allowance for an increase in the employer's agents costs of £0.1m comes from the affordable housing programme budget.

Economic Regeneration and Leisure Committee

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

Mote Park Visitor Centre & Estate Services Building – Construction works are now underway, and the new centre will open in 2022.

Mote Park Lake Dam Works – This scheme is now substantially complete, although some works to a sluice gate are yet to be completed. The figures in the appendix for these works are indicative pending an update on the actual costs of these works.

Part D

First Quarter Local Tax Collection 2021/22



D1) Collection Fund

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

D2) Collection Rates & Reliefs

- D2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target and the equivalent position for the previous financial year.

Table 11: Local Tax Collection Rates (Q1 2021/22)

Description	Target	Actual 2020/21
Council Tax	27.48%	28.22%
Business Rates	30.97%	27.72%

- D2.2 Targets have been adjusted in light of what is considered to be collectible. The amount of Council Tax collected is in line with the revised targets. The first council tax liability order hearing took place in August for 1000 targeted cases with 2020-2021 arrears as in-year recovery tentatively resumes.
- D2.3 Collection rates for business rates has increased in volatility over the first quarter of 2021-22. The main contributory factors have been closures and the delay in lifting of Covid-19 restrictions, the termination of business support grants and withdrawal of 100% relief for many ratepayers, replaced by a 66% tapered reduction for some ratepayers. The tapering of the relief from July will increase the amount collectible from ratepayers by £8m. In-year recovery remains suspended for business rates, although ratepayers with arrears will be written to, to encourage contact with the department to make arrangements (potentially over longer periods of time) to avoid the need for recovery action.

D3) Kent Business Rates Pool

- D3.1 The council has continued to participate with other Kent authorities during 2021/22 in order to maximise the proportion of business rates growth it is able to retain. Forecast pooling gains for Maidstone Borough Council amount to £0.35m for 2021/22. As in previous years, this funding is allocated to spending which supports the delivery of the council's Economic Development Strategy.
- D3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. The eventual impact of Covid-19 on the business rates retention

scheme is extremely difficult to forecast, due to the number of unknowns e.g. the impact of the removal of expanded reliefs to businesses affected by Covid-19, and the longer term impacts on local, national and global economies.

D4) Write-Offs

D4.1 The Committee is asked to approve the write off of £34,956.95 in unpaid business rates debt for Monsoon Accessorize Limited relating to the 2019/20 financial year. This business was under a Company Voluntary Arrangement (CVA) for the period 3rd July 2019 to 9th June 2020 and the Council has received the CVA payments for revised business rates due.

D4.2 As there is no prospect of collecting the outstanding amounts from the ratepayer, it is recommended that these amounts are written off to reflect this. In accordance with the constitution, individual write offs exceeding £12,000 require the approval of Policy and Resources Committee.

D4.3 Notwithstanding the current hiatus on recovery action for business rates, the Council takes a robust approach to recovery of Business Rates. This involves progressive action which would typically include:

- Reminder for non-payment
- Final notice for non-payment
- Summons for non-payment
- Application to Magistrates Court for a Liability Order
- Instruction of Enforcement Agent to recover
- Bankruptcy or liquidation, where appropriate
- Proceeding to seek committal to prison (individuals).

D4.4 However, throughout the process the Council actively encourages contact from any business experiencing difficulty in order to negotiate arrangement for payment.

D4.5 The Council could continue to hold these debts as outstanding, but this option is not recommended where there is no prospect of recovery as this would distort the financial position of the Council. The Council maintains a provision for bad debts, and there is sufficient resource available within this balance to cover the value of the proposed write offs

Part E

Reserves & Balances 2021/22



E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2021 was £33.5 million, including £14.8 million set aside to fund future collection fund deficits. Please note that since the external audit of the 2020/21 accounts is ongoing, these figures should be treated as provisional. The makeup of the balance, and the forecast movements during 2021/22 are presented in Table 13 below.

E1.2 The closing balance enables a minimum general fund balance of £4.0 million to be maintained, as agreed by full Council in February 2021.

Table 13: Reserves & Balances Quarter 1 2021/22

	Balance at 1 April 2021	Forecast movement in 2021/22	Estimated Balance at 31 March 2022
	£000		
General Fund			
Unallocated balance	9,196	0	9,196
Sub-total	9,196	0	9,196
Earmarked Reserves			
Local Plan	200	-200	0
Neighbourhood Plans	96	-30	66
Planning Appeals	286	0	286
Civil Parking Enforcement	155	0	155
Homelessness Prevention & Temporary Accommodation	773	170	943
Business Rates Earmarked Balances	3,774	-649	3,125
Lockmeadow Complex	0	0	0
Future Funding Pressures	970	0	970
Trading Accounts	33	-33	0
Future Capital Expenditure	1,131	-1,131	0
Invest to Save Reserve	500	0	500
Commercial Risk Reserve	500	0	500
Funding for future collection fund deficits	14,797	-13,357	1,440
Resources carried forward from 2020/21 to 2021/22	1,077	-1,077	0
Sub-total	24,292	-16,307	7,985
Total General Fund Balances	33,488	-16,307	17,181
Total excluding collection fund deficits	18,691	-2,950	15,741

Table 13: General Fund and Earmarked Balances at Q1 2021/22

Part F

Treasury Management 2021/22



F1) Introduction

- The Council has adopted and incorporated into its Financial Regulations, the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code).
- The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 24th February 2021, the Council approved a Treasury Management Strategy for 2021/22 that was based on this code. The strategy requires that Policy & Resources Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

F2) Economic Headlines

- During the Quarter ended 30th June 2021, the Council's Advisors, Link Asset Services, reported:
 - The 24 June Monetary Policy Committee (MPC) meeting voted unanimously to keep the bank rate unchanged at 0.10%. They voted by a majority of 8-1 to continue unchanged the existing programme of UK government bond purchases of £875bn which is due to end by the end of this year.
 - The MPC noted the developing upside risks in the UK to both activity and inflation. It said that the news on activity "had predominantly been to the upside" and that Bank staff had "revised up their expectations for 2021 Q2 GDP growth to 5½% from 4¼%". For the first time, the policy statement noted that "there are increasing signs of recruitment difficulties for some businesses" and the minutes said, "it was possible that the near-term upward pressure on prices could prove somewhat larger than expected". By saying that inflation "is likely to exceed 3% for a temporary period" the MPC admitted the Governor will have to write to the Chancellor later this year explaining why inflation is more than 1% above the 2% target.
 - The annual inflation rate in the United Kingdom rose to 2.1% year on year in May from 1.5% year on year in April: this is the first time that the measure has been above the Bank of England's 2% target since July 2019.
 - The key point is that the MPC still appears willing to ride out the inevitable spike in inflation over the next six months as it thinks it will be short-lived and caused by one-off reopening price rises and supply shortages relative to demand - boosted by consumers having built up huge savings of around £145bn during lockdown.

F3) Interest Rates

- The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 10.5.21												
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50
5 yr PWLB	1.20	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50
10 yr PWLB	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00
25 yr PWLB	2.20	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40

- The coronavirus outbreak has had huge economic impact on the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings.
- As shown in the forecast table above, one tentative increase in Bank Rate from 0.10% to 0.25% has now been pencilled in for quarter 2 of 2023/24 as an indication that the Bank of England will be moving towards some form of monetary tightening around this time. However, it could well opt for reducing its stock of quantitative easing purchases of gilts as a first measure to use before increasing Bank Rate so it is quite possible that we will not see any increase in Bank Rate in the three-year forecast period shown
- As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as the Bank of England is not expected to raise Bank Rate above 0.25% during that period as inflation is not expected to be sustainably over 2%.

F4) Council Investments

- The council held investments totaling £16.16m at the start of the year, this has now risen to £26.37m at 30th June 2021. A full list of investments held at this time is shown at Table 14 below. All investments are held in either short term notice accounts or money market funds, to be readily available to fund the Council's liabilities, including the capital programme.

Table 14: Short-Term Investments (1st Quarter 2021/22)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Svenska Handelbanken	Call account	5,000,000			0.10%	12 Months	£5,000,000
Goldman Sachs International Bank	Call account	2,000,000			0.23%	6 Months	£5,000,000
Santander Bank Plc	Call account	5,000,000			0.55%	6 Months	£5,000,000
Lloyds Bank Plc	Call account	1,000,000			0.10%	6 Months	£5,000,000
Aberdeen Standard Liquidity Fund Sterling Fund	Money Market Fund	3,210,000			0.01%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	5,520,000			0.03%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	4,640,000			0.01%		£10,000,000
		21,730,000					

- Investment income to 30th June 2021 totals £10k against a budget of £25k with an average rate of 0.17%. As the interest rate table in F3 above shows, rates are at

historically low levels and as the Council's Treasury Management Strategy 2021/22 states investments will be kept short term to meet liabilities, these are kept in low yielding short term instruments.

F4) Council Borrowing

- The Council held external borrowing amounting to £11m on 31st March 2021, all with Local Authorities, total borrowing as at 30th June 2021 was £9m. A list is shown at Table 15 below. Short term borrowing rates have been extremely low and cash has been readily available from local authorities, which has been the preferred type of borrowing to date. Interest paid on borrowing in 2021/22 has been £5k. The Council is currently looking at other borrowing options such as UK Municipal Bonds Agency, PWLB (after the positive result of the consultation) and other financial institutions. It is the Council's aim to have a mixture of short and long term borrowing in order to spread the risks associated with interest rates and refinancing.

Table 15: Council Borrowing (1st Quarter 2021/22)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Rate of Return
West of England Combined Authority	Local Authority	4,000,000	20/05/2021	20/08/2021	0.02%
South Gloucestershire Council	Local Authority	2,000,000	30/06/2021	30/12/2021	0.05%
Bridgend County BC	Local Authority	3,000,000	30/06/2021	30/12/2021	0.05%

9,000,000

Part G

Maidstone Property Holdings 2021/22



G1) Maidstone Property Holdings Ltd. (MPH)

- G1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a vehicle for letting residential properties on assured short-hold tenancies. The company currently holds two properties on 22 year leases from the council.
- G1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (to the Policy and Resources Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.
- G1.3 The MPH financial year-end was changed to 31 March, in order to align with the Council's financial reporting period. The external audit of the 2020/21 accounts is currently under way.
- G1.4 On 18th December 2019, full Council accepted the Policy and Resources Committee recommendations and formally adopted the new Articles of Association, Operational Agreement, Services Agreement and Business Plan. The Services Agreement and Operational Agreement have subsequently been signed and sealed, and the amended Articles of Association submitted to Companies House.

G2) MPH Headlines

- G2.1 Since the beginning of the financial year, management of residential accommodation has transferred from an external agent to the Council's in-house accommodation team. MPH also took on the lease of 54 new flats at Tower Hill (Brunswick Street), Tylers Place (Union Street) and Springfield Place. All 54 flats have been let and the final tenant is due to move in later this month.
- G2.2 Net rental income for the first quarter of 2021/22 totals £78,820(2020/21 £34,551) This represents rent collected, less running costs, maintenance costs and recharges for staff time.
- G2.3 As at 30 June 2021, rent arrears totalled £10,928. Payment plans are in place for tenants in arrears and the accommodation team will continue to pursue recovery of the amounts which remain outstanding. There were two vacant flats at Lenworth House at 30 June, however both have since been occupied.
- G2.5 The Council receives income from the company through charges made for services provided, and the property lease. After these charges and other expenses, it is expected that the company will achieve a breakeven position for 2021/22.
- G2.6 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.