

Second Quarter Financial Update 2021/22

Policy & Resources Committee

24th November 2021

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Part A

Executive Summary & Overview



This report provides members with the financial position as at 30 September 2021, covering activity for both the Council as a whole and this committee's revenue and capital accounts for the first two quarters 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 has recently applied 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. The value of this claim is estimated at £0.4m and is expected to be the final allocation of unringfenced Covid-19 funding from central government.

The second 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 2 are as follows:

Part B: Revenue Budget – Q2 2021/22

- At the Quarter 2 stage, the Council has incurred net expenditure of £2.335m against a profiled budget of £4.500m, representing an underspend of £2.165m.
- For the services reporting directly to PRC, net expenditure of £0.490m has been incurred against a profiled budget of £1.711m, representing an underspend of £1.221m. 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 2 is an underspend of £0.265m.

Part C: Capital Budget – Q2 2021/22

- At the Quarter 2 stage, the Council has incurred overall expenditure of £7.255m against a budget allocation within the Capital Programme of £54.600m.
- Expenditure for services reporting directly to PRC of £3.303m 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.
- Balances as at 30th September 2021 are £45.19m in short-term investments and £9m of short term local authority borrowing.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for the second quarter of 2021/22 was £236,000. Rent arrears as at 30 September totalled £9,000.

Part B

Second Quarter Revenue Budget 2021/22

B1) Revenue Budget: Council

B1.1 At the Quarter 2 stage, the Council has incurred net expenditure of £2.335m against a profiled budget of £4.500m, representing an underspend of £2.165m.

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

Table 1: Net Expenditure 2021/22 (@ 2nd Quarter): Analysis by COMMITTEE

Committee	Full Year Budget	To 30 September 2021	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Policy & Resources	10,628	1,711	490	1,221	10,826	-198
Strategic Planning and Infrastructure	-327	-11	-400	389	-687	360
Communities, Housing & Environment	8,295	2,153	1,606	546	8,055	240
Economic Regeneration & Leisure	1,099	646	638	8	1,236	-138
Net Revenue Expenditure	19,695	4,500	2,335	2,165	19,430	265

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

Priority	Full Year Budget	To 30 September 2021	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	6,409	2,978	2,492	486	6,270	139
Homes and Communities	1,099	-1,219	-1,391	172	1,236	-137
Thriving Place	1,226	710	757	-47	1,416	-190
Embracing Growth and Enabling Infrastructure	-235	35	-400	435	-595	360
Central & Democratic	11,197	1,996	878	1,119	11,103	93
Net Revenue Expenditure	19,695	4,500	2,335	2,165	19,430	265

Table 3: Net Expenditure 2021/22 (@ 2nd Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget	To 30 September 2021	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Employees	21,636	11,094	11,009	85	21,636	0
Premises	5,953	3,736	3,517	219	5,998	-45
Transport	678	321	233	87	678	0
Supplies & Services	14,074	4,722	3,662	1,059	13,750	324
Agency	6,232	2,959	3,038	-79	6,232	0
Transfer Payments	41,314	18,823	17,986	838	41,314	0
Asset Rents	1,106	0	0	0	1,106	0
Income	-71,299	-37,154	-37,110	-45	-71,284	-15
Net Revenue Expenditure	19,695	4,500	2,335	2,165	19,430	265

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 2. 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 (@ 2nd Quarter 2021/22)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 June 2021 £000	Actual £000	Variance £000	Forecast 31 March 2022 £000	Forecast Variance 31 March 2022 £000
Civic Occasions	43	32	16	15	43	0
Members Allowances	397	198	179	19	397	0
Members Facilities	30	15	8	7	30	0
Contingency	-357	-772	-1,601	829	-357	0
Performance & Development	13	8	7	0	13	0
Corporate Projects	20	10	3	7	20	0
Press & Public Relations	21	10	19	-9	21	0
Corporate Management	601	55	79	-24	601	0
Unapportionable Central Overheads	1,459	707	680	28	1,414	45
Council Tax Collection	55	30	23	6	55	0
Council Tax Collection - Non Pooled	-357	27	52	-24	-357	0
Council Tax Benefits Administration	-152	-152	-160	7	-152	0
NNDR Collection	2	1	3	-2	2	0
NNDR Collection - Non Pooled	-234	5	66	-61	-234	0
MBC- BID	1	-10	-16	7	1	0
Registration Of Electors	50	21	43	-23	50	0
Elections	311	168	167	1	311	0
KCC Elections	0	0	-0	0	0	0
PCC Elections	0	0	0	0	0	0
Emergency Centre	24	14	20	-6	24	0
Medway Conservancy	126	63	63	-0	126	0
External Interest Payable	2,263	0	8	-8	2,263	0
Interest & Investment Income	-100	-50	-21	-29	-50	-50
Palace Gatehouse	-9	-5	-4	-0	-9	0
Archbishops Palace	-95	-39	-49	10	-95	0
Parkwood Industrial Estate	-278	-143	-149	6	-278	0
Industrial Starter Units	-16	-5	-15	10	-16	0
Parkwood Equilibrium Units	-70	-33	-53	20	-70	0
Sundry Corporate Properties	-531	-266	-42	-225	-341	-190
Phoenix Park Units	-204	-102	-119	17	-204	0
Granada House - Commercial	-95	-78	-71	-8	-95	0
MPH Residential Properties	-842	-421	-374	-47	-551	-291
Heronden Road Units	-151	-78	-90	12	-151	0
Boxmend Industrial Estate	-93	-47	-31	-16	-93	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 June 2021 £000	Actual £000	Variance £000	Forecast 31 March 2022 £000	Forecast Variance 31 March 2022 £000
Lockmeadow	165	83	-13	96	135	31
NEW Lockmeadow Complex	-1,378	-1,246	-1,102	-144	-1,378	0
Wren Industrial Estate	-128	-68	-53	-15	-128	0
Pensions Fund Management	1,688	0	0	0	1,688	0
Non Service Related Government Grants	-3,995	-1,998	-2,014	16	-3,995	0
Rent Allowances	-125	-50	-279	229	-125	0
Non HRA Rent Rebates	-11	533	447	86	-11	0
Discretionary Housing Payments	1	88	76	12	1	0
Housing Benefits Administration	-354	-183	-173	-10	-354	0
Innovation Centre Section	-3	-1	69	-70	-3	0
Democratic Services Section	191	96	89	7	191	0
Mayoral & Civic Services Section	116	58	51	7	116	0
Chief Executive	185	92	95	-3	185	0
Communications Section	189	94	90	4	189	0
Policy & Information Section	289	145	160	-15	289	0
Head of Policy and Communications	129	65	55	9	129	0
Revenues Section	515	352	326	25	515	0
Registration Services Section	93	47	40	7	93	0
Benefits Section	491	330	341	-11	491	0
Fraud Section	43	-21	-19	-2	43	0
Mid Kent Audit Partnership	233	122	36	85	233	0
Director of Finance & Business Improvement	145	73	70	2	145	0
Accountancy Section	729	377	355	22	729	0
Legal Services Section	483	243	221	22	483	0
Director of Regeneration & Place	143	72	76	-5	143	0
Procurement Section	110	-7	23	-30	110	0
Property & Projects Section	495	238	209	30	480	15
Corporate Support Section	267	134	133	1	267	0
Improvement Section	361	180	177	4	361	0
Executive Support Section	174	87	73	14	174	0
Head of Commissioning and Business Improvement	129	74	67	7	129	0
Mid Kent ICT Services	551	276	272	3	551	0
GIS Section	117	58	58	-0	117	0
Customer Services Section	653	327	307	20	653	0
Director of Mid Kent Services	46	-23	-25	1	46	0
Mid Kent HR Services Section	394	197	132	65	354	40
MBC HR Services Section	91	45	6	39	91	0
Head of Revenues & Benefits	63	51	48	3	63	0
Revenues & Benefits Business Support	107	68	75	-7	107	0
Dartford HR Services Section	-23	-12	-12	0	-23	0
IT Support for Revenues and Benefits	30	18	13	5	30	0
Emergency Planning & Resilience	28	14	-38	52	28	0
Salary Slippage 1PR	-261	-131	0	-131	-261	0
Town Hall	109	62	47	15	109	0
South Maidstone Depot	169	114	153	-40	229	-60
The Link	101	116	108	9	101	0
Maidstone House	1,170	868	619	250	908	263
Museum Buildings	243	140	125	15	243	0
I.T. Operational Services	600	298	274	24	600	0
Central Telephones	15	8	7	1	15	0
Apprentices Programme	75	25	11	14	75	0
Internal Printing	-5	-0	6	-6	-5	0
Debt Recovery Service	-17	-37	-5	-31	-17	0
Debt Recovery MBC Profit Share	-73	8	-31	39	-73	0
General Balances	-1,090	-1,090	-1,071	-18	-1,090	0
Earmarked Balances	4,906	1,143	1,143	-0	4,906	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
Total	10,628	1,711	490	1,221	10,826	-198

B2.2 The table shows that, at the Quarter 2 stage, for the services reporting directly to PRC, net expenditure of £0.490m has been incurred against a profiled budget of £1.711m, representing an underspend of £1.221m. 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 2 is an underspend of £0.265m.

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 2.

Table 5: PRC Variances (@ 2nd Quarter 2021/22)

	Positive Variance Q2	Adverse Variance Q2	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.	829		0
Unapportionable Central Overheads – Payments in respect of pensions back funding are lower than estimated.	27		45
NDR Collection – The overspend is for work done on business rates reviews, but funding has now been identified for this.		-60	0
Interest & Investment Income - Interest rates continue to be lower than forecast and are projected to stay low for the remainder of the year.		-29	-50
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.		-224	-190
MPH Residential Properties – The budget included a provision for a major property acquisition that is no longer proceeding, and it also appears that the income forecasts for two other properties are also too high. There is also a need to fund an Accommodation Officer post for MPH.		-46	-291
Lockmeadow Complex – The current variance reflects units that are currently vacant. However, the budgets are being reviewed and will be updated when the new food hall is opened.		-144	0
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.	315		0
Innovation Centre Section – The budgets are in the process of being reviewed and updated as the centre is due to open shortly, and this will deal with the current variance.		-70	0
South Maidstone Depot – This variance has arisen from an increased level of spend on maintenance and the servicing of equipment.		-39	-60
Maidstone House - This variance reflects additional income received from the sub-letting of the 4 th floor.	250		263

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 (@ 2nd Quarter 2021/22)

	Positive Variance Q2	Adverse Variance Q2	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.	67		101
Development Control Advice – The reduced level of income reflects a fall in the number of pre-planning agreements entered into so far this year. The position is not expected to improve.		-38	-83
Development Control (Majors) – The number of major applications remains low and is not expected to improve significantly for the remainder of the year.		-48	-97
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.	141		275

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 September 2021.

Opening Balance 01/04/2021 (including 2021/22 allocation)	Spending April - September 2021	Forecast Spending October - March 2022	Forecast Spending Balance 31/03/2022
£'s	£'s	£'s	£'s
374,320	324,714	288,829	-239,323

Table 6a, Local Plan Review budget (Q2, 2021/22)

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

B4.4 The residual overspend, currently estimated to be £239,000 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 Q2	Adverse Variance Q2	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
On Street Parking – Penalty Charge Notice (PCN) income is higher than forecast, and there are also reduced running costs, although spend is expected to increase for the remainder of the year.	52		71
Pay & Display Car Parks – Income levels continue to be low and with the continuation of home working are not expected to improve significantly. Lockmeadow income had recovered during Q1 but that trend has not been continued, although it is hoped that the opening of the food hall will have a positive impact.		-40	-74
Off Street Parking Enforcement – PCN income is higher than forecast due to a higher number of notices that have been issued.	58		71

Table 7: CHE Variances (@ 2nd Quarter 2021/22)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Crematorium – Demand for the service continues to be high. This has led to the need to realign the cremator, and surplus income is being used to fund these works.	58		58
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.	30		55
Homelessness Prevention – There are a number of budgets in this area that are not being fully utilised, the most significant ones being those for the guaranteed rent scheme and the homefinder scheme.	45		98
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.	133		0

Table 8: ERL Variances (@ 2nd Quarter 2021/22)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000		
Leisure Centre – As part of the management contract with Serco the council receives annual income of £0.2m. This has been on hold whilst negotiations with Serco over losses incurred during the pandemic have been taking place, but these payments are expected to resume shortly.		-102	-102
Mote Park Adventure Zone – This variance is a provision that was raised in 2020/21 for the management fee which has been delayed due to Covid-19 issues.	53		53
Business Terrace Phase 3 – A number of offices remain vacant, and the Council also now has empty rates liability on some of these.		-38	-58
Market – Letting income for stalls and the hall have been lower than forecast for the first two quarters, but income is expected to recover to normal levels for the remainder of the year.		-52	-55

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 2 are presented in Table 9 below. These were all temporary virements.

Table 9: Virements (@ 2nd Quarter 2021/22)

Description	From	To	Value £	Perm/Temp*
Fund Staff Member in Community Halls	Maidstone Link/Maidstone House	Community Halls - Heather House	9,530	Temporary
Fund Economic Development Officer from Business Rates Pool	Business Rates Growth Earmarked Balances	Economic Development	25,410	Temporary
Funding for Footfall Camera Licence	Business Rates Growth Earmarked Balances	Economic Development - Promotion & Marketing	1,700	Temporary
Fund Tractivity Licence	Business Rates Growth Earmarked Balances	Town Centre Management Sponsorship	6,950	Temporary
Additional Funding for Officer Increment	Business Rates Growth Earmarked Balances	Cultural Services Section - Heritage & Culture Officer	560	Temporary
Fund Transport & Development Planner as part of JR Settlement with KCC	In Year Contributions to/from Balances	Planning Policy - Local Plan Review	18,250	Temporary
Adjust Local Land Charges Recharges Due to Salary Adjustments	Salary Slippage SPI	Mid Kent Local Land Charges Section	1,640	Permanent
Fund Increase in Cost of Waste & Recycling Contract	Contingency - Growth/Inflation Adjustments	Recycling & Household Waste Collection	61,160	Permanent
			125,200	

Part C

Second 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 2 stage, capital expenditure of £7.255m had been incurred, with budget remaining of £47.302m.

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 2 stage is presented in Table 10 below.
- C2.2 At the Quarter 2 stage, expenditure of £3.303m has been incurred against an adjusted budget of £22.850m million for PRC. This leaves a remaining budget of £19.548m.

Table 10: Capital Expenditure (@ 2nd Quarter 2021/22)

Capital Programme Heading	Adjusted Estimate 2021/22 £000	Actual to September 2021 £000	Budget Remaining £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2022/23 £000
Communities, Housing & Environment							
Housing - Disabled Facilities Grants Funding	1,717	333	1,384	200	300	833	884
Temporary Accommodation	3,008	6	3,002	750	2,252	3,008	-0
Brunswick Street	233	185	48	48		233	0
Union Street	217	175	42	42		217	-0
Springfield Mill - Phase 1 & 2	3,066	1,129	1,936	1,790	129	3,048	17
Granada House Extension	954	4	950			4	950
Private Rented Sector Housing Programme	12,366	34	12,331	350	50	434	11,931
Affordable Housing Programme	2,384	73	2,311	1,100		1,173	1,211
Acquisitions Officer - Social Housing Delivery P/ship	74	98	-24	49	49	196	-122
Granada House Refurbishment Works	976		976	25	25	50	926
Street Scene Investment	50	22	28	14	14	50	-0
Flood Action Plan	244		244	80	80	160	84
Electric Operational Vehicles	84		84	84		84	
Vehicle Telematics & Camera Systems	35		35	35		35	
Rent & Housing Management IT System	19	7	12	12		19	-0
Installation of Public Water Fountains	15		15		15	15	
Crematorium & Cemetery Development Plan	378	131	247	47	200	378	-0
Continued Improvements to Play Areas	200		200	100	100	200	-0
Parks Improvements	149	1	148	74	74	149	0
Gypsy & Traveller Sites Refurbishment	1,000	3	997	50	100	153	847
Total	27,166	2,202	24,965	4,850	3,388	10,440	16,727
Economic Regeneration & Leisure							
Mote Park Visitor Centre & Estate Services Building	2,776	396	2,380	500	500	1,396	1,380
Mote Park Lake - Dam Works	672	87	584	100	50	237	434
Mall Bus Station Redevelopment	1,006	1,261	-255	23		1,284	-278
Total	4,453	1,744	2,710	623	550	2,917	1,537
Policy & Resources							
Corporate Property Acquisitions	11,809		11,809	8,500		8,500	3,309
Kent Medical Campus - Innovation Centre	5,500	2,267	3,234	3,000	234	5,501	-0
Lockmeadow Ongoing Investment	932	523	409	409		932	0
Garden Community	232	78	154	77	77	232	0
Infrastructure Delivery	1,200		1,200				1,200
Asset Management / Corporate Property	1,653	238	1,415	150	150	538	1,115
Biodiversity & Climate Change	1,000		1,000	250	250	500	500
Feasibility Studies	162	38	124	62	62	162	0
Digital Projects	20		20			20	
Software / PC Replacement	342	160	182			160	182
Total	22,850	3,303	19,548	12,448	773	16,544	6,307
Strategic Planning & Infrastructure							
Bridges Gyratory Scheme	86	7	80		80	87	-0
Total	86	7	80		80	87	-0
Section 106 Contributions	44						
TOTAL	54,600	7,255	47,302	17,921	4,791	29,987	24,570

C3) Capital Budget Variances (@ 2nd 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. Furthermore, the Leader of the Council has recently proposed a scaling up of the Council's investment in housing, and so this additional staffing capacity will support this ambition and will be feature in the imminent capital programme proposals for the next Medium-Term Financial Strategy.

Gypsy & Traveller Sites Refurbishment – The tenders for work have come in at £1.8m, which is significantly above the budget for the scheme. The additional funding for this work was approved by Policy & Resources Committee in October.

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.

Mall Bus Station Redevelopment – Tender prices for the project came back higher than had been budgeted for. Rather than try and find a cost engineering solution that may have resulted in a reduced specification it was decided to use £0.3m additional funding from the Business Rates Pilot Projects Reserve to allow the project to proceed as planned.

Part D

Second 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 (Q2 2021/22)

Description	Target Q2 2021/22	Actual Q2 2021/22
Council Tax	54.93%	54.91%
Business Rates	56.52%	53.05%

- 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.
- D2.3 The collection rate for business rates is still below target, although the gap is starting to close. Underperformance can be attributed to the removal of the 100% reduction for retail, hospitality and leisure ratepayers, which was replaced with a 66% reduction from July, adding £8m to the net collectible debit. During September, a large-scale re-addition (and respreading) of Expanded Discount back to the Net Collectible Debit has adversely impacted collection rates as a result of several major ratepayers choosing to opt out of the government scheme.

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 £13,887.12 in unpaid business rates debt for JB Global Ltd (trading as Oak Furniture Land) relating to the 2020/21 financial year. This went into administration in June 2020, and there are insufficient funds for a dividend to be paid to unsecured creditors.
- 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. The 2020/21 external audit has now been completed and these figures reflect what is in the Statement of Accounts. 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 2 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	-50	105
Homelessness Prevention & Temporary Accommodation	773	200	973
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	14,739	-13,357	1,382
Resources carried forward from 2020/21 to 2021/22	1,077	-1,077	0
Sub-total	24,234	-16,327	7,907
Total General Fund Balances	33,430	-16,327	17,103
Total excluding collection fund deficits	18,691	-2,970	15,721

Table 13: General Fund and Earmarked Balances at Q2 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 September 2021, the Council's Advisors, Link Asset Services, reported:
 - The Monetary Policy Committee (MPC) voted unanimously, at the meeting on 24th September 2021, to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn.
 - Large increases in prices, especially gas and electricity are likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement.
 - Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September.

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		29.9.21								
	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	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

- Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons:
 - Economic recovery may be running out of steam during the Summer and now into Autumn season.
 - Shortages like petrol and diesel may cause some sectors to take a hit.
 - Rising gas and electricity prices may deflate consumer spending which will cool inflation with MPC having to increase bank rate.
 - On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum.
 - There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
 - Also, COVID issues may change which could depress economic activity.
- Gilt yields since the start of 2021, we have seen a lot of volatility and hence PWLB rates. During September, gilt yields from 5 – 50 years have steadily risen and rose further after the hawkish tone of the MPC's minutes last week. The forecasts show a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2024.

F4) Council Investments

- The council held investments totaling £16.16m at the start of the year, this has now risen to £45.19m at 30th September 2021. The reason the investment balance is at this level is due to left over business and COVID grant funding from the Government and the lower than expected Capital spend. However, grants will soon be repaid to Government and the capital programme will accelerate over the next few months, which in turn will reduce this balance.
- 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 (2nd Quarter 2021/22)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Handelsbanken	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
Lloyds Bank Plc	Call account	1,000,000			0.05%	6 Months	£5,000,000
Lloyds Bank Plc	Call account	4,000,000			0.01%	6 Months	£5,000,000
Santander Bank Plc	Call account	5,000,000			0.55%	6 Months	£5,000,000
Aberdeen Standard Liquidity Fund Sterling Fund	Money Market Fund	7,250,000			0.01%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	9,970,000			0.02%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	7,970,000			0.01%		£10,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	3,000,000	28/09/2021	29/10/2021	0.08%	6 Months	£5,000,000

45,190,000

- Investment income to 30th September 2021 totals £21k against a budget of £50k with an average rate of 0.13%. 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 September 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 £8k. The Council is currently looking at other borrowing options such as UK Municipal Bonds Agency, PWLB 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. At the beginning of November a £2 million first tranche of 50 year borrowing from the PWLB was obtained.

Table 15: Council Borrowing (2nd Quarter 2021/22)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Rate of Return
Middlesbrough Teeside Pension Fund	Local Authority	4,000,000	20/08/2021	19/08/2022	0.08%
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 tenants have moved in.
- G2.2 Net rental income up to the end of the second quarter of 2021/22 totals £236,285 (2020/21 £72,577) This represents rent collected, less running costs, maintenance costs and recharges for staff time.
- G2.3 As at 30 September 2021, rent arrears were estimated at £9,000. £5,500 of this total relates to a former tenant. Officers are working to recover the amounts outstanding and to set up payment plans with other residents to reduce further debts.
- 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.