

Third Quarter Financial Update 2021/22

Policy & Resources Committee

9th February 2022

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Part A

Executive Summary & Overview

This report provides members with the financial position as at 31 December 2021, covering activity for both the Council as a whole and this committee's revenue and capital accounts for the first three quarters of 2021/22. The budgets in this report are the revised estimates for 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.

The third 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 3 are as follows:

Part B: Revenue Budget – Q3 2021/22

- At the Quarter 3 stage, the Council has incurred net expenditure of £4.771m against a profiled budget of £8.303m, representing an underspend of £3.533m.
- For the services reporting directly to PRC, net expenditure of £0.331m has been incurred against a profiled budget of £2.669m, representing an underspend of £2.337m. 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 £0.207m.

Part C: Capital Budget – Q3 2021/22

- At the Quarter 3 stage, the Council has incurred overall expenditure of £17.899m against a budget allocation within the Capital Programme of £33.629m.
- Expenditure for services reporting directly to PRC of £11.701m has been incurred against the budget of £20.384m.

Part D: Local Tax Collection 2021/22

- Adjusted target collection rates have been missed for both Council Tax and 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 first three quarters of 2021/22 was £406,351. Rent arrears as at 31st December totaled £9,397.

Part B

Third Quarter Revenue Budget 2021/22



B1) Revenue Budget: Council

- B1.1 At the Quarter 3 stage, the Council has incurred net expenditure of £4.771m against a profiled budget of £8.303m, representing an underspend of £3.533m. The budget figures are now the revised estimates for 2021/22.
- B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 3 2021/22 by providing alternative analyses: by Committee, Priority and Subjective Heading.

Table 1: Net Expenditure 2021/22 (@ 3rd Quarter): Analysis by COMMITTEE

Committee	Full Year Budget	To 31 December 2021	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Policy & Resources	10,471	2,669	331	2,338	10,656	-185
Strategic Planning and Infrastructure	-206	-69	-513	445	-591	385
Communities, Housing & Environment	8,130	4,555	3,795	761	7,831	299
Economic Regeneration & Leisure	1,300	1,147	1,158	-11	1,591	-291
Net Revenue Expenditure	19,695	8,303	4,771	3,533	19,488	207

Table 2: Net Expenditure 2021/22 (@ 3rd Quarter): Analysis by PRIORITY

Priority	Full Year Budget	To 31 December 2021	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	6,365	4,693	4,060	633	6,222	143
Homes and Communities	973	-700	-877	177	957	16
Thriving Place	1,239	1,126	1,191	-65	1,497	-258
Embracing Growth and Enabling Infrastructure	-114	0	-513	513	-591	477
Central & Democratic	11,232	3,184	910	2,275	11,403	-171
Net Revenue Expenditure	19,695	8,303	4,771	3,533	19,488	207

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

Subjective	Full Year Budget	To 31 December 2021	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Employees	22,318	16,733	16,537	196	22,308	10
Premises	5,864	4,900	4,390	510	5,335	529
Transport	689	495	366	129	689	0
Supplies & Services	15,245	7,244	6,071	1,173	15,026	218
Agency	6,296	4,577	4,632	-56	6,385	-89
Transfer Payments	38,206	25,772	25,547	227	38,206	0
Asset Rents	1,173	0	0	0	1,173	0
Income	-70,096	-51,418	-52,772	1,355	-69,634	-462
Net Revenue Expenditure	19,695	8,303	4,771	3,533	19,488	207

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

Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 3rd Quarter 2021/22)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31st December 2021 £000	Actual £000	Variance £000	Forecast 31 March 2022 £000	Forecast Variance 31 March 2022 £000
Lockmeadow	165	124	118	6	97	68
Lockmeadow Complex	-1,389	-1,617	-1,492	-125	-1,489	100
Civic Occasions	43	40	35	6	43	0
Members Allowances	397	297	272	26	397	0
Members Facilities	25	19	-21	40	25	0
Contingency	-423	-614	-2,374	1,760	-423	0
Performance & Development	13	11	9	2	13	0
Press & Public Relations	21	12	-9	22	21	0
Corporate Management	601	75	130	-56	601	0
Unapportionable Central Overheads	1,459	1,069	1,012	57	1,384	75
Council Tax Collection	55	43	34	10	55	0
Council Tax Collection - Non Pooled	-357	43	55	-13	-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	7	7	0	-234	0
MBC- BID	1	-3	-16	13	1	0
Registration Of Electors	50	34	75	-40	93	-43
Elections	295	112	132	-20	295	0
KCC Elections	0	0	0	0	0	0
PCC Elections	0	0	0	0	0	0
Emergency Centre	24	19	24	-5	24	0
Medway Conservancy	126	126	126	-0	126	0
External Interest Payable	2,263	0	10	-10	2,263	0
Interest & Investment Income	-100	-75	-37	-38	-50	-50
Palace Gatehouse	-8	-6	-17	11	-8	0
Archbishops Palace	-100	-72	-72	-0	-100	0
Parkwood Industrial Estate	-285	-212	-223	11	-285	0
Industrial Starter Units	-17	-11	-36	25	-17	0
Parkwood Equilibrium Units	-78	-57	-91	34	-108	30
Sundry Corporate Properties	-524	-393	-56	-337	-84	-440
Phoenix Park Units	-218	-164	-218	55	-248	30
Granada House - Commercial	-94	-102	-95	-7	-94	0
MPH Residential Properties	-833	-625	-470	-155	-500	-333
Heronden Road Units	-149	-113	-176	63	-149	0
Boxmend Industrial Estate	-96	-72	-59	-14	-96	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31st December 2021 £000	Actual £000	Variance £000	Forecast 31 March 2022 £000	Forecast Variance 31 March 2022 £000
Wren Industrial Estate	-118	-97	-112	15	-118	0
Pensions Fund Management	1,757	0	0	0	1,757	0
Non Service Related Government Grants	-3,995	-2,996	-3,013	16	-3,995	0
Rent Allowances	-112	-66	-394	328	-112	0
Non HRA Rent Rebates	-9	651	707	-56	-9	0
Discretionary Housing Payments	-2	167	175	-8	-2	0
Housing Benefits Administration	-354	-275	-258	-17	-354	0
Democratic Services Section	202	152	134	18	202	0
Mayoral & Civic Services Section	115	86	79	8	115	0
Chief Executive	184	138	139	-1	184	0
Communications Section	195	147	139	8	195	0
Policy & Information Section	365	274	234	40	326	39
Head of Policy and Communications	125	93	83	10	125	0
Revenues Section	515	478	464	14	515	0
Registration Services Section	92	69	58	11	92	0
Benefits Section	486	443	445	-2	486	0
Fraud Section	39	32	32	0	39	0
Mid Kent Audit Partnership	227	175	52	123	227	0
Director of Finance & Business Improvement	144	108	106	3	144	0
Accountancy Section	730	559	523	36	682	48
Legal Services Section	483	363	415	-52	572	-89
Director of Regeneration & Place	143	108	112	-5	143	0
Procurement Section	110	-11	23	-34	144	-34
Property & Projects Section	494	367	355	12	494	0
Corporate Support Section	270	203	197	6	270	0
Improvement Section	360	270	268	2	360	0
Executive Support Section	108	81	95	-13	108	0
Head of Commissioning and Business Improvement	138	109	92	17	138	0
Mid Kent ICT Services	551	413	409	4	551	0
GIS Section	119	89	88	2	119	0
Customer Services Section	647	478	454	25	647	0
Director of Mid Kent Services	45	11	8	3	45	0
Mid Kent HR Services Section	405	304	228	76	330	75
MBC HR Services Section	91	68	31	37	41	50
Head of Revenues & Benefits	72	67	71	-3	72	0
Revenues & Benefits Business Support	99	94	92	3	99	0
Dartford HR Services Section	-13	-10	-10	0	-13	0
IT Support for Revenues and Benefits	29	25	26	-0	29	0
Emergency Planning & Resilience	27	13	7	6	27	0
Salary Slippage	-261	-196	0	-196	0	-261
Town Hall	116	89	70	19	116	0
South Maidstone Depot	188	151	186	-35	188	0
The Link	106	128	61	67	46	60
Maidstone House	1,052	976	511	465	602	450
Museum Buildings	278	228	190	38	238	40
I.T. Operational Services	650	475	449	25	650	0
Central Telephones	15	11	5	7	15	0
Apprentices Programme	75	37	18	19	75	0
Internal Printing	-5	-1	6	-8	-5	0
Debt Recovery Service	-35	7	-5	12	-35	0
Debt Recovery MBC Profit Share	-73	-55	-61	6	-73	0
General Balances	-1,110	-1,110	-1,071	-38	-1,110	0
Earmarked Balances	4,811	1,004	1,004	0	4,811	0
Appropriation Account	1,173	0	0	0	1,173	0
Pensions Fund Appropriation	-1,757	0	0	0	-1,757	0
Total	10,471	2,669	332	2,338	10,656	-185

B2.2 The table shows that, at the Quarter 3 stage, for the services reporting directly to PRC, net expenditure of £0.331m has been incurred against a profiled budget of £2.669m, representing an underspend of £2.337m. 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 3 is an underspend of £0.207m.

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 3.

Table 5: PRC Variances (@ 3rd Quarter 2021/22)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Policy & Resources Committee	£000		
Lockmeadow – The repairs and maintenance budget is unlikely to be spent this year.	6		68
Lockmeadow Complex – Whilst income for service charges is expected to be down and there are vacant units this is expected to be offset by income from the food hall (which is not budgeted for) and the rental provision for vacant units.		-125	100
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.	1,760		0
Corporate Management – The current variance relates to the costs of a scanning project. The funding for this will be identified by the end of the year.		-55	0
Unapportionable Central Overheads - Payments in respect of pensions back funding are lower than estimated.	57		75
Interest & Investment Income - Interest rates continue to be lower than forecast and are projected to stay low for the remainder of the year.		-37	-50
Sundry Corporate Properties – There is an income target of £0.440m in the Medium-Term Financial Strategy from the acquisition of new properties. The purchase of Maidstone House has been completed , savings from which more than offset the variance on this cost centre.		-335	-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.		-155	-333
Rent Allowances & Non-HRA 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.	271		0
Legal Services – This is the recharge from the legal partnership. The overspend is mainly down to additional work that wasn't budgeted for. There is a proposal to increase the budget in future years.		-52	-89
The Link – Following the purchase of Maidstone House there will be no rental payment due for Q4 now.	67		60
Maidstone House – Following the purchase of Maidstone House there will be no rental payment due for Q4 now, and there is also unbudgeted rental income from the 4 th floor.	464		450

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 (@ 3rd 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.	69		83
Development Control (Majors) - The number of major applications remains low and is not expected to improve significantly for the remainder of the year.		-88	-120
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.	171		223

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 31st December 2021.

Opening Balance 01/04/2021	Spending April - December 2021	Forecast Spending January - March 2022	Forecast Spending Balance 31/03/2022
£'s	£'s	£'s	£'s
416,912	445,627	326,120	-354,836

Table 6a, Local Plan Review budget (Q3, 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 £355,000 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.	76		80
Pay & Display Car Parks - The adverse variance is due to a continuing reduction from income. Short Stay car parks are over budget for the Q3 with Long Stay and Lockmeadow under budget, although Lockmeadow income has improved slightly at the end of Q3. There is no evidence that long stay income will improve with the continuation of home working. Season ticket income has also been affected.		-50	-75
Off Street Parking (Enforcement) - PCN income is higher than forecast due to a higher number of notices that have been issued.	67		75

Table 7: CHE Variances (@ 3rd Quarter 2021/22)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Parks & Open Spaces – The plan is to use the current underspend for number of items. These include funding for agency staff covering sickness absence, some works that need to be undertaken and a tree survey.	50		10
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.	60		30
Street Cleansing – The underspend is a consequence of staff vacancies that have now been filled, so the variance should not change significantly by the end of the year.	47		50
Public Health (Obesity) – The underspend is due to a number of unused grants that will be carried forward at the end of the year.	32		108
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.	37		107

Table 8: ERL Variances (@ 3rd Quarter 2021/22)

	Positive Variance Q2	Adverse Variance Q2	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 at this stage we are not expecting to receive any of these payments.		-150	-200
Mote Park Adventure Zone - The variance is a provision that was raised in 2020/21 for the management fee the payment of which has been delayed due to Covid-19 issues.	57		0
Innovation Centre – this is a profiling issue with the budget for the new building which will be corrected. There is not expected to be any significant variance at the end of the year.	56		0
Market – Income continues to be down on the budget. A small growth bid and a forecast increase in demand is expected to correct the position for 2022/23.		-61	-65

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

Table 9: Virements (@ 3rd Quarter 2021/22)

Description	From	To	Value £	Perm/Temp*
Capital Contribution for the Cremator Alignment	CA20 (Crematorium)	YC10 E036 (Revenue Funding for Capital - Temporary Funding)	64,410	Temporary
AQ Management Area/Action Plan Refresh	YA10 Y110 (In-Year Contribution to/from Balances)	CL20 (Pollution Control - General)	20,000	Temporary
Additional Funding for Economic Development Strategy Report	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development - Promotion & Marketing)	3,200	Temporary
Financial Contribution to Thames Gateway & Kent Partnership	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development - Promotion & Marketing)	20,750	Temporary
Move Homelessness Grants to Reserve	PN20 (Homelessness Prevention)	YA11 (Earmarked Reserves)	124,880	Temporary
Fund Honorarium - Dec 21 - Mar 22	AC11 (Community Halls - Heather House)	SN25 (Property & Projects Section)	1,260	Temporary
BRP Funding for Springboard Quarterly Contribution	YA11 (Business Rates Growth Earmarked Balances)	EN40 (Economic Development - Promotion & Marketing)	850	Temporary
BRP Funding for Destination Management Plan	YA11 (Business Rates Growth Earmarked Balances)	AG10 (Tourism)	1,100	Temporary
BRP Funding for Maidstone Mela	YA11 (Business Rates Growth Earmarked Balances)	AA45 (Festivals & Events)	5,000	Temporary
Temporary Funding for the Innovation Centre Operation	YA11 (Business Rates Growth Earmarked Balances)	EL23/SE23 (Innovation Centre [Section])	188,450	Temporary
Fund Various LPR Costs	GC10 (Contingency)	EE10 (Planning Policy)	167,660	Temporary
Policy & Information and Executive Support Section Restructure	GA13 (Member's Facilities)	SG22 (Policy & Information)	12,060	Permanent
			609,620	

Part C

Third 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) for the remainder of the financial year
- C1.2 The 2021/22 element of the Capital Programme (including unused resources brought forward from 2020/21) has a budget of £33.629m. At the Quarter 3 stage, capital expenditure of £17.899m had been incurred, with budget remaining of £15.730m. The budget figures are now the revised estimates for 2021/22.

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 3 stage is presented in Table 10 below.
- C2.2 At the Quarter 3 stage, expenditure of £11.701m has been incurred against a revised budget of £20.384m million for PRC. This leaves a remaining budget of £8.684m.

Table 10: Capital Expenditure (@ 3rd Quarter 2021/22)

	Revised Estimate 2021/22 £000	Actual to December 2021 £000	Budget Remaining £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2022/23 £000
Communities, Housing & Environment						
Housing - Disabled Facilities Grants Funding	1,017	535	481	250	785	231
Temporary Accommodation	3,008	9	2,998	1,000	1,009	1,998
Brunswick Street	233	230	3		230	3
Union Street	217		217			217
Springfield Mill	2,045	1,888	157	157	2,045	0
Private Rented Sector Housing Programme	1,125	56	1,069	250	306	819
1,000 Homes Affordable Housing Programme	750	651	99	99	750	
Acquisitions Officer - Social Housing Delivery P/ship	160	150	10	10	160	
Granada House Refurbishment Works	20	13	7	7	20	
Street Scene Investment	50	21	29	29	50	
Flood Action Plan	244		244	75	75	169
Electric Operational Vehicles	84		84	84	84	
Vehicle Telematics & Camera Systems	35		35	35	35	
Rent & Housing Management IT System	19	8	11	11	19	0
Installation of Public Water Fountains	15		15	15	15	
Crematorium & Cemetery Development Plan	378	171	207	207	378	0
Continued Improvements to Play Areas	200		200	50	50	150
Parks Improvements	149	7	142	50	57	92
Gypsy & Traveller Sites Refurbishment	50	35	15	15	50	0
Total	9,798	3,776	6,022	2,344	6,120	3,679
Economic Regeneration & Leisure						
Mote Park Visitor Centre	1,233	622	611	611	1,233	
Mote Park Lake - Dam Works	622	88	534	50	138	484
Mall Bus Station Redevelopment	1,056	1,358	-302		1,358	-302
Total	2,910	2,068	843	661	2,729	182
Policy & Resources						
Corporate Property Acquisitions	11,809	7,032	4,777	4,777	11,809	0
Kent Medical Campus - Innovation Centre	3,000	2,515	485		2,515	485
Lockmeadow Ongoing Investment	932	1,146	-214		1,146	-214
Garden Community	1,613	125	1,488	0	125	1,488
Asset Management / Corporate Property	1,653	389	1,264	200	589	1,064
Biodiversity & Climate Change	100		100	25	25	75
Feasibility Studies	162	55	107	25	80	82
Digital Projects	25		25	25	25	
Software / PC Replacement	342	182	160	160	342	
Fleet Vehicle Replacement Programme	748	257	491	150	407	341
Total	20,384	11,701	8,684	5,362	17,063	3,322
Strategic Planning & Infrastructure						
Bridges Gyratory Scheme	86	7	80	25	32	55
Total	86	7	80	25	32	55
Section 106 Contributions	450	348	102	100	448	2
TOTAL	33,629	17,899	15,730	8,492	26,391	7,239

C3) Capital Budget Variances (@ 3rd Quarter 2021/22)

Policy and Resources Committee

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

Corporate Property Acquisitions -

The major acquisition was the purchase of Maidstone House in December 2021. Further acquisitions are anticipated in the final quarter.

Lockmeadow Ongoing Investment – The overspend relates to £0.130m professional fees that were not accounted for in the original project budget, along with an additional cost of £70,000 for ducting works in the food hall that were only found to be needed once the project was under way. The £0.200m overspend will be taken from the budget for further works in 2022/23 and beyond.

Garden Community – The scheme is progressing and is the subject of a separate report elsewhere on this agenda.

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:

Temporary Accommodation – This is the funding for the latest phase of property acquisitions to provide accommodation for temporarily homeless families and persons. There have been no acquisitions to date, but a number are anticipated during the fourth quarter.

Private Rented Sector Housing and 1,000 Homes 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 quarter once schemes have progressed further and new ones are potentially secured.

Economic Regeneration and Leisure Committee

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

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

Third 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 (Q3 2021/22)

Description	Target Q3 2021/22	Actual Q3 2021/22
Council Tax	82.42%	81.94%
Business Rates	81.03%	79.06%

- D2.2 Targets have been adjusted in light of what is considered to be collectible. The amount of Council Tax collected has marginally missed the target for December
- 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 £53,720.96 in unpaid business rates debt. The debts relate to two businesses, and details of the steps taken to recover the unpaid amounts have been provided in the table below:

Business Name	Outstanding Debt (incl costs)	Reason for Write Off	Action Taken
QSR (Restaurants) Ltd	£37,547.86	Dissolved	Debt had been passed to the enforcement agent, but the company was dissolved on 22.6.21 as advised by Companies House. The former Director has been chased and the last payment made was on 4.11.19.
Victorias Cabaret Club Ltd	£16,173.10	Liquidation	The company went into liquidation on 28.5.20 and advice has indicated that there will be no dividend for unsecured creditors.

Table 13: Irrecoverable business rates, Quarter 3

D4.2 As there is no prospect of collecting the outstanding amounts from the ratepayers, 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 3 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	0	96
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 14: General Fund and Earmarked Balances at Q3 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 31st December 2021, the Council's Advisors, Link Asset Services, reported:

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC increased the rate due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates.
- On 10th December we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed even before the Omicron variant was discovered in late November.
- On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- The Bank of England increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times in 2022 to 0.75% or 1.00%.

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	20.12.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged until it raised it from 0.10% to 0.25% at the MPC meeting of 16th December 2021.

In December 2021, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020. The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.

The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron. We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. Our forecasts show a steady, but slow, rise in both Bank Rate and PWLB rates during the forecast period to March 2025 but there will doubtless be a lot of unpredictable volatility during this forecast period.

F4) Council Investments

The council held investments totaling £16.16m at the start of the year, this has now risen to £55.59m at 31st December 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 (3rd 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			0.20%	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	2,300,000			0.01%	6 Months	£5,000,000
Santander Bank Plc	Call account	5,000,000			0.55%	6 Months	£5,000,000
HSBC Bank Plc	Call account	5,000,000			0.05%	6 Months	£5,000,000
Aberdeen Standard Liquidity Fund Sterling Fund	Money Market Fund	10,000,000			0.05%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	10,000,000			0.08%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	7,290,000			0.03%		£10,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	2,000,000	26/10/2021	26/04/2021	0.43%	6 Months	£5,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	3,000,000	30/12/2021	30/01/2022	0.18%	6 Months	£5,000,000
Goldman Sachs International Bank	Fixed Term Deposit	3,000,000	15/10/2021	14/04/2021	0.37%	6 Months	£5,000,000
Total Investments		55,590,000					

Investment income to 31st December 2021 totals £37k against a budget of £75k 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 instruments yield lower rates than longer term investments.

F4) Council Borrowing

- The Council held external borrowing amounting to £11m on 31st March 2021, all with Local Authorities. Total borrowing as at 31st December 2021 was £9m with details of these shown at Table 15 below. The Council are looking to spread refinancing and interest rate risk with a mixture of short term borrowing and long term borrowing. PWLB rates have been very competitive, so the Council have borrowed £5m through locking in these long term rates.

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

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Middlesbrough Teeside Pension Fund	Local Authority	4,000,000	20/08/2021	19/08/2022	0.08%
Public Works Loans Board	Central Government	2,000,000	11/11/2021	11/11/2071	1.73%
Public Works Loans Board	Central Government	3,000,000	30/12/2021	30/12/2071	1.56%
Total Loans		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 third quarter of 2021/22 totals £406,351 (2020/21 £121,512) This represents rent collected, less running costs, maintenance costs and recharges for staff time.
- G2.3 As at 31 December 2021, rent arrears were estimated at £9,397. £5,500 of this total relates to a former tenant and possession of the property has been regained. 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.