

Provisional Outturn 2021/22

Executive

29th June 2022

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Part A

Executive Summary & Overview



This report provides members with the provisional outturn for 2021/22, covering activity for the Policy & Resources Committee's revenue and capital accounts for the fourth quarter of 2021/22. Whilst the Policy & Resources Committee (PRC) no longer exists under the new Executive structure the Corporate Services Policy Advisory Committee has inherited essentially the same budgetary responsibilities and it is therefore appropriate for the Executive to be considering this report.

Members will be aware that there was 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 continued to support specific activities, and the unringfenced Covid-19 grant of £860,000 was used to support recovery and renewal activities. However, the impact on the Council's financial position from the pandemic has continued to reduce throughout the year, although there will continue to be some residual impact into 2022/23.

The fourth 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 4 are as follows:

Part B: Revenue Budget – Q4 2021/22

- At the Quarter 4 stage, the Council has incurred net expenditure of £19.228m against a profiled budget of £19.695m, representing an underspend of £0.467m.
- For the services reporting directly to PRC, net expenditure of £8.698m has been incurred against a profiled budget of £8.533m, representing an overspend of £0.166m.

Part C: Capital Budget – Q4 2021/22

- At the Quarter 4 stage, the Council has incurred overall expenditure of £26.431m against a budget allocation within the Capital Programme of £33.629m.
- Expenditure for services reporting directly to PRC of £16.406m 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 31st March 2022 are £38.75m in short-term investments and £9m of short term local authority borrowing.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for 2021/22 was £517,666. Rent arrears as at 31st March 2022 totaled £10,548.

The budgets in this report are the revised estimates for 2021/22.

Part B

Fourth Quarter Revenue Budget 2021/22



B1) Revenue Budget: Council

- B1.1 At the Quarter 4 stage, the Council has incurred net expenditure of £19.228m against a profiled budget of £19.695m, representing an underspend of £0.467m. 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 4 2021/22 by providing alternative analyses: by Committee, Priority and Subjective Heading.

Table 1: Net Expenditure 2021/22 (@ 4th Quarter): Analysis by COMMITTEE

| Committee | Full Year Budget £000 | Actual £000 | Variance £000 |
|---------------------------------------|--------------------------|----------------|------------------|
| Policy & Resources | 8,533 | 8,698 | -166 |
| Strategic Planning and Infrastructure | 363 | 107 | 256 |
| Communities, Housing & Environment | 9,065 | 8,593 | 472 |
| Economic Regeneration & Leisure | 1,734 | 1,829 | -95 |
| Net Revenue Expenditure | 19,695 | 19,228 | 467 |

Table 2: Net Expenditure 2021/22 (@ 4th Quarter): Analysis by PRIORITY

| Priority | Full Year Budget £000 | Actual £000 | Variance £000 |
|--|--------------------------|----------------|------------------|
| Safe, Clean and Green | 7,147 | 6,628 | 520 |
| Homes and Communities | 1,086 | 1,126 | -40 |
| Thriving Place | 1,874 | 2,002 | -128 |
| Embracing Growth and Enabling Infrastructure | 455 | 107 | 348 |
| Central & Democratic | 9,132 | 9,366 | -233 |
| Net Revenue Expenditure | 19,695 | 19,228 | 467 |

Table 3: Net Expenditure 2021/22 (@ 4th Quarter): Analysis by SUBJECTIVE SPEND

| Subjective | Full Year Budget £000 | Actual £000 | Variance £000 |
|--------------------------------|--------------------------|----------------|------------------|
| Employees | 22,494 | 22,211 | 284 |
| Premises | 6,125 | 6,051 | 75 |
| Transport | 663 | 531 | 132 |
| Supplies & Services | 11,911 | 12,242 | -331 |
| Agency | 6,282 | 6,244 | 38 |
| Transfer Payments | 39,661 | 38,965 | 696 |
| Asset Rents | 3,491 | 3,490 | 2 |
| Income | -70,933 | -70,504 | -429 |
| Net Revenue Expenditure | 19,695 | 19,228 | 467 |

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 4. 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 (@ 4th Quarter 2021/22)

| (a) | (b) | (c) | (d) |
|---------------------------------------|-------------------------------------|----------------|------------------|
| Cost Centre | Approved Budget for Year £000 | Actual £000 | Variance £000 |
| Lockmeadow | 165 | 79 | 86 |
| Lockmeadow Complex | -1,389 | -1,249 | -140 |
| Civic Occasions | 43 | 42 | 1 |
| Members Allowances | 397 | 367 | 29 |
| Members Facilities | 25 | 9 | 16 |
| Contingency | -1,206 | -2,215 | 1,010 |
| Performance & Development | 59 | 57 | 1 |
| Press & Public Relations | 27 | 26 | 1 |
| Corporate Management | 630 | 705 | -75 |
| Unapportionable Central Overheads | 320 | 227 | 93 |
| Council Tax Collection | 55 | 46 | 9 |
| Council Tax Collection - Non Pooled | -357 | -201 | -156 |
| Council Tax Benefits Administration | -152 | -160 | 7 |
| NNDR Collection | 2 | 6 | -4 |
| NNDR Collection - Non Pooled | -234 | -209 | -25 |
| MBC- BID | 1 | -16 | 17 |
| Registration Of Electors | 67 | 80 | -13 |
| Elections | 154 | 149 | 6 |
| KCC Elections | 0 | 0 | 0 |
| PCC Elections | 0 | 0 | 0 |
| Emergency Centre | 30 | 17 | 13 |
| Medway Conservancy | 126 | 126 | -0 |
| External Interest Payable | 103 | 106 | -4 |
| Interest & Investment Income | -100 | -72 | -28 |
| Palace Gatehouse | -8 | -8 | 0 |
| Archbishops Palace | -100 | -100 | -0 |
| Parkwood Industrial Estate | -285 | -347 | 62 |
| Industrial Starter Units | -20 | -34 | 15 |
| Parkwood Equilibrium Units | -81 | -103 | 22 |
| Sundry Corporate Properties | -441 | -2 | -438 |
| Phoenix Park Units | -222 | -260 | 37 |
| Granada House - Commercial | -94 | -64 | -30 |
| MPH Residential Properties | -833 | -545 | -288 |
| Heronden Road Units | -149 | -175 | 26 |
| Boxmend Industrial Estate | -94 | -101 | 8 |
| Wren Industrial Estate | -118 | -107 | -10 |
| Pensions Fund Management | 1,757 | 1,757 | 0 |
| Non Service Related Government Grants | -3,995 | -3,995 | 0 |
| Rent Allowances | -112 | -10 | -102 |
| Non HRA Rent Rebates | -9 | -27 | 18 |
| Discretionary Housing Payments | -2 | -19 | 17 |
| Housing Benefits Administration | -354 | -339 | -15 |
| Democratic Services Section | 248 | 232 | 17 |
| Mayoral & Civic Services Section | 142 | 131 | 10 |
| Chief Executive | 233 | 233 | 0 |
| Communications Section | 241 | 233 | 7 |

| (a) | (b) | (c) | (d) |
|--|-------------------------------------|----------------|------------------|
| Cost Centre | Approved Budget for Year £000 | Actual £000 | Variance £000 |
| Policy & Information Section | 417 | 410 | 7 |
| Head of Policy and Communications | 152 | 148 | 4 |
| Revenues Section | 729 | 729 | -0 |
| Registration Services Section | 104 | 99 | 5 |
| Benefits Section | 650 | 651 | -1 |
| Fraud Section | 92 | 81 | 10 |
| Mid Kent Audit Partnership | 341 | 321 | 20 |
| Director of Finance & Business Improvement | 180 | 176 | 4 |
| Accountancy Section | 887 | 842 | 45 |
| Legal Services Section | 483 | 472 | 11 |
| Director of Regeneration & Place | 168 | 130 | 38 |
| Procurement Section | 110 | 124 | -14 |
| Property & Projects Section | 587 | 584 | 3 |
| Corporate Support Section | 363 | 354 | 9 |
| Improvement Section | 451 | 427 | 24 |
| Executive Support Section | 150 | 150 | 0 |
| Head of Commissioning and Business Improvement | 146 | 142 | 4 |
| Mid Kent ICT Services | 910 | 909 | 0 |
| GIS Section | 169 | 167 | 2 |
| Customer Services Section | 797 | 771 | 26 |
| Director of Mid Kent Services | 75 | 76 | -1 |
| Mid Kent HR Services Section | 547 | 489 | 58 |
| MBC HR Services Section | 74 | 74 | 0 |
| Head of Revenues & Benefits | 90 | 91 | -1 |
| Revenues & Benefits Business Support | 162 | 162 | -0 |
| Dartford HR Services Section | -1 | 1 | -1 |
| IT Support for Revenues and Benefits | 41 | 39 | 1 |
| Emergency Planning & Resilience | 43 | 45 | -3 |
| Salary Slippage 1PR | -261 | 0 | -261 |
| Town Hall | 112 | 85 | 27 |
| South Maidstone Depot | 228 | 301 | -72 |
| The Link | 97 | 81 | 16 |
| Maidstone House | 959 | 457 | 502 |
| Museum Buildings | 262 | 248 | 14 |
| I.T. Operational Services | 633 | 561 | 72 |
| Central Telephones | 15 | 7 | 8 |
| Apprentices Programme | 61 | 31 | 30 |
| Internal Printing | -4 | 3 | -6 |
| Debt Recovery Service | 25 | 49 | -24 |
| Debt Recovery MBC Profit Share | -73 | -91 | 18 |
| General Balances | 26 | 26 | 0 |
| Earmarked Balances | 5,131 | 6,072 | -941 |
| Appropriation Account | 3,378 | 3,377 | 2 |
| Pensions Fund Appropriation | -5,439 | -5,439 | 0 |
| TOTALS | 8,533 | 8,698 | -166 |

B2.2 The table shows that, at the Quarter 4 stage, for the services reporting directly to PRC, net expenditure of £8.698m has been incurred against the budget of £8.533m, representing an overspend of £0.166m.

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 have been 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 4.

Table 5: PRC Variances (@ 4th Quarter 2021/22)

| | Positive Variance Q4 | Adverse Variance Q4 |
|--|----------------------------|---------------------------|
| Policy & Resources Committee | £000 | |
| Lockmeadow – this variance relates mainly to units that were vacant during the year, as well as some overspends against the running costs budgets. | | -54 |
| Contingency – the two main elements for this variance are £0.4m received from the government for a claim made for loss of income during the Covid-19 pandemic, and a further £0.3m received following a review of the level of business rates due for the Museum. | 1,010 | |
| Corporate Management – this variance represents a change in the general provision for bad debts, although there have also been changes in specific provisions elsewhere. | | -75 |
| Unapportionable Central Overheads – Contributions to the KCC Pension Fund for backfunding and early retirement instalments were lower than forecast for the year. | 93 | |
| Council Tax Collection (Non-Pooled) – There has been a shortfall in income from court costs which is related to the backlog of cases caused by the Covid-19 pandemic. | | -156 |
| Parkwood Industrial Estate – The main element of this variance is a one-off receipt for £40,000 for the extension of a lease. | 62 | |
| Sundry Corporate Properties – This variance relates to a Medium-Term Financial Strategy savings income target that has not been realised as there have been less property acquisitions than anticipated. This has been removed for 2022/23. | | -438 |
| Phoenix Park Units - The budget for rental vacancy for was not utilised this year, and there was an underspend against the running costs budgets. | 37 | |
| Granada House (Commercial) – Rental income was lower than forecast, and there was additional spend on service charges during the year. | | -30 |
| MPH Residential Properties - The budget included a provision for a major property acquisition is no longer proceeding, and the income forecasts for two other properties were over-ambitious. The budgets for 2022/23 will be adjusted using funding from the Contingency budget. | | -288 |
| Rent Allowances - The budgets are set up in the expectation that income received will be higher than expenditure, (due to recovery of overpayments). This year the income and expenditure are the same. | | -102 |
| South Maidstone Depot – There has been an overspend on the repairs and maintenance budgets. The level of expenditure required to maintain equipment will be reviewed and a budget growth proposal submitted for 2023/24 if appropriate. | | -72 |

| | | |
|---|-----|------|
| Maidstone House – Following the acquisition of the property earlier this year there were no further rental payments due and in addition there has been further rental income received that had not been budgeted for. | 802 | |
| IT Operational Services – There were underspends against the budgets for software and equipment purchases. | 72 | |
| Earmarked Balances - The estimates were set with an expectation that a contribution from balances would be needed to balance the budget. In light of the £1 million favourable variance on contingency (see above) it is proposed that no drawing be made now on balances. | | -941 |

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 (@ 4th Quarter 2021/22)

| | Positive Variance Q4 | Adverse Variance Q4 |
|---|----------------------------|---------------------------|
| Strategic Planning & Infrastructure Committee | £000 | |
| PLANNING SERVICES | | |
| Building Regulations Chargeable - The budget figure was reduced by 10% for this year, and income was higher than expected. | 95 | |
| Development Control (Advice) – The negative variance was mainly down to income from Planning Performance Agreements being lower than forecast. | | -54 |
| Development Control (Appeals) – There have been fewer appeals than was anticipated at the start of the year. | 111 | |
| 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. | 91 | |
| Development Control (Enforcement) - The costs for two enforcement cases have been higher than was forecast. | | -62 |
| Planning Policy – Costs associated with the Local Plan Review have been higher than was forecast. There is a separate section on the review below. | | -82 |
| Neighbourhood Planning – Grants have been received for the work, but expenditure for the year was minimal. | 37 | |

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 March 2022.

| Opening Balance 01/04/2021 | Spending April 2021 - March 2022 | Variance |
|---------------------------------------|---|-----------------|
| £'s | £'s | £'s |
| 416,912 | 539,401 | -122,489 |

Table 6a, Local Plan Review budget (Q4, 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 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 Q4 | Adverse Variance Q4 |
|---|-------------------------------------|------------------------------------|
| Strategic Planning & Infrastructure Committee | £000 | |
| PARKING SERVICES | | |
| Pay & Display Car Parks – Income levels recovered strongly in March, and while they were still £28,000 below budget this was offset by a reduced level of running costs. | 36 | |
| Mote Park Pay & Display – The income target was exceeded by £12,000, and there was a reduced level of running costs. | 41 | |

Table 7: CHE Variances (@ 4th Quarter 2021/22)

| | Positive Variance Q4 | Adverse Variance Q4 |
|--|----------------------------|---------------------------|
| Communities, Housing & Environment Committee | £000 | |
| Playground Maintenance & Improvements – This underspend is due to the carry forward of unused spare play equipment, and a reduced level of running costs. | 47 | |
| Mote Park – Trade waste charges were higher than the budgeted figure, and in addition there were utility bills paid that related to 2020/21. | | -32 |
| Crematorium – Demand for the service continues to be high, and this is reflected in an increase in income compared to the forecast. | 54 | |
| CCTV – The budget assumed that a maintenance contract would be required but this has been found not to be the case. The variance will be used to fund a new permanent post in the Community Partnerships & Resilience section. | 48 | |
| Licensing (Statutory) – Income has been higher than forecast for the year, as the economy recovers from the impact of the Covid pandemic. | 47 | |
| Street Cleansing – The variance reflects staff vacancies. There have been a number throughout the year, and staff retention has been an ongoing issue. | 47 | |
| Household Waste Collection – Spend on wheeled bin purchases has been higher than forecast, and options to fund this going forward are being considered. | | -37 |
| Commercial Waste Services – Demand for the service has increased as the economy recovers from the impact of the Covid pandemic. | 35 | |
| Recycling Collection – Income from garden bin hire continues to be high. | 41 | |
| General Fund Residential Properties – This variance is a combination of issues. The first is that historically the budget has been too low, and options to address this are being considered. Secondly, a provision has been made to cover invoices that are unlikely to be paid. | | -68 |
| Homelessness Prevention – Historically the homefinder and marketing budgets have been underspent in this area, but it is forecast that they will be more fully utilised during 2022/23. | 73 | |
| Grounds Maintenance Commercial – The team has generated additional income from works funded by Section 106 contributions. | 39 | |

Table 8: ERL Variances (@ 4th Quarter 2021/22)

| | Positive Variance Q4 | Adverse Variance Q4 |
|--|----------------------------|---------------------------|
| Economic Regeneration & Leisure Committee | £000 | |
| Community Halls – Running cost budgets were underspent across all the halls. | 31 | |
| Leisure Centre – The variance relates to a provision that was raised in 2020/21 for the management fee. The payment was delayed due to Covid-19 but was eventually made, allowing the provision to be written back, giving a favourable variance. | | -126 |
| 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. | 52 | |
| Business Terrace – This variance reflects a number of empty units in the terrace which has reduced the income received for the year. | | -63 |
| Market - Income continued to be down on the budget throughout the year. A small growth bid and a forecast increase in demand is expected to correct the position for 2022/23. | | -60 |

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

Table 9: Virements (@ 4th Quarter 2021/22)

| Reason | From | To | Value £ |
|--|--|---|------------------|
| Transfer Budget for Minimum Revenue Provision to Appropriation Account | External Interest Payable | Appropriation Account - Minimum Revenue Provision | 2,160,040 |
| Business Rates Growth Funding for FRMSO site | Business Rates Pool Growth Reserve | Revenue Funding for Capital | 700,000 |
| Transfer CPE Funds to Earmarked Reserve | On-Street Parking/Residents Parking/Off Street Parking | CPE Earmarked Reserve | 231,200 |
| Move Excess Grant to Reserve | Homelessness Prevention - Rough Sleeper Initiative | Homelessness Prevention & TA Reserve | 189,380 |
| Move Homelessness Grants to Reserves | Homelessness Prevention - Homelessness Prevention Grant | Homelessness Prevention & TA Reserve | 100,000 |
| Fund Barge Removal Costs | Contingency | Archbishops Palace Mooring Repairs | 71,250 |
| Move Homelessness Grants to Reserves | Homelessness Prevention - Homelessness New Burdens | YA11 Y219 (Homelessness Prevention & TA Reserve) | 63,010 |
| JR Settlement - Fund | In-Year Contribution to/from Balances | Planning Policy/Development Control Majors | 43,800 |
| Move Excess Budget to Reserves | Phoenix Park Regeneration | Business Rates | 40,000 |
| Fund Trees Affected by Ash Dieback | Contingency | Mote Park - Arboricultural Works | 31,760 |
| Fund Gooding & Co. Costs from Election Underspend | Elections - Delayed Elections | Performance & Development | 31,750 |
| Fund Consultant Costs | Trading Account Surplus | Building Control | 30,400 |
| Move Homelessness Grants to Reserves | Homelessness Prevention - Rough Sleeper Grant | Homelessness Prevention & TA Reserve | 28,970 |
| Fund Enforcement Officer | Recovery & Renewal Reserve | Development Management - Others | 28,080 |
| Fund Planning Officer (Consultant) | Recovery & Renewal Reserve | Development Management - Others | 27,440 |
| Fund New Constitution Costs | In-Year Contribution to/from Balances | Corporate Management | 18,000 |
| Fund Dept Paving and Repairs | Depot Services Section/Fleet Workshop & Management/Trade Waste | South Maidstone Depot | 17,740 |
| Move Excess Budget to Reserves | St Phillips Community Centre | Business Rates | 17,000 |
| Fund Data Analytics from Recovery & Renewal | Recovery & Renewal Reserve | Performance & Development | 14,500 |
| Move Excess Budget to Reserves | Archbishops Palace Options | Business Rates | 14,200 |
| Fund Subscription for "Let's Do Business" | Business Rates Growth Earmarked Balances | Business Support & Enterprise - Business Rates 2% Inflation Cap | 14,000 |
| Fund Works Extension Area | Depot Services Section/Recycling Collection | South Maidstone Depot | 11,570 |
| Move Excess Budget to Reserves | Property Asset Review | Business Rates | 10,000 |
| | | | 3,894,090 |

Part C

Fourth 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 continued to be available from the New Homes Bonus (NHB) in 2021/22.
- 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 4 stage, capital expenditure of £26.431m had been incurred, with budget remaining of £7.197m. 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 4 stage is presented in Table 10 below.
- C2.2 At the Quarter 4 stage, expenditure of £16.406m has been incurred against a revised budget of £20.384m million for PRC. This leaves a remaining budget of £3.978m.

Table 10: Capital Expenditure (@ 4th Quarter 2021/22)

| | Revised Estimate 2021/22 £000 | Actual to March 2022 £000 | Budget Remaining £000 |
|---|--|------------------------------------|-----------------------------|
| Communities, Housing & Environment | | | |
| Housing - Disabled Facilities Grants Funding | 1,017 | 877 | 140 |
| Temporary Accommodation | 3,008 | 237 | 2,770 |
| Brunswick Street & Union Street | 450 | 236 | 214 |
| Springfield Mill | 2,045 | 2,346 | -300 |
| Private Rented Sector Housing Programme | 1,125 | 131 | 994 |
| 1,000 Homes Affordable Housing Programme | 750 | 1,377 | -627 |
| Acquisitions Officer - Social Housing Delivery P/ship | 160 | 210 | -50 |
| Granada House Refurbishment Works | 20 | 50 | -30 |
| Street Scene Investment | 50 | 30 | 20 |
| Flood Action Plan | 244 | 13 | 230 |
| Electric Operational Vehicles | 84 | | 84 |
| Vehicle Telematics & Camera Systems | 35 | 13 | 22 |
| Rent & Housing Management IT System | 19 | 8 | 11 |
| Installation of Public Water Fountains | 15 | | 15 |
| Crematorium & Cemetery Development Plan | 378 | 242 | 137 |
| Continued Improvements to Play Areas | 200 | 74 | 126 |
| Parks Improvements | 149 | 47 | 102 |
| Gypsy & Traveller Sites Refurbishment | 50 | 529 | -479 |
| Total | 9,798 | 6,420 | 3,378 |
| Economic Regeneration & Leisure | | | |
| Mote Park Visitor Centre | 1,233 | 1,469 | -236 |
| Mote Park Lake - Dam Works | 622 | 186 | 436 |
| Mall Bus Station Redevelopment | 1,056 | 1,438 | -383 |
| Total | 2,910 | 3,093 | -183 |
| Policy & Resources | | | |
| Corporate Property Acquisitions | 11,809 | 11,128 | 681 |
| Kent Medical Campus - Innovation Centre | 3,000 | 2,492 | 508 |
| Lockmeadow Ongoing Investment | 932 | 1,228 | -297 |
| Garden Community | 1,613 | 180 | 1,433 |
| Asset Management / Corporate Property | 1,653 | 669 | 985 |
| Biodiversity & Climate Change | 100 | 22 | 78 |
| Feasibility Studies | 162 | 90 | 72 |
| Digital Projects | 25 | 26 | -1 |
| Software / PC Replacement | 342 | 206 | 136 |
| Fleet Vehicle Replacement Programme | 748 | 364 | 384 |
| Total | 20,384 | 16,406 | 3,978 |
| Strategic Planning & Infrastructure | | | |
| Bridges Gyrotory Scheme | 86 | | 86 |
| Total | 86 | | 86 |
| Section 106 Contributions | 450 | 512 | -62 |
| TOTAL | 33,629 | 26,431 | 7,197 |

C3) Capital Budget Variances (@ 4th 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. There were no further acquisitions in the fourth quarter.

Kent Medical Campus: Innovation Centre – The remaining budget will be utilised to fund the costs of the temporary car park that will be constructed during 2022/23.

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 has been the subject of separate reports to the service committees.

Asset Management/Corporate Property – The unused budget will be rolled forward to fund works that are needed in 2022/23.

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 has been one acquisition to date. It was anticipated that a number would take place during the fourth quarter, but it has proved difficult to obtain properties at reasonable valuations given the current overheated housing market.

Springfield Mill – This variance is a profiling issue relating to the timing of payments to the main contractor. The remaining budget is within the current five year programme and the project itself will be completed within 2022/23.

Private Rented Sector Housing Programme and 1,000 Homes Affordable Housing Programme - The housing team are working on various projects which are currently at different stages. The expenditure for the 1,000 Homes Affordable Housing Programme includes the acquisition and subsequent expenditure for the Trinity Foyer. The additional funding for this year will be accommodated within a reprofiling of the five year budget for this scheme in the current capital programme.

Flood Action Plan – Work continues to bring forward suitable projects for inclusion within the Plan and the remaining budget is expected to be spent during 2022/23.

Gypsy & Traveller Sites Refurbishment - This variance is a profiling issue relating to the timing of payments to the main contractor. The remaining budget is within the current five year programme and the project itself will be completed within 2022/23.

Economic Regeneration and Leisure Committee

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

Mote Park Visitor Centre – This variance is a profiling issue relating to the timing of payments to the main contractor. The project itself remains on budget and will be completed by Summer 2022.

Mote Park Lake Dam Works – The bulk of the work on this scheme was carried out in 2020/21 and it is now substantially complete, although there may still be some minor works to be done. Unless these final works are very costly, the scheme will have been completed comfortably within the agreed budget.

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. In addition, we have received further funding of £0.120m from Capital & Regional towards the cost of the project, meaning it is now fully funded.

Part D

Fourth 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.

Table 11: Local Tax Collection Rates (Q4 2021/22)

| Description | Target Q4 2021/22 | Actual Q4 2021/22 |
|----------------|-------------------|-------------------|
| Council Tax | 95.74% | 96.70% |
| Business Rates | 95.20% | 97.04% |

- 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 quarter 4.
- 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.

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 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 4 2021/22

| | Balance at 1 April 2021 | Estimated Movement in 2021/22 | Estimated Balance at 31 March 2022 |
|---|-------------------------------|-------------------------------------|--|
| | £000 | | |
| General Fund | | | |
| Unallocated balance | 9,196 | -82 | 9,124 |
| Sub-total | 9,196 | 82 | 9,124 |
| | | | |
| Earmarked Reserves | | | |
| Local Plan | 200 | -200 | 0 |
| Neighbourhood Plans | 96 | 0 | 96 |
| Planning Appeals | 286 | 0 | 286 |
| Civil Parking Enforcement | 158 | 231 | 389 |
| Homelessness Prevention & Temporary Accommodation | 773 | 506 | 1,279 |
| Business Rates Earmarked Balances | 3,774 | -1,775 | 1,999 |
| Lockmeadow Complex | 0 | 0 | 0 |
| Future Funding Pressures | 970 | 0 | 970 |
| Trading Accounts | 30 | -30 | 0 |
| Future Capital Expenditure | 1,131 | 1,295 | 2,426 |
| 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 |
| Covid-19 Response and Recovery | 0 | 778 | 778 |
| Resources carried forward from 2021/22 to 2022/23 | | 1,184 | 1,184 |
| Sub-total | 24,234 | -12,445 | 11,789 |
| | | | |
| Total General Fund Balances | 33,430 | -12,527 | 20,913 |
| | | | |
| Total excluding collection fund deficits | 18,691 | 830 | 19,531 |

Table 14: General Fund and Earmarked Balances at Q4 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 March 2022, the Council's Advisors, Link Asset Services, reported:

- The UK economy got off to a good start in this quarter, growing by 0.8% m/m in January. That more than reversed the 0.2% m/m fall in December triggered by the Omicron wave. It took GDP 0.8% above the pre-virus February 2020 level.
- In Q4 of 2021/22, all the solid 1.3% q/q rise in nominal household disposable income was wiped out by a 1.4% q/q rise in consumer prices. That meant that real household incomes fell by 0.1% q/q, the third fall in a row. The measure of consumer confidence has now fallen for four consecutive months, reaching a 17-month low in March
- With inflation set to keep rising, households are in for a prolonged period of negative real wage growth. The surge in CPI inflation to a new 30-year high of 6.2% in February means that it is now more than three times the Bank of England's 2% target. The rise in core inflation (excluding energy, food and alcohol) from 4.4% in January to 5.2% in February also left it at a 30-year high. A 1.0% m/m price rise this February meant that food and drink inflation rose from 4.3% to 5.1%. That was the highest rate since September 2011.
- CPI inflation is expected to peak at around 8.3% in April (this was closer to 9%) and will stay above 7.0% for most of 2022 and above 3.0% for most of 2023. The scheduled 54% rise in utility prices on 1st April will add an extra 1.4ppts to CPI inflation in April and the surge in agricultural commodity prices triggered by the war in Ukraine means that food price inflation is expected to soon climb above 6%.
- The Monetary Policy Committee voted by a majority of 5-4 to increase Bank Rate by 25bps to 0.5% on 4th February, with the minority preferring to increase Bank Rate by 50bps to 0.75%. This increase to 0.75% did happen in March with a majority of 8-1.

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.

Table 14: Interest Rate Forecast

| Bank Rate | | | | | | | | | | | |
|-------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | NOW | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 |
| Link Group | 0.50% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Capital Economics | 0.50% | 0.50% | 0.75% | 1.00% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | - | - |
| 5yr PWLB Rate | | | | | | | | | | | |
| | NOW | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 |
| Link Group | 2.12% | 2.20% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% |
| Capital Economics | 2.12% | 2.20% | 2.30% | 2.40% | 2.50% | 2.60% | 2.80% | 2.90% | 3.00% | - | - |
| 10yr PWLB Rate | | | | | | | | | | | |
| | NOW | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 |
| Link Group | 2.26% | 2.30% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% |
| Capital Economics | 2.26% | 2.30% | 2.40% | 2.50% | 2.60% | 2.60% | 2.80% | 2.90% | 3.00% | - | - |
| 25yr PWLB Rate | | | | | | | | | | | |
| | NOW | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 |
| Link Group | 2.41% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.60% | 2.60% | 2.60% | 2.60% | 2.60% |
| Capital Economics | 2.41% | 2.40% | 2.60% | 2.70% | 2.80% | 2.90% | 3.10% | 3.20% | 3.25% | - | - |
| 50yr PWLB Rate | | | | | | | | | | | |
| | NOW | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 |
| Link Group | 2.10% | 2.20% | 2.30% | 2.30% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% |
| Capital Economics | 2.10% | 2.20% | 2.30% | 2.50% | 2.60% | 2.80% | 2.90% | 3.10% | 3.20% | - | - |

BANK RATE

- With Omicron concerns fading into the background, at least for now, the MPC shifted up a gear in February in raising Bank Rate by another 0.25% to 0.50% - only narrowly avoiding making it a 0.50% increase (5-4 voting margin).
- Link's forecast for interest rates was updated on 7th February and reflects a view that the MPC will be keen to further demonstrate its anti-inflation credentials by delivering another 0.25% increase in Bank Rate in March, followed by a further increase in May (the next Bank of England Quarterly Monetary Policy Report meeting).
- The CPI measure of inflation is forecast to rise above 8% in April and, in particular, the MPC will be keeping a close eye on average earnings data, as it is the secondary round effects of inflation that will be driving the pace of increase in Bank Rate.
- Once Bank Rate reaches 1%, the MPC will need to consider the extent to which it implements Quantitative Tightening (QT), primarily the selling of its gilt holdings, although they are likely to take it cautiously as they are already not refinancing maturing debt.
- Notwithstanding the MPC's clear desire to increase Bank Rate throughout the first half of 2022, negative real earnings, a 54% hike in the Ofgem energy price cap from April, at the same time as employees (and employers) incur a 1.25% Health & Social Care Levy, growing food inflation plus council tax rising by up to 5% - all these factors will hit households' finances hard. However, lower income families will be hit disproportionately

hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.

- Given the above outlook, if inflation peaks in April or May, it poses a question as to whether the MPC may shift into protecting economic growth. Accordingly, we are much more tentative about whether the MPC will move Bank Rate up much further in the second half of 2022 and into 2023. For now, we have added a single further increase to 1.25% in November.
- Ultimately, Link's forecasts will be guided by economic data releases and clarifications from the MPC over its monetary policies.

PWLB RATES

- The yield curve has flattened out and PWLB rates have settled in a range around the 2% level.
- Link's central view is that the markets have already built in nearly all the effects on gilt yields of the likely increases in Bank Rate, and the further leg-up in headline inflation in the first half of 2022, so yields are only likely to move marginally higher in 2022 and 2023 (but periods of volatility are still highly likely).
- Although inflation is likely to remain elevated well into 2023, the peak in inflation is expected in April or May 2022.
- The pace of Quantitative Tightening (QT), primarily the selling of Bank of England gilt holdings, is an unknown at this juncture and could impact gilt yields in unexpected ways.
- Gilt yields are also impacted by international factors, but the steady rise in global bond yields in early 2022 already reflects markets' expectation for both the FOMC, in the US, and the European Central Bank to tighten monetary policy sooner rather than later.
- Consequently, any unexpected increases in treasury or bund yields (or indeed reductions) will most likely influence gilt yields too and, therein, PWLB rates.

F4) Council Investments

The council held investments totaling £16.16m at the start of the year which has risen to £38.75m at 31st March 2022. The reasons the investment balance is at this level is due to left over business and COVID grant funding from the Government and slippage within the capital programme. However, grants will soon be repaid to Government during 2022/23 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 15: Short-Term Investments (4th Quarter 2021/22)

| Counterparty | Type of Investment | Principal £ | Start Date | Maturity Date | Interest Rate | MBC Credit Limits | |
|----------------------------------|--------------------|----------------|---------------|------------------|------------------|-------------------|-----------------|
| | | | | | | Maximum Term | Maximum Deposit |
| Handelsbanken | Call account | 5,000,000 | | | 0.30% | 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 | | | 0.10% | 6 Months | £5,000,000 |
| Santander Bank Plc | Call account | 5,000,000 | | | 0.70% | 6 Months | £5,000,000 |
| HSBC Bank Plc | Call account | 5,000,000 | | | 0.70% | 6 Months | £5,000,000 |
| Aberdeen Standard Liquidity Fund | Money Market Fund | 1,420,000 | | | 0.51% | | £10,000,000 |
| Federated Hermes Short-Term Ste | Money Market Fund | 8,330,000 | | | 0.51% | | £10,000,000 |
| Landesbank Hessen Thuringen Giro | Fixed Term Deposit | 2,000,000 | 26/10/2021 | 26/04/2022 | 0.43% | 6 Months | £5,000,000 |
| Landesbank Hessen Thuringen Giro | Fixed Term Deposit | 3,000,000 | 31/01/2022 | 29/07/2022 | 0.62% | 6 Months | £5,000,000 |
| Goldman Sachs International Bank | Fixed Term Deposit | 3,000,000 | 15/10/2021 | 14/04/2022 | 0.37% | 6 Months | £5,000,000 |
| Nationwide Building Society | Fixed Term Deposit | 3,000,000 | 07/01/2022 | 06/05/2022 | 0.15% | 6 Months | £5,000,000 |
| | | 38,750,000 | | | | | |

Investment income to 31st March 2022 totals £72k against a budget of £100k with an average rate over the year of 0.15%. As the interest rate table in F3 above shows, rates are at historically low levels during the majority of the year, however these have started to rise from December in line with the Bank of England Base Rate which is reflected in the investment rates at the end of the year.

F4) Council Borrowing

The Council held external borrowing amounting to £11m on 31st March 2021, all with Local Authorities. Total borrowing as at 31st March 2022 was £9m with a breakdown shown in Table 15 below. The Council has taken advantage of low long term rates and has borrowed £5m from the PWLB to replace some of its short term funding.

Table 15: Council Borrowing (4th 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% |
| PWLB | Government | 2,000,000 | 11/11/2021 | 11/11/2071 | 1.73% |
| PWLB | Government | 3,000,000 | 30/12/2021 | 30/12/2071 | 1.56% |
| | | 9,000,000 | | | |

The Council has since entered into agreements for forward borrowing to assist in funding the capital programme over the next 5 years as it wanted to mitigate the risk of interest rate hikes over the coming years. £80m has been agreed with Aviva which will be spread over years 2023/24, 2024/25 and 2025/26.

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 (previously to the Policy and Resources Committee, now to this 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 is 31st March, in order to align with the Council's financial reporting period. The external audit of the 2021/22 accounts is scheduled to take place in early August.

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 fourth quarter of 2021/22 totals £517,666 (2020/21 £121,512) This represents rent collected, less running costs, maintenance costs and recharges for staff time. As at 31st March 2022, rent arrears were estimated at £10,548.
- G2.3 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.
- G2.4 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.