

# Second Quarter Financial Update 2022/23

Corporate Services – Policy Advisory Committee

16<sup>th</sup> November 2022

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# Part A

## Executive Summary & Overview



This report provides members with the financial position as at 30 September 2022, covering activity for both the Council as a whole and this committee's revenue and capital accounts for the second quarter of 2022/23.

In 2021/22, income recovered more strongly than expected from the pandemic and the Council generated a modest surplus compared with budget. For 2022/23, there is no more direct government funding to cover the costs of Covid, but the Council has been able to set a balanced budget. Additional provision of £1.3 million was made within the 2022/23 budget for the expected impact of higher inflation on the Council's input costs. The projected peak level of inflation has continued to increase since the budget was set and this is likely to have an impact in particular on contract and energy costs, so the requirement for this provision will be monitored carefully to assess whether it will be adequate. If at any stage it appears that an overspend is likely, measures will need to be taken in-year to bring the budget back into balance.

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

The headlines for Quarter 2 are as follows:

#### Part B: Revenue Budget – Q2 2022/23

- At the Quarter 2 stage, the Council has incurred net expenditure of £4.449m against a profiled budget of £5.725m, representing an underspend of £1.227m.
- For the services reporting directly to CS PAC, net expenditure of £1.175m has been incurred against a profiled budget of £1.559m, representing an underspend of £0.384m.

#### Part C: Capital Budget – Q2 2022/23

- At the Quarter 2 stage, the Council has incurred overall expenditure of £8.912m against a budget allocation within the Capital Programme of £35.476m.
- Expenditure for services reporting directly to CS PAC of £1.069m has been incurred against the budget of £12.633m.

#### Part D: Local Tax Collection 2022/23

- Collection rates have been met for the second quarter. Going forward we will need to monitor how the financial environment impacts the level of collection.
- The Council is working with other Kent councils to establish the second quarter forecast for the Kent Business Rates Pool in 2022/23.

#### Part E: Reserves & Balances 2022/23

- The unallocated balance on the General Fund at 1 April 2022 was £13.2m. It is anticipated that balances will remain above the minimum level set by Council.

#### Part F: Treasury Management 2022/23

- The Council held short-term investments of £27.3m and had £9.0m in short term local authority borrowing as at 30<sup>th</sup> June 2022.

- Balances as at 30<sup>th</sup> September 2022 are £22.7m in short-term investments and £5.0m of borrowing.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for Quarter 2 2022/23 was £286,453. Rent arrears as at 30<sup>th</sup> September 2022 were minimal.

# Part B

# Second Quarter Revenue Budget 2022/23

## B1) Revenue Budget: Council

B1.1 At the Quarter 2 stage, the Council has incurred net expenditure of £4.449m against a profiled budget of £5.726m, representing an underspend of £1.227m.

B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 2 2022/23 by providing alternative analyses: by Policy Advisory Committee (PAC), Lead Member, Priority and Subjective Heading.

**Table 1: Net Expenditure 2022/23 (@ 2<sup>nd</sup> Quarter): Analysis by PAC**

Policy Advisory Committee	Full Year Budget	To 30 September 2022	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Corporate Services	12,672	1,559	1,175	384	11,958	714
Planning and Infrastructure	-103	74	-440	514	-383	279
Communities, Housing & Environment	10,727	4,351	4,037	315	11,182	-455
Economic Regeneration & Leisure	-97	-258	-272	14	87	-184
<b>Net Revenue Expenditure</b>	<b>23,198</b>	<b>5,726</b>	<b>4,499</b>	<b>1,227</b>	<b>22,844</b>	<b>354</b>

**Table 2: Net Expenditure 2022/23 (@ 2<sup>nd</sup> Quarter): Analysis by PRIORITY**

Priority	Full Year Budget	To 30 September 2022	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	7,273	3,779	3,313	465	7,129	143
Homes and Communities	1,198	-498	-382	-116	1,843	-645
Thriving Place	1,349	1,005	1,150	-145	1,673	-324
Embracing Growth and Enabling Infrastructure	-79	86	-458	544	-358	279
Central & Democratic	13,458	1,354	876	478	12,558	900
<b>Net Revenue Expenditure</b>	<b>23,198</b>	<b>5,726</b>	<b>4,499</b>	<b>1,227</b>	<b>22,845</b>	<b>354</b>

**Table 3: Net Expenditure 2022/23 (@ 2<sup>nd</sup> Quarter): Analysis by SUBJECTIVE SPEND**

Subjective	Full Year Budget	To 30 September 2022	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Employees	23,775	11,877	11,371	506	23,775	0
Premises	6,428	3,819	4,068	-249	6,718	-290
Transport	675	319	219	100	675	0
Supplies & Services	16,003	5,886	5,739	147	16,653	-649
Agency	7,066	3,468	3,372	96	7,066	0
Transfer Payments	37,929	15,959	15,288	671	37,829	100
Asset Rents	1,782	0	0	0	932	850
Income	-70,461	-35,603	-35,559	-44	-70,803	343
<b>Net Revenue Expenditure</b>	<b>23,198</b>	<b>5,726</b>	<b>4,499</b>	<b>1,227</b>	<b>22,845</b>	<b>354</b>

**Table 4: Net Expenditure 2022/23 (@ 2<sup>nd</sup> Quarter): Analysis by LEAD MEMBER**

Lead Member for	Full Year Budget	To 30 September 2022	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Corporate Services	12,672	1,559	1,175	384	11,958	714
Planning & Infrastructure	-103	74	-440	514	-383	279
Communications & Public Engagement	2,589	1,150	1,046	104	2,589	0
Environmental Services	6,396	3,466	3,182	284	6,253	143
Housing & Health	1,742	-265	-191	-74	2,341	-599
Leader of the Council	576	576	697	-121	725	-149
Leisure & Arts	-673	-834	-969	135	-638	-35
<b>Net Revenue Expenditure</b>	<b>23,198</b>	<b>5,726</b>	<b>4,499</b>	<b>1,227</b>	<b>22,844</b>	<b>354</b>



## B2) Revenue Budget: Corporate Services PAC

B2.1 Table 4 below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into CS PAC at the end of Quarter 2. The financial figures are presented on an accruals basis (i.e. expenditure for goods and services received, but not yet paid for, is included). The Lead Member for Corporate Services is responsible for all the services shown below.

**Table 4: CS Revenue Budget: NET EXPENDITURE (@ 2<sup>nd</sup> Quarter 2022/23)**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 September 2022 £000	Actual £000	Variance £000	Forecast 31 March 2023 £000	Forecast Variance 31 March 2023 £000
Maintenance of Closed Churchyards	11	5	0	5	11	0
Drainage	32	16	6	10	32	0
Street Naming & Numbering	-73	-37	-17	-19	-73	0
Sandling Road Site	29	15	85	-70	169	-140
Maidstone House - Landlord	-382	-528	-210	-318	-232	-150
Civic Occasions	54	43	46	-3	54	0
Members Allowances	408	204	220	-16	408	0
Members Facilities	18	9	8	1	18	0
Contingency	1,674	548	28	520	1,674	0
Corporate Projects	50	0	0	0	50	0
Corporate Management	421	55	72	-17	421	0
Unapportionable Central Overheads	1,488	727	656	71	1,388	100
Council Tax Collection	57	38	35	3	57	0
Council Tax Collection - Non Pooled	-356	-28	-24	-4	-356	0
Council Tax Benefits Administration	-164	-164	-164	0	-164	0
NNDR Collection	2	1	3	-2	2	0
NNDR Collection - Non Pooled	-234	5	11	-6	-234	0
MBC- BID	1	-10	-16	6	1	0
Registration Of Electors	59	30	49	-19	59	0
Elections	181	175	202	-27	211	-30
Emergency Centre	22	13	12	1	22	0
Medway Conservancy	128	64	64	-0	128	0
External Interest Payable	2,263	0	69	-69	1,413	850
Interest & Investment Income	-100	-50	-150	100	-200	100
Palace Gatehouse	-8	-4	3	-6	-8	0
Archbishops Palace	-97	-42	-53	11	-97	0
Parkwood Industrial Estate	-287	-148	-145	-2	-287	0
Industrial Starter Units	-17	-5	11	-16	-17	0
Parkwood Equilibrium Units	-77	-36	6	-42	-77	0
Sundry Corporate Properties	-237	-119	-27	-92	-237	0
Phoenix Park Units	-216	-108	-20	-88	-216	0
Granada House - Commercial	-93	-84	-95	11	-93	0
MPH Residential Properties	-732	-356	-325	-31	-686	-46
Heronden Road Units	-148	-76	-37	-39	-148	0
Boxmend Industrial Estate	-92	-46	20	-66	-92	0
Wren Industrial Estate	-120	-66	-98	32	-120	0
General Fund Residential Properties	-57	-28	-18	-10	-57	0
Pensions Fund Management	1,757	0	0	0	1,757	0
Non Service Related Government Grants	-4,216	-2,108	-2,145	37	-4,216	0
Rent Allowances	-115	-44	-309	265	-115	0
Non HRA Rent Rebates	-9	434	621	-188	-9	0
Discretionary Housing Payments	1	113	134	-21	1	0
Housing Benefits Administration	-327	-164	-156	-8	-327	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 September 2022 £000	Actual £000	Variance £000	Forecast 31 March 2023 £000	Forecast Variance 31 March 2023 £000
Democratic Services Section	263	131	106	26	213	50
Mayoral & Civic Services Section	118	59	57	2	118	0
Chief Executive	189	94	94	-0	189	0
Head of Policy and Communications	49	24	39	-15	49	0
Director of Strategy Governance and Insight	77	11	19	-8	77	0
Revenues Section	568	385	383	2	568	0
Registration Services Section	92	46	43	3	92	0
Benefits Section	507	334	325	9	507	0
Fraud Section	51	-22	-20	-2	51	0
Mid Kent Audit Partnership	212	111	24	87	212	0
Director of Finance, Resources & Business Improvement	148	74	72	2	148	0
Accountancy Section	851	444	353	90	851	0
Legal Services Section	628	314	305	9	628	0
Director of Regeneration & Place	147	73	72	1	147	0
Procurement Section	113	-7	0	-7	113	0
Property & Projects Section	621	312	271	41	621	0
Corporate Support Section	283	142	133	9	283	0
Improvement Section	379	189	147	43	379	0
Executive Support Section	91	46	46	-0	91	0
Head of Commissioning and Business Improvement	29	15	15	-0	29	0
Mid Kent ICT Services	574	280	264	16	574	0
GIS Section	122	61	60	1	122	0
Director of Mid Kent Services	48	-25	-11	-14	48	0
Mid Kent HR Services Section	404	202	170	32	404	0
MBC HR Services Section	101	48	71	-23	101	0
Head of Revenues & Benefits	77	57	34	23	77	0
Revenues & Benefits Business Support	101	51	50	1	101	0
Dartford HR Services Section	-14	-7	-5	-1	-14	0
IT Support for Revenues and Benefits	26	17	17	-0	26	0
Emergency Planning & Resilience	66	20	18	2	66	0
Head of Property and Leisure	46	23	0	23	46	0
Salary Slippage 1PR	-286	-143	0	-143	-286	0
Town Hall	121	67	57	10	121	0
South Maidstone Depot	221	140	150	-10	221	0
The Link	54	76	64	12	54	0
Maidstone House	784	502	381	121	784	0
Museum Buildings	253	145	173	-28	273	-20
I.T. Operational Services	624	288	278	10	624	0
Central Telephones	16	8	6	2	16	0
Apprentices Programme	71	35	7	28	71	0
Internal Printing	-4	1	5	-5	-4	0
Debt Recovery Service	10	41	-5	46	10	0
Debt Recovery MBC Profit Share	-120	-60	-45	-15	-120	0
General Balances	-1,179	-1,179	-1,179	0	-1,179	0
Earmarked Balances	4,616	-108	-220	112	4,616	0
Appropriation Account	1,782	0	0	0	1,782	0
Pensions Fund Appropriation	-1,757	0	0	0	-1,757	0
<b>Totals</b>	<b>12,672</b>	<b>1,559</b>	<b>1,175</b>	<b>384</b>	<b>11,958</b>	<b>714</b>

B2.2 The table shows that, at the Quarter 2 stage, for the services reporting directly to CS PAC, net expenditure of £1.175m has been incurred against the budget of £1.559m, representing an underspend of £0.384m.

### **B3) CS 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 Policy Advisory Committees on a quarterly basis throughout 2022/23.

B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 2.

**Table 5: CS PAC Variances (@ 2<sup>nd</sup> Quarter 2022/23)**

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
<b>Corporate Services</b>	<b>£000</b>		
<b>Sandling Road Site</b> - Security costs for the site were not budgeted for when the Council took responsibility for the site.		-70	-140
<b>Maidstone House (Landlord)</b> – Electricity costs for the building will be higher than forecast in the budget. The current variance includes the share of the costs for tenants, which will be recharged to them.		-318	-150
<b>Contingency</b> – It is anticipated that this will be fully utilised to deal with budget pressures that are likely to arise over the remainder of the year.	520		0
<b>Unapportionable Central Overheads</b> - Due to staff vacancies payments to the Kent County Council Pension Fund are lower than forecast.	71		100
<b>External Interest Payable</b> - A significant portion of this budget relates to the Minimum Revenue Provision the Council has to make to meet the costs of borrowing for the capital programme. The budget assumed that there would be a higher level of borrowing at this stage than there actually has been.		-69	850
<b>Interest &amp; Investment Income</b> – Interest rates are higher now than had been forecast when the budget was set.	100		100
<b>Sundry Corporate Properties</b> - There are currently issues in getting up to date information from the managing agents but is assumed that there will be no significant variance at the end of the year.		-92	0
<b>Phoenix Park Units</b> - There are currently issues in getting up to date information from the managing agents but is assumed that there will be no significant variance at the end of the year.		-88	0
<b>Boxmend Industrial Estate</b> - There are currently issues in getting up to date information from the managing agents but is assumed that there will be no significant variance at the end of the year.		-66	0
<b>Rent Allowances/Non-HRA Rent Rebates</b> - The variances on the cost centres are due to the rent allowances /rebates awarded and the income received from government. These are estimated costs until the year-end subsidy claim is submitted.	78		0
<b>Maidstone House</b> – There are repairs and maintenance costs that are yet to be charged to the budget and there will also be additional electricity costs to be recharged to the budget.	121		0

## 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: Planning Services PAC Variances (@ 2<sup>nd</sup> Quarter 2022/23)**

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
<b>Planning &amp; Infrastructure</b>	<b>£000</b>		
<b>PLANNING SERVICES</b>			
<b>Building Regulations Chargeable</b> – There has been an increase in income received so far this year, but there is some uncertainty around the level of income we might receive for the remainder of the year, so it is forecast that the budget will break-even by the end of the year.	56		0
<b>Development Control Advice</b> – Demand for pre-application discussions and Planning Performance Agreements is down this year and this trend is expected to continue for the remainder of the year.		-34	-76
<b>Development Control Majors</b> – There has been an increase in the number of major planning applications received this year, but there is some uncertainty around the number of applications we might receive for the remainder of the year, so it is forecast that the budget will break-even by the end of the year.	108		0

### 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 30<sup>th</sup> September 2022.

<b>Opening Balance 01/04/2022</b>	<b>Spending April - September 2022</b>	<b>Forecast Spending October 2022 - March 2023</b>	<b>Forecast Spending Balance 31/03/2023</b>
<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
1,461,727	271,833	1,196,767	-6,873

Table 6a, Local Plan Review budget (Q2, 2022/23)

B4.3 In addition to the annual funding a further £1m was allocated from the New Homes Bonus for 2022/23 for the LPR.

	<b>Positive Variance Q2</b>	<b>Adverse Variance Q2</b>	<b>Year End Forecast Variance</b>
<b>Planning &amp; Infrastructure</b>	<b>£000</b>		
<b>PARKING SERVICES</b>			
<b>On Street Parking</b> – Income is up against the budgets for parking meter income and dispensation payments.	35		57
<b>Pay &amp; Display Car Parks</b> – Occupancy levels continue to be higher than forecast with long stay car parks performing particularly well so far this year.	100		154
<b>Off Street Parking Enforcement</b> - Income is up against the budget for Penalty Charge Notices.	50		60
<b>Park &amp; Ride</b> – Spend against the running costs budgets is lower than forecast.	25		50

**Table 7: Communities, Housing & Environment PAC Variances (@ 2<sup>nd</sup> Quarter 2022/23)**

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
<b>Communities, Housing &amp; Environment Committee</b>	£000		
<b>Public Conveniences</b> – This variance relates to a growth item for the cost of the new toilets at Mote Park. These are not yet open, so the budget is unspent. There is no confirmed handover date, the forecast assumes it will be in December.	70		95
<b>Household Waste Collection</b> – The overspend relates to additional bin purchases and the costs of a consultant for the waste contract renewal.		-26	-60
<b>Recycling Collection</b> – There has been additional income from green bin hire.	42		65
<b>Homeless Temporary Accommodation</b> – There has been a significant increase in the demand for temporary accommodation, and this is due mainly to the rise in the cost of living over the last few months. There are also issues with getting people out of temporary accommodation as soon as possible, this has proved very difficult. Housing are currently looking at how the Homefinder scheme can help boost access to more private letting.		-258	-599

**Table 8: Economic Regeneration & Leisure PAC Variances (@ 2<sup>nd</sup> Quarter 2022/23)**

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
<b>Economic Regeneration &amp; Leisure Committee</b>	£000		
<b>Innovation Centre</b> – As reported in quarter 1 there is an overspend on business rates for empty offices. There have also been additional maintenance costs incurred which were not anticipated when the building was opened. No allowance has yet been made for Non-Domestic Rates paid in advance from October 2022 to March 2023. Once this has been adjusted this will show a breakeven financial position.		-102	-89
<b>Lockmeadow Complex</b> – At present running costs are underspent, but the expectation is that there will be additional costs for the remainder of the year, particularly for utilities and repairs and maintenance.	94		0
<b>Business Terrace Expansion (Phase 3)</b> – Not all the units are occupied, and it is anticipated that this will continue to be the case for the remainder of the year.		-34	-60
<b>Market</b> – Income for lettings for all streams are down against the budget.		-20	-35

## 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 CS PAC on a quarterly basis.
- B5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.
- B5.3 The virements made in Quarter 2 are presented in Table 9 below.



**Table 9: Virements (@ 2<sup>nd</sup> Quarter 2022/23)**

Reason	From	To	Value £	Perm/Temp*
Transfer costs of Senior Management Restructure from generic growth item in budget	Contingency	Various Cost Centres	331,060	Permanent
Create post of Public Realm Operations Manager	Various Cost Centres	Depot Services Section	57,450	Permanent
Transfer Budget because of Change in Reporting Structure	Cultural Services Section	Communications Section	41,350	Permanent
Establish Bereavement Post	Various Cost Centres	Bereavement Services Section	31,140	Permanent
Fund Staff Shortfall - 2 Community Officers	Contingency	Community Partnerships & Resilience Section	10,680	Permanent
Temporarily Offset Management Restructure Budgets for 22/23	Various Cost Centres	Contingency	275,350	Temporary
Fund Redundancy, Pay In Lieu & Holiday in Excess	Various Cost Centres	Head of Regeneration & Economic Dev.	56,620	Temporary
Fund Assistant Marketing Officer	Business Rates Growth Earmarked Balances	Visitor Economy Section	31,180	Temporary
Fund Trinity Foyer from R&R	Recovery & Renewal Reserve	Trinity Foyer	30,000	Temporary
Additional Funding for Website Project	Business Rates Growth Earmarked Balances	Economic Development - Promotion & Marketing	15,510	Temporary
33% Contribution to Website Project	Business Rates Growth Earmarked Balances	Economic Development - Promotion & Marketing	8,840	Temporary
Contribution to Mela Festival	Business Rates Growth Earmarked Balances	Festivals & Events	5,000	Temporary

# Part C

# Second Quarter Capital Budget 2022/23



## **C1) Capital Budget: Council**

- C1.1 The overall five-year Capital Programme for 2022/23 to 2026/27 was approved by the Council on 23<sup>rd</sup> February 2022. 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 2022/23.
- C1.2 The 2022/23 element of the Capital Programme (including unused resources brought forward from 2021/22) has a budget of £35.476m. At the Quarter 2 stage, capital expenditure of £8.912m had been incurred, with budget remaining of £26.564m.

## **C2) Capital Budget: Corporate Services PAC**

- C2.1 Progress towards the delivery of the 2022/23 CS PAC element of the Capital Programme at the Quarter 2 stage is presented in Table 10 below.
- C2.2 At the Quarter 1 stage, expenditure of £1.069m has been incurred against a budget of £12.633m million for CS PAC. This leaves a remaining budget of £11.564m.

**Table 10: Capital Expenditure (@ 2<sup>nd</sup> Quarter 2022/23)**

Capital Programme Heading	Adjusted	Actual to	Budget Remaining	Q3 Profile	Q4 Profile	Projected	Projected	Budget Not
	Estimate	September				Total	Slippage to	
	2022/23	2022	£000	£000	£000	£000	2023/24	£000
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Communities, Housing &amp; Environment</b>								
Housing - Disabled Facilities Grants Funding	1,640	410	1,230	200	200	810	830	
Temporary Accommodation	4,330	10	4,320	1,635	662	2,307	2,023	
Springfield Mill - Phase 2	731	733	-3			733	-3	
Affordable Housing Programme - Trinity Place	500	203	297			203	297	
Private Rented Sector Housing Programme	3,183	1,657	1,526	239	384	2,280	903	
1,000 Homes Affordable Housing Programme	5,179	2,337	2,842	2,786	82	5,206	-27	
Market Sale Housing Programme - Heather House & Pavilion Building	515		515	10		10	505	
Acquisitions Officer - Social Housing Delivery P/ship	160	96	64	32	32	160		
Granada House Refurbishment Works	950	37	913		286	323	627	
Street Scene Investment	70	28	42	21	21	70		
Flood Action Plan	430		430		50	50	380	
Electric Operational Vehicles	84		84	84		84		
Vehicle Telematics & Camera Systems	22		22	22		22		
Rent & Housing Management IT System	11	13	-2			13	-2	
Installation of Public Water Fountains	15		15		15	15		
Crematorium & Cemetery Development Plan	137	209	-72			209	-72	
Continued Improvements to Play Areas	126		126	63	63	126		
Parks Improvements	152	34	118	59	59	152	0	
Gypsy & Traveller Sites Refurbishment	1,421	732	689	600	89	1,421	-0	
Waste Crime Team - Additional Resources	25		25	25		25		
Section 106 funded works - Open Spaces	400	57	343	172	172	400		
<b>Total</b>	<b>20,080</b>	<b>6,558</b>	<b>13,522</b>	<b>5,948</b>	<b>2,114</b>	<b>14,619</b>	<b>5,461</b>	
<b>Economic Regeneration &amp; Leisure</b>								
Mote Park Visitor Centre	1,307	1,217	90	240		1,457	-150	
Mote Park Lake - Dam Works	486	68	417	245	3	316	169	
Museum Development Plan	389		389	61	250	311	78	
Leisure Provision	100		100	10	10	20	80	
Cobtree Golf Course New Clubhouse	4		4		4	4	0	
Tennis Courts Upgrade	20		20		20	20		
Riverside Walk Works	250		250				250	
<b>Total</b>	<b>2,556</b>	<b>1,286</b>	<b>1,271</b>	<b>556</b>	<b>287</b>	<b>2,129</b>	<b>428</b>	
<b>Corporate Services</b>								
Corporate Property Acquisitions	3,181		3,181		3,181	3,181		
Kent Medical Campus - Innovation Centre	341	30	312	100	212	341		
Lockmeadow Ongoing Investment	203	137	67	67		203		
Garden Community	1,633	26	1,607	278	628	932	701	
Infrastructure Delivery	1,000		1,000				1,000	
Asset Management / Corporate Property	1,161	254	907	250	250	754	407	
Other Property Works	980		980		250	250	730	
Biodiversity & Climate Change	1,478	23	1,454	144	110	277	1,200	
Feasibility Studies	122	25	97	48	49	122		
Digital Projects	25	26	-1			26	-1	
Software / PC Replacement	336	64	271	136	135	336		
Maidstone House Works	1,000	15	985	249	500	764	236	
Automation Projects	200		200				200	
New Ways of Working - Make the Office Fit for Purpose	40	9	31	31		40		
Archbishop's Palace	400		400				400	
Fleet Vehicle Replacement Programme	533	461	72	72		533		
<b>Total</b>	<b>12,633</b>	<b>1,069</b>	<b>11,564</b>	<b>1,375</b>	<b>5,315</b>	<b>7,759</b>	<b>4,874</b>	
<b>Planning &amp; Infrastructure</b>								
Bridges Gyrotory Scheme	206		206	10	10	20	186	
<b>Total</b>	<b>206</b>		<b>206</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>186</b>	
<b>TOTAL</b>	<b>35,476</b>	<b>8,912</b>	<b>26,564</b>	<b>7,889</b>	<b>7,726</b>	<b>24,527</b>	<b>10,949</b>	

### **C3) Capital Budget Variances (@ 2<sup>nd</sup> Quarter 2022/23)**

#### **Corporate Services PAC**

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

Corporate Property Acquisitions – This budget will be utilised if a suitable property for purchase is identified.

Garden Community – Work is continuing on developing this project, with any unused balance being carried forward into 2023/24.

Infrastructure Delivery – At this stage there are no plans to spend this budget.

Biodiversity & Climate Change - A number of projects have been identified for this year and are being progressed. A number of other projects are unlikely to happen until next year and beyond, so any unused balance will be carried forward into 2023/24.

#### **Communities, Housing and Environment PAC**

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

Disabled Facilities Grants – Expenditure is historically less than the committed budget in each year, but unused funding is always carried forward allowing for works to be programmed in over the course of a number of years. A review of the DFG process is currently being undertaken and will feature in the draft new Housing Assistance Policy that will be delivered to the CHE PAC later in the year for commentary before being presented to the Executive.

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. It is hoped to acquire more properties this year, as house prices start to retreat from the elevated levels reached during Summer 2022.

Private Rented Sector Housing Programme/1,000 Homes Affordable Housing Programme – A number of schemes are at various stages of development at this stage. Expenditure is very much indicative at this stage and expected to increase during the remainder of the year once schemes that are currently at the feasibility stage have progressed further and new sites are potentially secured. Some schemes will also contain elements of both private rented and affordable housing so the costs may change depending on the mix at the sites where this happens.

The overspend shown against the 1,000 Homes Affordable Housing Programme budget reflects two proposed acquisitions which should take place in the third quarter. There are projected underspends against other projects this year which will cover this cost, and the cost is factored into the overall five-year programme.

Market Sale Housing Programme – Heather House & Pavilion Building – A planning application has been submitted and will be considered later this month. Subject to approval work is expected to start on site next year.

Granada House Refurbishment Works – A procurement process for the works is under way. It is hoped that works will commence before the end of the financial year, with any unused funding being carried forward into 2023/24.

Crematorium & Cemetery Development Plan – It was identified earlier this year that there was an urgent need to resurface some of the footpaths at the cemetery, which is why this budget is showing as overspent. Funding for this work will come from income at the crematorium, which is performing above the budgeted level this year.

### **Economic Regeneration and Leisure PAC**

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

Mote Park Visitor Centre – There have been some unanticipated costs that mean the project will cost around £150,000 more than initially budgeted for. Funding has been identified for this overspend.

Mote Park Lake – Dam Works – The project slippage figure includes a contribution for the boat house and lakeside kiosk works of £50,000.

Riverside Walk Works – Proposals are still being developed and there will be no spend this year.

# Part D

# Second Quarter Local Tax Collection 2022/23

## 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 (Q2 2022/23)**

Description	Target Q2 2022/23	Actual Q2 2022/23
Council Tax	54.93%	55.20%
Business Rates	56.52%	62.52%

- D2.2 The amount of Council Tax and Business Rates collected is marginally higher than the quarter 2 target. This will be closely monitored to understand the impacts of the UK financial environment on residents and businesses.

## D3) Kent Business Rates Pool

- D3.1 The council has continued to participate with other Kent authorities during 2022/23 to maximise the proportion of business rates growth it is able to retain. Forecasts from those in the pool have been requested and we will have an update for quarter 2. As in previous years, any funding will be 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. 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 2022/23

## E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2022 was £34.8 million, including £8.4 million set aside to fund future collection fund deficits. The makeup of the balance, and the forecast movements during 2022/23 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 2022.

**Table 13: Reserves & Balances Quarter 2 2022/23**

	Balance 1st April 2022	Estimated movement in 2022/23	Estimated Balance as at 31st March 2023
	£000	£000	£000
<b>General Fund</b>			
Unallocated Balance	13,237	0	13,237
<b>Subtotal</b>	<b>13,237</b>		<b>13,237</b>
<b>Earmarked Reserves</b>			
Spatial Planning EM reserve	1,000	(1,000)	0
Neighbourhood Planning	97	(20)	77
Planning Appeals	286	0	286
Trading Accounts	0	0	0
Civil Parking Enforcement	400	(110)	290
Future Capital Expenditure	2,426	0	2,426
Future Funding Pressures	969	0	969
Homelessness Prevention & Temporary Accommodation	1,279	(500)	779
Business Rates Earmarked Balances	3,681	(70)	3,611
Funding for Future Collection Fund Deficits	8,391	(8,391)	0
Commercial Risk	500	0	500
Invest to Save	500	(50)	450
Recovery and Renewal Reserve	778	(112)	666
Renewable Energy	119	0	119
Enterprise Zone	4	0	4
Resources carried forward from 2021/22 to 2022/23	1,184	(1,184)	0
<b>Subtotal</b>	<b>21,614</b>	<b>(11,437)</b>	<b>10,177</b>
<b>Total General Fund and Earmarked Reserves</b>	<b>34,851</b>	<b>(11,437)</b>	<b>23,414</b>

Table 14: General Fund and Earmarked Balances at Q2 2022/23

# Part F

## Treasury Management 2022/23

## 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 23<sup>rd</sup> February 2022, the Council approved a Treasury Management Strategy for 2022/23 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 30<sup>th</sup> September 2022, the Council's Advisors, Link Asset Services, reported:

- GDP in Q1 2022/23 revised upwards to 0.2% quarter to quarter from -0.1%, which means the UK economy has avoided recession for the time being;
- Signs of economic activity losing momentum as production fell due to rising energy prices;
- CPI inflation ease to 9.9% year on year in August but domestic price pressures showing little sign of abating in the near-term;
- The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
- Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
- Gilt yields surge and sterling fall following the "fiscal event" of the new Prime Minister and Chancellor on 23<sup>rd</sup> September.

## F3) Interest Rates

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

**Table 14: Interest Rate Forecast**

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
<b>BANK RATE</b>	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

**BANK RATE**

The Bank of England's MPC increased bank rate for a seventh consecutive meeting in September by 50bps to 2.25%, the highest since the financial crisis. The decision to increase interest rates was supported by all nine members of the MPC but the quantum of change was not. One member voted for a 25bps move, five voted for the 50bps move, while 3 voted for a 75bps move.

The MPC will not hesitate to change interest rates by as much as needed to return inflation to the 2% target sustainably in the medium term, in line with its remit. In terms of Bank Rate expectations, peak levels next year have dropped in light of the near-universal reversal of policies announced in the September mini-budget as well as Bank of England action to calm gilt markets. For 2022, market pricing is now more biased towards a move to 3% for November's meeting, while the level for December still oscillates between 3.75% and 4%. move to 4.5% in priced in for February 2023, with a further near-50bps of movement priced in for March. Thereafter, markets are unsure, with some higher movements for May, June and August, which would suggest a shift to 5.25%, but September pricing is back down below 5%.

**PWLB RATES**

The yield curve has shifted upwards since our August update and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.25% to 5.75%. The yield curve is currently inverted.

While US Treasuries and German Bund yields were universally higher, gilts continued to be more influenced by supply / demand dynamics in light of the Bank of England temporarily excluding longer-dated maturities from its Quantitative Tightening sales programme which kicks off at the beginning of November.

**F4) Council Investments**

The council held investments totaling £38.75m at the start of the year which has reduced to £22.75m on 30th September 2022. Investment levels have reduced due to further repayments of grants to Central Government and Section 106 payments to the County Council during the quarter.

A full list of investments held at this time is shown at Table 15 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 (2<sup>nd</sup> Quarter 2022/23)**

Counterparty	Type of	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	2,220,000			2.10%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	9,530,000			2.09%		£10,000,000
Goldman Sachs Int Bank	Fixed Term Deposit	3,000,000	14/04/2022	14/10/2022	1.48%	6 Months	£5,000,000
Landesbank Hessen	Fixed Term Deposit	2,000,000	26/04/2022	26/10/2022	1.42%	6 Months	£5,000,000
National Bank of Kuwait London	Fixed Term Deposit	3,000,000	06/05/2022	07/11/2022	1.72%	6 Months	£5,000,000
Landesbank Hessen	Fixed Term Deposit	3,000,000	29/07/2022	30/01/2023	2.36%	6 Months	£5,000,000
<b>Total Investments</b>		<b>22,750,000</b>					

Investment income to 30<sup>th</sup> September 2022 totals £0.150m against a budget of £0.05m with an average rate of 0.92%.

#### F4) Council Borrowing

The Council held external borrowing amounting to £9m on 31<sup>st</sup> March 2022. Total borrowing as at 30<sup>th</sup> September 2022 was £5m with a breakdown shown in Table 15 below. £4m of the borrowing balance was repaid to Middlesbrough Teeside Pension Fund on 19<sup>th</sup> August 2022 as funds were available to repay and as interest rates were starting to rise, the cost of refinancing would have been higher.

**Table 16: Council Borrowing (2<sup>nd</sup> Quarter 2022/23)**

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
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%
<b>Total Loans</b>		<b>5,000,000</b>			

# Part G

## Maidstone Property Holdings 2022/23



## **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.
- 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 31<sup>st</sup> March, in order to align with the Council's financial reporting period.

## **G2) MPH Headlines**

- G2.1 During 2021/22 management of residential accommodation transferred from an external agent to the Council's in-house accommodation team. MPH also took on the lease of new flats at Tower Hill (Brunswick Street), Tylers Place (Union Street) Springfield Place and Springfield Mill. Granada House and a number of other individual residential properties are also included in the portfolio.
- G2.2 Net rental income up to the end of the second quarter of 2022/23 totals £286,453 (2021/22 £517,666) This represents rent collected, less running costs, maintenance costs and recharges for staff time. As at 30<sup>th</sup> September 2022, there were minimal rent arrears.
- 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 2022/23.
- 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.