

**Third Quarter Financial Update
2022/23**

Corporate Services – Policy Advisory Committee

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Part A

Executive Summary & Overview



This report provides members with the financial position as at 31 December 2022, covering activity for both the Council as a whole and this committee's revenue and capital accounts for the third 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 third quarter monitoring report provides the forecast year end position for revenue and capital and updates the Committee on a range of other inter-related financial matters including Local Tax Collection, Reserves and Balances, Treasury Management and Maidstone Property Holdings.

The budgets in this report are the revised estimates for 2022/23.

The headlines for Quarter 3 are as follows:

Part B: Revenue Budget – Q3 2022/23

- At the Quarter 3 stage, the Council has incurred net expenditure of £8.476m against a profiled budget of £10.306m, representing an underspend of £1.830m.
- For the services reporting directly to CS PAC, net expenditure of £2.199m has been incurred against a profiled budget of £2.960m, representing an underspend of £0.761m.

Part C: Capital Budget – Q3 2022/23

- At the Quarter 3 stage, the Council has incurred overall expenditure of £12.232m against a budget allocation within the Capital Programme of £32.631m.
- Expenditure for services reporting directly to CS PAC of £2.197m has been incurred against the budget of £10.079m.

Part D: Local Tax Collection 2022/23

- Collection rates were not met for the third quarter, but only by a small margin. 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 third 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 £28.13m and had £5.000m in long term PWLB borrowing as at 31st December 2022.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for Quarter 3 2022/23 was £663,654. Rent arrears as at 31st December 2022 were minimal.

Part B

Third Quarter Revenue Budget 2022/23



B1) Revenue Budget: Council

B1.1 At the Quarter 3 stage, the Council has incurred net expenditure of £8.476m against a profiled budget of £10.306m, representing an underspend of £1.830m.

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

Table 1: Net Expenditure 2022/23 (@ 3rd Quarter): Analysis by PAC

Policy Advisory Committee	Full Year Budget (Revised 2022/23) £000	To 31 December 2022 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Corporate Services	11,666	2,960	2,199	761	11,012	654
Planning and Infrastructure	882	595	-102	697	576	307
Communities, Housing & Environment	10,790	6,986	6,643	343	11,080	-290
Economic Regeneration & Leisure	-107	-235	-264	29	118	-225
Net Revenue Expenditure	23,232	10,306	8,476	1,830	22,786	446

Table 2: Net Expenditure 2022/23 (@3rd Quarter): Analysis by PRIORITY

Priority	Full Year Budget (Revised 2022/23) £000	To 31 December 2022 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Safe, Clean and Green	7,269	5,235	4,561	675	6,768	500
Homes and Communities	1,268	103	376	-273	1,985	-717
Thriving Place	1,354	1,360	1,650	-290	1,771	-418
Embracing Growth and Enabling Infrastructure	907	613	-127	740	542	364
Central & Democratic	12,435	2,995	2,016	979	11,719	716
Net Revenue Expenditure	23,232	10,306	8,476	1,830	22,786	446

Table 3: Net Expenditure 2022/23 (@ 3rd Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget (Revised 2022/23) £000	To 31 December 2022 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Employees	24,163	18,061	17,143	918	23,458	705
Premises	6,444	5,273	5,391	-118	7,266	-822
Transport	652	473	347	125	617	35
Supplies & Services	18,179	9,122	8,695	427	18,150	28
Agency	7,113	5,225	5,016	208	7,113	0
Transfer Payments	36,772	24,361	22,706	1,656	36,772	0
Asset Rents	1,887	0	0	0	1,887	0
Income	-71,977	-52,209	-50,822	-1,387	-72,477	499
Net Revenue Expenditure	23,232	10,306	8,476	1,830	22,786	446

Table 4: Net Expenditure 2022/23 (@ 3rd Quarter): Analysis by LEAD MEMBER

Lead Member for	Full Year Budget (Revised 2022/23)	To 31 December 2022	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Corporate Services	11,666	2,960	2,199	761	11,012	654
Planning & Infrastructure	882	595	-102	697	576	307
Communications & Public Engagement	2,450	1,637	1,474	163	2,300	151
Environmental Services	6,391	4,810	4,427	383	6,162	230
Housing & Health	1,810	439	649	-210	2,483	-673
Leader of the Council	594	758	893	-135	768	-175
Leisure & Arts	-561	-893	-1,065	171	-514	-48
Net Revenue Expenditure	23,232	10,306	8,476	1,830	22,786	446

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 3. The financial figures are presented on an accruals basis (i.e. expenditure for goods and services received, but not yet paid for, is included). The Lead Member for Corporate Services is responsible for all the services shown below.

Table 4: CS Revenue Budget: NET EXPENDITURE (@ 3rd Quarter 2022/23)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2022 £000	Actual £000	Variance £000	Forecast 31 March 2023 £000	Forecast Variance 31 March 2023 £000
Maintenance of Closed Churchyards	11	8	0	8	11	0
Drainage	32	24	8	16	32	0
Street Naming & Numbering	-73	-55	-25	-30	-33	-40
Sandling Road Site	28	21	192	-171	248	-220
Maidstone House - Landlord	-375	-598	-472	-126	-125	-250
Civic Occasions	55	52	64	-12	55	0
Members Allowances	408	306	331	-25	408	0
Members Facilities	18	13	10	4	18	0
Contingency	1,849	956	13	942	1,849	0
Corporate Projects	50	0	0	0	50	0
Corporate Management	414	75	99	-24	414	0
Unapportionable Central Overheads	1,488	1,099	1,003	96	1,363	125
Council Tax Collection	57	52	44	8	57	0
Council Tax Collection - Non Pooled	-356	-12	-9	-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	-239	7	18	-11	-239	0
MBC- BID	1	-3	-16	13	1	0
Registration Of Electors	61	44	43	1	61	0
Elections	181	178	227	-49	231	-49
Emergency Centre	22	18	14	4	22	0
Medway Conservancy	128	128	128	0	128	0
External Interest Payable	2,233	0	46	-46	1,433	800
Interest & Investment Income	-100	-75	-341	266	-410	310
Palace Gatehouse	-3	-2	3	-6	-3	0
Archbishops Palace	-105	-77	-74	-3	-55	-50
Parkwood Industrial Estate	-287	-214	-211	-3	-287	0
Industrial Starter Units	-17	-11	20	-31	-17	0
Parkwood Equilibrium Units	-89	-65	7	-72	-89	0
Sundry Corporate Properties	-213	-161	-49	-112	137	-350
Phoenix Park Units	-219	-164	-16	-148	-219	0
Granada House - Commercial	-93	-116	-129	12	-93	0
MPH Residential Properties	-730	-542	-502	-40	-693	-37
Heronden Road Units	-151	-115	-36	-78	-151	0
Boxmend Industrial Estate	-100	-75	24	-99	-100	0
Wren Industrial Estate	-103	-87	-104	17	-103	0
General Fund Residential Properties	-57	-43	-34	-9	-57	0
Pensions Fund Management	2,169	0	0	0	2,169	0
Non Service Related Government Grants	-4,216	-3,162	-3,199	37	-4,253	37

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2022 £000	Actual £000	Variance £000	Forecast 31 March 2023 £000	Forecast Variance 31 March 2023 £000
Rent Allowances	-115	-66	-400	334	-115	0
Non HRA Rent Rebates	-9	651	1,033	-383	-9	0
Discretionary Housing Payments	0	174	191	-17	0	0
Housing Benefits Administration	-327	-252	-253	1	-327	0
Democratic Services Section	266	201	170	31	221	45
Mayoral & Civic Services Section	117	88	87	1	115	2
Chief Executive	188	141	142	-1	189	-1
Head of Policy and Communications	45	34	39	-6	53	-7
Director of Strategy Governance and Insight	77	44	47	-3	81	-4
Revenues Section	565	526	509	17	543	23
Registration Services Section	92	69	65	4	87	5
Benefits Section	508	459	437	21	480	28
Fraud Section	50	38	30	8	39	11
Mid Kent Audit Partnership	204	157	35	122	154	50
Director of Finance, Resources & Business Improvement	147	111	108	3	144	3
Accountancy Section	834	645	538	106	704	130
Legal Services Section	628	471	436	36	583	45
Director of Regeneration & Place	146	110	109	1	145	1
Procurement Section	113	-10	0	-10	113	0
Property & Projects Section	345	260	251	10	332	13
Corporate Support Section	287	215	201	15	268	19
Improvement Section	375	281	229	53	325	50
Executive Support Section	93	69	69	0	92	0
Head of Commissioning and Business Improvement	19	16	15	1	17	2
Mid Kent ICT Services	571	425	419	5	564	7
GIS Section	123	92	90	2	121	2
Director of Mid Kent Services	45	11	21	-10	45	0
Mid Kent HR Services Section	397	298	274	24	365	31
MBC HR Services Section	120	95	99	-4	120	0
Head of Revenues & Benefits	76	71	53	19	51	25
Revenues & Benefits Business Support	99	87	89	-1	101	-2
Dartford HR Services Section	-15	-11	-10	-1	-14	-1
IT Support for Revenues and Benefits	26	23	24	-0	26	-1
Emergency Planning & Resilience	122	91	79	12	106	16
Head of Property and Leisure	49	38	38	0	49	1
Facilities Section	245	184	136	48	190	55
Salary Slippage 1PR	-286	-214	0	-214	0	-286
Town Hall	122	93	67	26	122	0
South Maidstone Depot	220	176	177	-1	220	0
The Link	55	71	63	8	55	0
Maidstone House - MBC Tenant	674	577	502	75	624	50
Museum Buildings	303	236	217	20	303	0
I.T. Operational Services	633	451	413	38	585	48
Central Telephones	16	12	8	4	16	0
Apprentices Programme	71	53	11	42	16	55
Internal Printing	-4	-0	5	-6	-4	0
Debt Recovery Service	-18	38	-8	46	-18	0
Debt Recovery MBC Profit Share	-132	-99	-61	-38	-93	-39
General Balances	-1,179	-1,179	-1,179	0	-1,179	0
Earmarked Balances	3,453	-333	-333	0	3,453	0
Appropriation Account	1,887	0	0	0	1,887	0
Pensions Fund Appropriation	-2,169	0	0	0	-2,169	0
Totals	11,666	2,960	2,199	761	11,012	654

B2.2 The table shows that, at the Quarter 3 stage, for the services reporting directly to CS PAC, net expenditure of £2.199m has been incurred against the budget of £2.960m, representing an underspend of £0.761m.

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 3.

Table 5: CS PAC Variances (@ 3rd Quarter 2022/23)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Corporate Services	£000		
Sandling Road Site - Security costs for the site were not budgeted for when the Council took responsibility for the site. There have also been some issues with collecting all the income due, and additional energy costs are anticipated.		-170	-220
Maidstone House – Landlord – There is some significant rental income that it appears it is unlikely that we will receive. There is also the possibility of further electricity costs that could worsen the forecast variance.		-125	-250
Contingency – 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.	942		0
Unapportionable Central Overheads - Due to staff vacancies payments to the Kent County Council Pension Fund are lower than forecast.	96		125
Elections – This variance is due to an increase in postal costs, due to Royal Mail price rises and an increase in the size of the electorate. There was also an increase in the recharge from the Depot.		-49	-49
External Interest Payable - 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.		-45	800
Interest & Investment Income – Interest rates are higher now than had been forecast when the budget was set.	266		310
Archbishops Palace – Further energy costs are anticipated before the end of the financial year.		-3	-50
Sundry Corporate Properties - The budget includes a Medium-Term Financial Strategy saving for additional income from new property acquisitions. However, to date there have been no acquisitions this year. Further energy costs are also anticipated before the end of the financial year.		-112	-350
Salaries – This variance broadly reflects vacant posts throughout the year, after taking into account projected slippage.	288		265
Maidstone House – MBC Tenant – There are underspends against the repairs and maintenance budgets, but there is the possibility that further electricity costs could impact the forecast variance.	75		50
Apprentices Programme – There has only been one apprentice in the programme this year. There was also budget for a Kent & Medway Medical School scholarship that has not been awarded.	42		55

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 (@ 3rd Quarter 2022/23)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Planning & Infrastructure	£000		
PLANNING SERVICES			
Development Control Advice – Income from Pre-application discussions and Planning Performance Agreements is down against the budgeted figures.		-68	-91
Planning Policy – The budget is projected to be fully spent by the end of the year.	366		0
Salaries - This variance broadly reflects vacant posts throughout the year, after taking into account projected slippage.	236		199

Local Plan Review

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

B4.2 The LPR process is therefore funded through an annual £200,000 revenue contribution, in addition to the existing service budget, with any remaining unspent balances at year end automatically rolled forward into the following financial year. The table below shows the available revenue resources currently allocated to fund LPR activities, and the spend as at 31st December 2022.

Opening Balance 01/04/2022	Spending April - December 2022	Forecast Spending January - March 2023	Forecast Spending Balance 31/03/2023
£'s	£'s	£'s	£'s
1,461,727	546,956	950,644	-35,873

Table 6a, Local Plan Review budget (Q3, 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.

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Planning & Infrastructure	£000		
PARKING SERVICES			
Pay & Display Car Parks – Occupancy levels continue to be higher than forecast with the majority of car parks performing better than budgeted for.	118		140
Sandling Road Car Park – Running costs budgets are underspent and income greater than forecast.	47		60
Former Park & Ride Sites – Spend against the running costs budgets is lower than forecast.	34		50

Table 7: Communities, Housing & Environment PAC Variances (@ 3rd Quarter 2022/23)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Cemetery – Income is greater than forecast, and it is proposed to use some of this to install a music and webcast system in the chapel when it re-opens.	55		25
Crematorium – Income is higher than forecast due to a continuing high level of demand for the service, with the death rate being higher than normal recently.	129		127
Public Conveniences - This variance relates to a growth item for the cost of the new toilets at Mote Park, which have only just opened.	95		95
Household Waste Collection - The overspend relates to additional bin purchases and the costs of a consultant for the waste contract renewal.		-64	-90
Commercial Waste Services – Income from internal MBC customers has increased, as has the demand from trade sacks from external customers.	35		48
Recycling Collection – There has been additional income from green bin hire.	38		50
Homelessness Temporary Accommodation – Demand continues to be high 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 looking at how the Homefinder scheme can help boost access to more private letting.		-508	-735
Salaries - This variance broadly reflects vacant posts throughout the year, after taking into account projected slippage.	227		115

Table 8: Economic Regeneration & Leisure PAC Variances (@ 3rd Quarter 2022/23)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000		
Innovation Centre – As reported previously 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.		-82	-104
Lockmeadow Complex – This variance reflects an increase in rental income from the units at the complex. However, further energy costs are anticipated before the end of the financial year.	92		-10
Business Terrace Expansion (Phase 3) – Not all the units are occupied, and it is anticipated that this will continue to be the case for the remainder of the year.		-47	-60
Market – Income for lettings for all streams are down against the budget.		-38	-50

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 3 are presented in Table 9 below.

Table 9: Virements (@ 3rd Quarter 2022/23)

Reason	From	To	Value £	Perm/Temp*
Establish Budget for Business Terrace Coordinator	Economic Development Section	Facilities Section	22,040	Permanent
Adjust Leasing Estimates	Parks & Open Spaces/Street Cleansing	Revenue Funding & Capital - Vehicle & Equipment Funding	20,010	Permanent
Fund Policy & Implementation Programme Manager	New Homes Bonus	Additional Staff LPR	41,270	Temporary
Additional Fund for New Website	Business Rates Growth Earmarked Balances	Website	1,780	Temporary
Fund Jubilee Street Party	Business Rates Growth Earmarked Balances	Jubilee Street Party	340	Temporary
Fund Greater North Kent Partnership	Business Rates Growth Earmarked Balances	Financial Contribution to TGKP	28,000	Temporary
Fund Borough Wide Support Membership	Business Rates Growth Earmarked Balances	Borough Wide Support	15,000	Temporary
Fund Charges from Reserve	Homelessness Prevention & TA Reserve	Homelessness Prevention Grant	80,000	Temporary
Fund New Crematorium Lawnmowers	Revenue Funding for Capital	Cremation Fees	18,730	Temporary
Fund Officer Honorarium	Beechwood Community Hall	Facilities Section	1,290	Temporary

Write-off of unpaid rent

There is a sum of £25,152 in unpaid rent in respect of 2 Chillington House, and this report is recommending that the Executive write this sum off as it is considered uncollectable.

Mid-Kent Legal Services have been involved throughout the process working closely with the Housing team to try and recover some or all of this sum. A formal procedure was followed which included writing to the tenant, seeking further advise from Counsel and finally issuing a notice to forfeit the lease.

The tenant had been granted a 22-year lease on the property and when it became clear payments were not being made attempts were made by the Housing team to provide support and assistance. The nature of the lease meant that the tenant could not claim any housing benefit.

Attempts were subsequently made trace the former tenant to continue to pursue recovery, but these have proved to be unsuccessful, so it is now considered appropriate to write-off this sum as irrecoverable.

Part C

Third 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 23rd 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 revised budget of £32.631m. At the Quarter 3 stage, capital expenditure of £12.232m had been incurred, with budget remaining of £20.400m.

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 3 stage is presented in Table 10 below.
- C2.2 At the Quarter 3 stage, expenditure of £2.197m has been incurred against a revised budget of £10.079m million for CS PAC. This leaves a remaining budget of £7.882m.

Capital Programme Heading	Revised	Actual to	Budget	Projected		
	Estimate	December		Q4 Profile	Total	Projected
	2022/23	2022	Remaining	Expenditure	Slippage to	
	£000	£000	£000	£000	£000	£000
Communities, Housing & Environment						
Housing - Disabled Facilities Grants Funding	1,640	758	882	400	1,158	482
Temporary Accommodation	4,330	294	4,036	1,147	1,441	2,889
Springfield Mill - Phase 2	731	734	-3		734	-3
Affordable Housing Programme - Trinity Place	500	375	125		375	125
Commercial Development - Maidstone East	200		200	50	50	150
Private Rented Sector Housing Programme	2,310	1,653	657	120	1,773	537
1,000 Homes Affordable Housing Programme	7,600	2,672	4,928	1,618	4,290	3,310
Acquisitions Officer - Social Housing Delivery P/ship	160	153	7	7	160	
Granada House Refurbishment Works	100	40	60	60	100	
Street Scene Investment	70	74	-4		74	-4
Flood Action Plan	430		430			430
Electric Operational Vehicles	84	24	60	60	84	
Vehicle Telematics & Camera Systems	35	35	-0		35	-0
Rent & Housing Management IT System	11	14	-3		14	-3
Installation of Public Water Fountains	15		15	15	15	
Crematorium & Cemetery Development Plan	250	213	37	37	250	
Continued Improvements to Play Areas	126	29	97	97	126	
Parks Improvements	152	127	25	25	152	
Gypsy & Traveller Sites Refurbishment	1,421	1,079	342	342	1,421	0
Waste Crime Team - Additional Resources	25		25	25	25	
Section 106 funded works - Open Spaces	400	116	284	284	400	-0
Total	20,589	8,391	12,198	4,287	12,677	7,912
Economic Regeneration & Leisure						
Mote Park Visitor Centre	1,307	1,337	-30	270	1,607	-300
Mote Park Lake - Dam Works	486	307	179	60	367	119
Leisure Provision	100		100			100
Tennis Courts Upgrade	20		20			20
Mote Park Kiosk Refurbishment & Extension	50		50	50	50	
Total	1,963	1,643	320	380	2,023	-60
Corporate Services						
Corporate Property Acquisitions	3,181		3,181			3,181
Kent Medical Campus - Innovation Centre	341	101	240	160	261	80
Lockmeadow Ongoing Investment	203	18	185	296	314	-111
Garden Community	1,100	175	925	600	775	325
Infrastructure Delivery	1,000		1,000			1,000
Asset Management / Corporate Property	1,261	474	787	200	674	587
Other Property Works	100		100			100
Biodiversity & Climate Change	250	38	212		38	212
Feasibility Studies	122	55	67	67	122	
Digital Projects	25	26	-1		26	-1
Software / PC Replacement	336	110	226	10	120	216
Maidstone House Works	1,000	569	431	306	875	125
Automation Projects	200		200	50	50	150
New Ways of Working - Make the Office Fit for Purpose	40	9	31	31	40	
Fleet Vehicle Replacement Programme	900	623	277	277	900	
Election Polling Booths	20		20	20	20	
Total	10,079	2,197	7,882	2,018	4,215	5,864
Planning & Infrastructure						
No schemes						
Total						
TOTAL	32,631	12,232	20,400	6,684	18,916	13,715

Table 10: Capital Expenditure (@ 3rd Quarter 2022/23)

C3) Capital Budget Variances (@ 3rd 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 any suitable properties for purchase are identified.

Lockmeadow Ongoing Investment – Construction costs rose after the budget was set, hence the overspend. The budgets for future expenditure can be adjusted to compensate for this overspend.

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, and it will be carried forward to 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 Grant Funding - The time taken to approve DFG payments has improved significantly, with the average time reducing from 50 days to 11 days. A review of the DFG process has been completed by an independent organisation and the recommendations have either been implemented or informed the new Housing Renewal Policy 2023. The draft policy is due to be considered by CHE PAC in February 2023 before adoption by the Executive. The new working practices and policy will provide for a better experience for our residents and see further improvements in the delivery of grants.

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 this year and other properties are being actively pursued as house prices start to retreat from the elevated levels reached during Summer 2022.

Private Sector Rented Housing Programme/ 1,000 Homes Affordable Housing Programme

A number of schemes are at various stages of development at this stage, and further land/property acquisitions are likely to take place before the end of March. 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.

Flood Action Plan - At this stage there are no plans to spend this budget, and it will be carried forward to 2023/24.

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 £300,000 more than initially budgeted for. Funding has been identified for this overspend.

Part D

Third 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 (Q3 2022/23)

Description	Target Q3 2022/23	Actual Q3 2022/23
Council Tax	82.42%	81.80%
Business Rates	81.03%	82.61%

- D2.2 The amount of Council Tax and Business Rates collected is marginally lower than the quarter 3 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 3. 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 £10.2 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 3 2022/23

	Balance 1st April 2022	Estimated movement in 2022/23	Estimated Balance as at 31st March 2023
	£000	£000	£000
General Fund			
Unallocated Balance	11,362	0	11,362
Subtotal	11,362		11,362
Earmarked Reserves			
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	500	1,469
Homelessness Prevention & Temporary Accommodation	1,279	(500)	779
Business Rates Earmarked Balances	3,681	(153)	3,529
Funding for Future Collection Fund Deficits	10,284	(10,284)	0
Commercial Risk	500	0	500
Invest to Save	500	(50)	450
Recovery and Renewal Reserve	778	(180)	598
Renewable Energy	119	0	119
Enterprise Zone	4	0	4
Majors Works (MH) Sinking Fund	0	200	200
Resources carried forward from 2021/22 to 2022/23	1,184	(1,184)	0
Subtotal	23,508	(12,781)	10,727
Total General Fund and Earmarked Reserves	34,870	(12,781)	22,089

Table 14: General Fund and Earmarked Balances at Q3 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 23rd 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 31st December 2022, the Council's Advisors, Link Asset Services, reported:

- A 0.5% month on month rise in GDP in October, mostly driven by the reversal of bank holiday effects;
- Signs of economic activity losing momentum as households increased their savings;
- CPI inflation fall to 10.7% in November after peaking at 11.1% in October;
- A small loosening in the labour market which pushed the unemployment rate up to 3.7% in October;
- Interest rates rise by 125 basis points over Quarter 3, taking Bank Rate to 3.50%;
- Reduced volatility in UK financial markets but a waning in global risk appetite.

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	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

BANK RATE

The above forecast for interest rates has been updated on 19th December 2022 and reflected a view that the Monetary Policy Committee would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's policy will probably mean Bank Rate will not increase to further than 4.5%.

It is anticipated that the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation looks to have peaked at 11.1% in Quarter 3 (December CPI is 10.5%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiraling upwards in what is evidently a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure.

In the upcoming months, Link's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

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

It's Link's view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

F4) Council Investments

The council held investments totaling £38.75m at the start of the year which has reduced to £28.13m on 31st December 2022. Investment levels are likely to reduce further by the end of 2022/23 due to the reduction of Council Tax and Business Rates income.

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 (3rd Quarter 2022/23)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Handelsbanken	Call account	370,000			3.30%	12 Months	£5,000,000
Aberdeen Standard Liquidity Fund	Money Market Fund	8,790,000			3.28%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	7,970,000			3.26%		£10,000,000
Landesbank Hessen	Fixed Term Deposit	3,000,000	29/07/2022	30/01/2023	2.36%	6 Months	£5,000,000
Standard Chartered Bank Sustainable Deposit	Fixed Term Deposit	3,000,000	10/11/2022	10/02/2023	3.36%	6 Months	£5,000,000
National Bank of Kuwait London	Fixed Term Deposit	3,000,000	06/05/2022	07/03/2023	3.55%	6 Months	£5,000,000
Landesbank Hessen	Fixed Term Deposit	2,000,000	26/10/2022	13/03/2023	3.65%	6 Months	£5,000,000
Total Investments		28,130,000					

Investment income as at 31st December 2022 totals £0.359m against a budget of £0.075m with an average rate of 1.8% over the year. The increase is due to interest rates increasing throughout the year as detailed in F3 Interest Rates above.

F5) Council Borrowing

The Council held external borrowing amounting to £9m on 31st March 2022. Total borrowing as at 31st December 2022 was £5m with a breakdown shown in Table 15 below. £4m short term borrowing was repaid to Middlesbrough Teeside Pension Fund on 19th August 2022 as funds were available and as interest rates were starting to rise, the cost of refinancing would have been greater than the current rate. No further borrow has been required during the quarter.

Table 16: Council Borrowing (3rd 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%
Total Loans		5,000,000			

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 31st 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 third quarter of 2022/23 totals £663,654 (2021/22 £517,666) This represents rent collected, less running costs, maintenance costs and recharges for staff time. As at 31st December 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.