

# APPENDIX 1 – FOURTH QUARTER BUDGET MONITORING

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# Part A - Fourth Quarter Revenue Budget 2023/24

## A1) Revenue Budget: Council

### Net Expenditure 2023/24 (@ 4<sup>th</sup> Quarter): Analysis by PAC

Policy Advisory Committee	Full Year Budget (Revised) 2023/24 £000	Actual £000	Variance £000
Climate Transition, Corporate and Environmental Services	18,828	15,966	2,863
Planning and Healthier Stronger Communities	2,439	4,102	-1,663
Housing and Community Cohesion	4,510	5,688	-1,178
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>25,755</b>	<b>22</b>

### Net Expenditure 2023/24 (@4<sup>th</sup> Quarter): Analysis by PRIORITY

Priority	Full Year Budget (Revised) 2023/24 £000	Actual £000	Variance £000
Safe, Clean and Green	8,611	8,392	219
Homes and Communities	1,584	2,556	-971
Thriving Place	1,599	2,655	-1,057
Embracing Growth and Enabling Infrastructure	184	336	-152
Central & Democratic	13,799	11,816	1,983
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>25,755</b>	<b>22</b>

**Net Expenditure 2023/24 (@ 4<sup>th</sup> Quarter): Analysis by SUBJECTIVE SPEND**

Subjective	Full Year Budget (Revised) 2023/24 £000	Actual £000	Variance £000
Employees	25,590	25,062	529
Premises	7,238	7,646	-408
Transport	567	442	125
Supplies & Services	14,648	15,266	-618
Agency	8,369	8,116	253
Transfer Payments	34,354	35,455	-1,102
Asset Rents	3,798	3,202	597
Income	-68,787	-69,433	646
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>25,755</b>	<b>22</b>

'Transfer payments' include payments of housing benefit. The overspend on transfer payments is offset by an increase in reimbursement income from central government.

**Net Expenditure 2023/24 (@ 4<sup>th</sup> Quarter): Analysis by CABINET MEMBER**

Cabinet Member	Full Year Budget (Revised) 2023/24 £000	Actual £000	Variance £000
Corporate Resources	12,828	10,269	2,560
Climate Transition and Nature Recovery	117	107	10
Environmental Services and Enforcement	5,624	5,331	293
Healthier Stronger Communities	822	1,954	-1,132
Planning Policy and Management	1,741	2,272	-531
Community Cohesion and Safety	2,499	2,381	118
Housing and Homelessness	2,146	3,442	-1,296
<b>Net Revenue Expenditure</b>	<b>25,777</b>	<b>25,755</b>	<b>22</b>

The figures in the tables above are net of transfers that have been made in respect of parking enforcement and the carry forward of budgets from 2023/24 to 2024/25. This means that the true underlying underspend is higher than the £0.022m shown in this report. The table below reconciles the underspend before these adjustments to that £0.022m figure.

	Full Year Budget (Revised) 2023/24 £000	Actual £000	Variance £000
Net Revenue Expenditure as reported	25,777	25,755	22
Transfer - Parking Enforcement	-	129	129
Transfer - Carry Forward of Budgets	-	78	78
<b>Underlying Budget Underspend</b>	<b>25,777</b>	<b>25,963</b>	<b>229</b>

Any surpluses held in respect of on-street car parking enforcement are transferred to a reserve and spent according to legislative restrictions in the Road Traffic Regulation Act 1984.

At the end of the year under-utilised budgets may be carried forward for specific projects or reasons in the following financial year where expenditure was already planned at year end and there were bona fide reasons for the budget not having been utilised. These are only permitted where there is an overall underspend against the budget, as is the case this year.

## **A2) Revenue Budget: Climate Transition, Corporate & Environmental Services (CTCE) PAC**

- A2.1 The table below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into CTCE PAC at the end of Quarter 4, split by Cabinet Member. The financial figures are presented on an accruals basis (i.e. expenditure for goods and services received, but not yet paid for, is included).
- A2.2 This table shows the variance split between expenditure and income to give more of an insight into the nature of the variance. Explanations for significant variances are set out in section A3 below.

**CTCE Revenue Budget: NET EXPENDITURE (@ 4<sup>th</sup> Quarter 2023/24)**

Cost Centre	Approved (Revised ) Budget for Year	Actual as at 31 March 2024	Variance as at 31 March 2024		
	Net £000	Net £000	Exp. £000	Income £000	Net £000
<b>Cabinet Member for Corporate Resources</b>					
Lettable Halls	-4	-13	8	2	9
Community Halls	53	14	50	-12	39
Parks Pavilions	24	18	6	0	6
Maintenance of Closed Churchyards	1	0	1	0	1
Drainage	34	30	4	0	4
Street Naming & Numbering	-73	-45	0	-28	-28
Sandling Road Site	5	362	-344	-13	-357
Business Terrace - Incubator Units	104	104	14	-14	-1
Business Terrace - 1st Floor MH	-36	104	-30	-110	-140
Maidstone House	-110	-326	263	-47	216
Civic Occasions	47	56	-9	0	-9
Members Allowances	456	477	-21	0	-21
Members Facilities	18	22	-4	0	-4
Contingency	1,678	-194	1,729	142	1,871
Corporate Projects	-1	-1	1	-0	0
Corporate Management	461	440	21	0	21
Unapportionable Central Overheads	300	246	54	0	54
Council Tax Collection	68	80	-29	16	-13
Council Tax Collection - Non Pooled	-331	-304	-13	-15	-27
Council Tax Benefits Administration	-140	-140	0	0	0
NNDR Collection	2	4	-4	2	-3
NNDR Collection - Non Pooled	-230	-214	2	-18	-16
MBC- BID	1	-22	18	5	23
Registration Of Electors	68	136	-69	1	-68
Elections	164	260	-104	9	-95
KCC Elections	0	-3	-54	57	3
PCC Elections	0	22	0	-22	-22
General Elections	0	1	0	-1	-1
Upper Medway Internal Drainage Board	134	134	-0	0	-0
External Interest Payable & MRP	303	421	-118	0	-118

Cost Centre	Approved (Revised ) Budget for Year	Actual as at 31 March 2024	Variance as at 31 March 2024		
	Net £000	Net £000	Exp. £000	Income £000	Net £000
Interest & Investment Income	-150	-1,079	0	929	929
Palace Gatehouse	8	12	-1	-3	-4
Archbishops Palace	3	125	-79	-42	-122
Parkwood Industrial Estate	-314	-348	9	25	34
Industrial Starter Units	-41	-53	0	12	12
Parkwood Equilibrium Units	-135	-141	-2	8	6
Sundry Corporate Properties	8	1	161	-154	7
Phoenix Park Units	-243	-254	-31	41	11
Granada House - Commercial	-92	-35	-7	-50	-57
MPH Residential Properties	-877	-759	-100	-18	-118
Heronden Road Units	-210	-242	-13	45	33
Boxmend Industrial Estate	-118	-138	-9	30	20
Wren Industrial Estate	-141	-171	-8	39	30
General Fund Residential Properties	-53	-38	-15	-0	-15
Pensions Fund Management	505	428	77	0	77
Non Service Related Government Grants	-4,661	-4,720	0	59	59
Rent Allowances	-114	46	-792	632	-160
Non HRA Rent Rebates	-9	44	-310	258	-52
Discretionary Housing Payments	0	-0	0	0	0
Housing Benefits Administration	-286	-272	-25	11	-14
Democratic Services Section	282	268	14	0	14
Mayoral & Civic Services Section	123	119	4	0	4
Chief Executive	190	193	-4	0	-4
Director of Strategy Governance and Insight	129	120	9	0	9
Revenues Section	507	519	-38	25	-12
Electoral Registration Section	92	88	6	-2	4
Benefits Section	492	511	-19	0	-19
Fraud Section	41	20	38	-17	21

Cost Centre	Approved (Revised ) Budget for Year	Actual as at 31 March 2024	Variance as at 31 March 2024		
	Net £000	Net £000	Exp. £000	Income £000	Net £000
Mid Kent Audit Partnership	210	146	195	-132	64
Director of Finance, Resources & Business Imp	141	142	-1	0	-1
Accountancy Section	876	781	75	20	96
Legal Services Section	659	509	147	4	150
Director of Regeneration & Place	149	149	0	0	0
Procurement Section	119	110	23	-14	9
Property & Projects Section	465	425	39	0	39
Corporate Support Section	342	324	18	0	18
Transformation & Digital Section	243	398	-149	-6	-155
Executive Support Section	97	97	-0	0	-0
Mid Kent ICT Services	581	581	39	-39	-0
GIS Section	125	115	17	-7	10
Director of Mid Kent Services	42	44	-1	-1	-2
Mid Kent HR Services Section	406	395	18	-7	11
MBC HR Services Section	103	82	19	1	21
Head of Revenues & Benefits	65	40	43	-18	25
Revenues & Benefits Business Support	149	119	36	-6	30
Dartford HR Services Section	-18	-17	1	-2	-0
Head of Property and Leisure	115	109	6	0	6
Facilities Section	155	106	50	0	50
Salary Slippage 1PR	-279	0	-279	0	-279
Salary Slippage 4ERL	-43	0	-43	0	-43
Town Hall	110	73	37	-0	37
South Maidstone Depot	230	297	-66	-0	-66
The Link	56	68	-22	10	-12
Maidstone House - MBC Tenant	466	564	-89	-8	-98
Museum Buildings	294	275	18	0	19
I.T. Operational Services	664	680	-16	0	-16
Central Telephones	16	15	1	0	1
Apprentices Programme	35	35	-0	0	-0
Internal Printing	-1	-30	15	14	29
Debt Recovery Service	-28	-44	-37	52	16
Debt Recovery MBC Profit Share	-83	-105	0	22	22
General Balances	59	59	0	0	0
Earmarked Balances	4,205	4,205	0	0	0
Appropriation Account	3,798	3,202	597	0	597
Pensions Fund Appropriation	740	770	47	-77	-30
<b>Cabinet Member for Corporate Resources</b>	<b>13,192</b>	<b>10,633</b>	<b>971</b>	<b>1,588</b>	<b>2,560</b>

Cost Centre	Approved (Revised ) Budget for Year	Actual as at 31 March 2024	Variance as at 31 March 2024		
	Net £000	Net £000	Exp. £000	Income £000	Net £000
<b>Cabinet Member for Climate Transition and Nature Recovery</b>					
Climate change	14	6	4	3	8
Biodiversity & Climate Change	100	98	2	0	2
<b>Cabinet Member for Climate Transition and Nature Recovery</b>	<b>114</b>	<b>104</b>	<b>7</b>	<b>3</b>	<b>10</b>



Cost Centre	Approved (Revised ) Budget for Year	Actual as at 31 March 2024	Variance as at 31 March 2024		
	Net £000	Net £000	Exp. £000	Income £000	Net £000
<b>Cabinet Member for Environmental Services and Enforcement</b>					
Parks & Open Spaces	982	965	-5	22	17
Playground Maintenance & Improvements	149	136	13	0	13
Mote Park	332	328	-0	5	5
Allotments	14	13	1	0	1
Cemetery	-36	7	-3	-40	-43
National Assistance Act	-0	2	-1	-1	-2
Crematorium	-967	-843	-91	-34	-125
Waste Crime	8	15	13	-20	-7
Public Conveniences	221	201	19	0	20
Street Cleansing	1,291	1,268	-0	24	24
Household Waste Collection	1,935	1,962	15	-42	-26
Commercial Waste Services	-46	-89	43	-1	43
Recycling Collection	1,675	1,676	84	-85	-1
Environment Improvements	43	45	-2	0	-2
Name Plates & Notices	20	29	-9	0	-9
On Street Parking	-308	-308	-79	79	-0
Residents Parking	-197	-202	-33	38	5
Pay & Display Car Parks	-1,341	-1,314	-49	23	-26
Non Paying Car Parks	15	-2	17	0	17
Off Street Parking - Enforcement	-93	-112	7	12	19
Mote Park Pay & Display	-194	-216	13	8	21
Sandling Road Car Park	-1	-62	48	14	62
Park & Ride	102	1	98	2	100
Other Transport Services	-5	-34	-6	34	29
Head of Environment and Public Realm	115	111	4	0	4
Bereavement Services Section	301	284	16	0	16
Depot Services Section	911	850	52	9	61
Parking Services Section	398	376	6	16	23
Fleet Workshop & Management	242	187	50	6	55
MBS Support Crew	-45	-46	41	-40	1
<b>Cabinet Member for Environmental Services and Enforcement</b>	<b>5,521</b>	<b>5,229</b>	<b>264</b>	<b>29</b>	<b>293</b>
<b>Climate Transition, Corporate and Environmental Services</b>	<b>18,828</b>	<b>15,966</b>	<b>1,242</b>	<b>1,621</b>	<b>2,863</b>

### **A3) CTCE Revenue Budget: Significant Variances**

- A3.1 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 Policy Advisory Committees on a quarterly basis throughout 2023/24.
- A3.2 To the extent that variances have not been offset during the course of the financial year, consideration needs to be given as to whether they represent an ongoing pressure which will need to be addressed in the new financial year 2024/25.
- A3.3 During the year the Council pursued a claim to HMRC for over declaration of VAT on sports tuition fees for the period 1981 to 1989. It was argued that certain supplies for sports and tuition were deemed exempt, where previously VAT had been declared. London Borough of Ealing took the lead case to court where the decision made was found in favour of the Local Authority. HMRC were ordered to repay local authorities, who had claims held against the case the overdeclared VAT plus interest payments. The Council subsequently received a sum of £1,325,196 after deducting professional fees. This has been included in the unallocated balances figure shown in section D of this Appendix.
- A3.4 The tables below highlight and provide further detail on the most significant variances at the end of Quarter 4 for both this and the other PACs.

**CTCE PAC Variances (@ 4<sup>th</sup> Quarter 2023/24)**

	Positive Variance Q4	Adverse Variance Q4
<b>Climate Transition, Corporate and Environmental Services</b>	<b>£000</b>	
<b>Sandling Road Site (including Cantium House)</b> - Running costs have exceeded budgets, mainly for utility costs and non-domestic rates. There is also a shortfall in the rental income that was anticipated. Additionally, this cost centre has picked up costs associated with Cantium House, acquired from KCC in January in anticipation of the redevelopment of the entire Maidstone East site.		-356
<b>Business Terrace (1st Floor Maidstone House)</b> - Service charge and business rates costs were significantly higher than forecast, and there were also two units vacant, meaning there is also a shortfall in income.		-140
<b>Maidstone House</b> – Electricity costs for the building have been lower than had been forecast.	118	
<b>Contingency</b> - In 2023/24 the contingency budget has been fully deployed. This is reflected in budget reporting by showing a favourable variance of £1.871 million on the contingency budget and adverse variances on the various service budgets where overspends have led to the requirement for the contingency to be used. Note that the contingency budget for 2022/23 included, as in the previous year, an additional £1.3 million which was originally set aside following the Covid-19 pandemic and the subsequent rapid increase in the rate of inflation. Following a return to somewhat more normal economic conditions, the additional £1.3 million contingency does not feature in the 2024/25 budget. This makes it imperative that service areas remain within budget in 2024/25.	1,871	
<b>Unapportionable Central Overheads</b> - Pension contributions to the Kent County Council Pension Fund have been lower than forecast, which reflects the level of staff vacancies across the Council.	101	
<b>Elections</b> – The majority of the overspend relates to staffing costs incurred as part of running the Borough Elections in May 2023.		-96

	Positive Variance Q4	Adverse Variance Q4
<b>External Interest Payable</b> – This relates to loans that have been taken out to fund the capital programme, and was higher than forecast, but is offset by the reduced level of Minimum Revenue Provision (MRP) shown below.		-118
<b>Interest &amp; Investment Income</b> - This variance is due to the slippage in the capital programme, meaning a reduction in anticipated cash outlays, and interest rates earned on cash balances continuing to be higher than forecast.	929	
<b>Archbishops Palace</b> - Now the lease with Kent County Council has expired liability for the Business Rates now rests with Maidstone BC, but there was no budget for this. There is also a shortfall in the income budget as the building currently has no tenant.		-122
<b>Maidstone Property Holdings (MPH) Residential Properties</b> - The majority of the forecast variance relates to the temporary closure of Granada House for refurbishment works. Repair and maintenance costs are also higher than had been anticipated.		-117
<b>Rent Allowances</b> - The budgets for payment of housing benefits and corresponding funding from central government assumed that income received would be higher than expenditure (due to recovery of overpayments). This year follows the same trend as last year in that overpayments are becoming more difficult to recover, leading to an adverse variance from budget.		-160
<b>Park &amp; Ride</b> - These are budgets that were used to fund the Business Rates and running costs for Park & Ride. They are no longer required and will be removed for 2024/25.	100	
<b>Salary Slippage</b> – Given normal staff turnover, vacancies invariably arise and salary budgets underspend as a result. This budget allows for vacancies that occur through the year and is offset by underspends across the various section codes arising from these vacancies.		-279
<b>Appropriation Account</b> - The variance on this budget relates to the Minimum Revenue Provision that is required to be made to cover future repayment of borrowing for the capital programme. Slippage in the programme means that we have not needed to set aside as much as had been anticipated.	597	
<b>Crematorium</b> – This variance has been caused by an increase in gas and electricity costs, and a reduction in demand for the service this year.		-125

## A4) Other Revenue Budgets: Significant Variances

### Planning and Healthier Stronger Communities PAC Variances (@ 4<sup>th</sup> Quarter 2023/24)

	Positive Variance Q4	Adverse Variance Q4
<b>Planning and Healthier Stronger Communities</b>	<b>£000</b>	
<p><b>Leisure Centre</b> – The overspend in this area relates principally to the Lockmeadow Health Club. This was operated by David Lloyd until their lease expired in May 2023. The Council then took it over and engaged Serco to operate it as an extension to the contract for running the Leisure Centre. Membership income has had to be rebuilt and running costs have exceeded expectations, with a higher staffing requirement than was anticipated and substantial expenditure to bring the facilities up to an acceptable standard.</p> <p>There has also been an overspend at the Mote Park leisure centre relating to additional utility costs. Under the terms of the existing contract with Serco, when utility costs rise above a specified level the Council is liable to meet the difference. This threshold is to be re-based when a contract extension commences in August 2024.</p>		-729
<p><b>Development Control Advice</b> - Income from Planning Performance Agreements and pre-application planning advice has continued to be significantly down on budget. The Head of Service states that this is because developers have waited for the new Local Plan to be adopted before progressing with further applications.</p>		-149
<p><b>Development Control Appeals</b> – There were a number of significant appeals this year which led to an overspend on this budget. There are sums set aside to use where there are significant appeals costs but as this overspend can be contained within the Council’s overall budget it is not proposed to draw down on these.</p>		-113
<p><b>Development Control Majors</b> - Income from major applications continued to be significantly down this year. This is said to be for the same reason as income from development control advice is below budget, i.e. developers have waited for the new Local Plan to be adopted before progressing with further applications.</p>		-80

	Positive Variance Q4	Adverse Variance Q4
<b>Development Control Other</b> – Having been in line with budget for the first three quarters, income from minor applications reduced in the final quarter. There were increased running costs from the use of an external agency to process planning applications during the first half of the year.		-120
<b>Lockmeadow Complex</b> - A number of units at the complex have fallen vacant during the period, leading to a shortfall against budget. The Corporate Property team has been active in seeking to find new tenants for vacant units. A tenant offering virtual reality experiences moved into one of the vacant units during 2023/24. The former David Lloyd unit now operates as the Lockmeadow Health Club, under the same management as the council’s leisure centre. However, the former Frankie & Benny’s and Feathers units remain vacant. New letting agents have been taken on to identify potential tenants, recognising that changes in the leisure and hospitality market mean that different approaches and different types of tenant need to be considered.		-733

### Housing and Community Cohesion PAC Variances (@ 4<sup>th</sup> Quarter 2023/24)

	Positive Variance Q4	Adverse Variance Q4
<b>Housing and Community Cohesion</b>	<b>£000</b>	
<b>Homeless Temporary Accommodation</b> - This continued to be a significant issue as the demand for the service continued to be high. The cost-of-living crisis and issues with getting people out of temporary accommodation are the main challenges at present. Further properties are continuing to be acquired through the capital programme to help alleviate the pressure on this budget.		-971
<b>Marden Caravan Site (Stilebridge Lane)</b> – The site has seen a significant overspend on electricity costs and repairs and maintenance. There have been particular issues with the waste water treatment plant on the site as well as a high level of general repairs that were needed.		-94

## A5) Virements

A5.1 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 CTCE PAC on a quarterly basis.

A5.2 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.

A5.3 The virements made in Quarter 4 are presented in the table below.

<b>Temporary Reportable Virements</b>		<b>£</b>	<b>Description</b>
Fund Town Centre Strategy	7,460		Funding to enable the development of the Town Centre Strategy.
From Recovery and Renewal Reserve	-7,460		
Fund Spring Borough Insight	35,000		This enabled the publication of the Spring edition of Borough Insight.
From Contingency	-35,000		
Fund Museum Capital spend	6,000		This provided further funding for the ongoing capital project at the Museum.
From Museum	-6,000		
Fund Private Sector Leasing Officer	7,150		This ensured that the Private Sector Leasing Officer post was fully funded.
From Homelessness Prevention	-7,150		
Fund Spatial Planning Policy costs	57,310		Funds are periodically drawn down from the reserve for the development of the Local Plan.
From Spatial Planning Reserve	-57,310		
Fund Redundancy costs	41,440		Cost of a redundancy under Council's agreed policy arising from a departmental restructure
From Contingency	-41,440		
Fund Redundancy costs	76,030		Cost of a redundancy under Council's agreed policy arising from a departmental restructure
From Contingency	-76,030		
Fund Redundancy costs	62,730		Cost of a redundancy under Council's agreed policy arising from a departmental restructure
From Contingency	-62,730		
Fund CCTV cost	5,470		This ensured there was funding for an old radio link within the CCTV system to be replaced.
From Health Improvement Programme	-5,470		
<b>Permanent Reportable Virements</b>		<b>£</b>	
Fund Upgrade to officer post- Housing Mangement	330		This ensured that the upgrade to the post was fully funded.
From MPH Residential Properties	-330		

# Part B - Fourth Quarter Capital Budget 2023/24

## B1) Capital Budget 2023/24 (@ 4<sup>th</sup> Quarter 2023/24)

Capital Programme Heading	Revised Estimate 2023/24	Actual to March 2024	Budget Remaining
	£000	£000	£000
<b>Housing and Community Cohesion</b>			
Private Rented Sector Housing	4,039	83	3,956
1,000 Homes Affordable Housing Programme - Expenditure	9,917	8,403	1,514
Temporary Accommodation	15,879	12,659	3,221
Commercial Development - Maidstone East	356		356
Heather House Community Centre	138		138
Housing - Disabled Facilities Grants Funding	1,212	1,319	-107
Acquisitions Officer - Social Housing Delivery Partnership	52	39	13
Street Scene Investment	50	49	1
Flood Action Plan	618	6	612
Continued Improvements to Play Areas	144	10	135
Parks Improvements	69	76	-7
Gypsy & Traveller Sites Refurbishment	200	215	-15
Waste Crime Team - Additional Resources	25	4	21
Section 106 funded works - Open Spaces	517	264	253
Expansion of Cemetery	80	23	57
Expansion of Crematorium	340	25	315
Purchase of New Waste Collection Vehicles	5,800	2,995	2,805
CCTV Upgrade & Relocation		80	-80
<b>Total</b>	<b>39,438</b>	<b>26,251</b>	<b>13,187</b>
<b>Planning and Healthier Stronger Communities</b>			
Mote Park Lake - Dam Works	40	40	0
Museum Development Plan	389	571	-182
Leisure Provision	699	73	626
Tennis Courts Upgrade	40	19	21
Riverside Walk Works	250		250
Mote Park Kiosk Refurbishment & Extension	15	8	7
Bridges Gyrotory Scheme	206		206
Town Centre Strategy	450		450
<b>Total</b>	<b>2,089</b>	<b>712</b>	<b>1,377</b>





Climate Transition, Corporate and Environmental Services			
Asset Management / Corporate Property	626	282	344
Corporate Property Acquisitions	5,681		5,681
Kent Medical Campus - Innovation Centre	73	11	62
Lockmeadow Ongoing Investment	365	249	115
Garden Community	1,633	612	1,021
Infrastructure Delivery	2,000		2,000
Other Property Works	200	22	178
Biodiversity & Climate Change	2,961	328	2,633
Photovoltaic Panels	234		234
Feasibility Studies	81	75	6
Digital Projects	28	22	6
Software / PC Replacement	413	195	218
Maidstone House Works	1,144	333	811
Automation Projects	185		185
New Ways of Working - Make the Office Fit for Purpose	31		31
Fleet Vehicle Replacement Programme	633	295	338
Automation of Transactional Services	150	53	97
<b>Total</b>	<b>16,439</b>	<b>2,477</b>	<b>13,962</b>
<b>TOTAL</b>	<b>57,965</b>	<b>29,440</b>	<b>28,525</b>



## B2) Capital Budget Variances (@ 4<sup>th</sup> Quarter 2023/24)

Housing and Community Cohesion
<p><b>Private Rented Sector Housing/1,000 Homes Affordable Housing Programme</b> - A number of schemes are at various stages of development at present. 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.</p>
<p><b>Temporary Accommodation</b> - There have been a significant number of acquisitions this year, and the team will continue to seek suitable properties. There were a number of acquisitions in progress at the year-end date, and the unused budget will be rolled forward to 2024/25 to allow these to be completed.</p>
<p><b>Flood Action Plan</b> - This budget was set up to allow the Council to deliver, or contribute towards, schemes that would mitigate flood risk. At this stage, the only schemes that have been identified have been small scale natural flood management schemes. Officers are discussing with counterparts in the Environment Agency, Kent County Council and the Upper Medway Internal Drainage Board what can be done to promote appropriate and practical schemes in the future.</p>
<p><b>Purchase of New Waste Collection Vehicles</b> – The new waste collection contract came into effect in March 2024, but only around half of the vehicles to be purchased had been delivered. The unused budget will be rolled forward to 2024/25 to fund the remainder of the vehicles when they are delivered.</p>
<p><b>CCTV Upgrade &amp; Relocation</b> – This is an unbudgeted cost relating the scheme which took place in 2020. The contractor contacted the Council and advised us that there was a final payment due. Officers reviewed the position and agreed that this was the case, and the payment was made.</p>

Planning and Healthier Stronger Communities
<p><b>Museum Development Plan</b> - Further works took place in the new Archaeology Gallery in the final quarter, which took the cost of the project over the approved budget for the year in the capital programme. However, this was anticipated as external funding had been secured to cover these costs.</p>
<p><b>Leisure Provision</b> - The extension to the contract for the management of the centre was agreed earlier in the year, and there was the possibility of some of the planned capital works starting in the final quarter, but these did not happen, and the unused budget will be rolled forward into 2023/24.</p>
<p><b>Riverside Walk Works</b> - This project has now been subsumed into plans for Town Centre improvement works, including upgrades to lighting in the Town Centre. The budget will therefore be carried forward to 2024/25.</p>
<p><b>Bridges Gyratory Scheme</b> - Plans are in place for the construction of a flood barrier at the bottom of Medway Street as the final element of the Bridges Gyratory Scheme. It has unfortunately proved a slow process getting the necessary approvals for the barrier, as it will be situated on highways land. It is envisaged that construction will take place this autumn.</p>
<p><b>Public Realm &amp; Greening relating to the Town Centre</b> - The current strategy is being developed and is likely to be adopted in the near future.</p>

## Climate Transition, Corporate and Environmental Services

**Asset Management/Corporate Property** – This budget supports minor works needed to Council properties. The unused budget will be rolled forward to 2024/25.

**Corporate Property Acquisitions** - This budget is available for Commercial Property acquisition opportunities that may arise during the year. Expenditure therefore depends on whether any suitable acquisitions emerge, and no opportunities were identified during 2023/24.

**Garden Community** - Work continues to develop this project, with any unused funding to be carried forward into 2024/25.

**Infrastructure Delivery** - This budget exists to enable major infrastructure schemes to go ahead. It is intended that it will be used where a top-up from MBC can make the difference between a scheme proceeding or not. No requirement to use the budget was identified during 2023/24.

**Biodiversity & Climate Change** - A number of projects have been identified and are being developed, including large scale tree planting, wetland restoration and works around the decarbonisation of the Council property estate. Unused funding will be carried forward to 2024/25 to fund other projects.

**Maidstone House Works** - The shortfall in spend is for works to the building that will not commence now until the next set of works (cladding, glazing and new plant) are completed in 24/25.

**Fleet Vehicle Replacement Programme** – The time between placing an order and the vehicle being delivered can be quite lengthy, and this year a number of vehicles that we anticipated being delivered in 2023/24 will now not be delivered until 2024/25. The unused budget will be rolled forward to fund these outstanding purchases.

# Part C – Fourth Quarter Local Tax Collection 2023/24

## C1) Collection Fund

- C1.1 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.
- C1.2 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.
- C1.3 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.

## C2) Collection Rates & Reliefs

- C2.1 The collection rates achieved for local taxation are shown in the table below.

### Local Tax Collection Rates (Q4 2023/24)

Description	Target Q4 2023/24	Actual Q4 2023/24
Council Tax	95.6	96.7
Business Rates	95.2	98.3

- C2.2 The amount of Council Tax collected is marginally higher than the Quarter 4 target, whilst Business Rates is showing a higher level of collection compared to their target.
- C2.3 Although collection performance is ahead of target, it is below that of our peer authorities. The Head of Revenues and Benefits is pursuing initiatives that would lead to improved collection performance.

## C3) Kent Business Rates Pool

- C3.1 The Council continued to participate with other Kent authorities during 2023/24 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 once we receive all Business Rate Quarter 4 figures. As in previous years, any funding will be allocated to spending which supports the delivery of the council's Economic Development Strategy.
- C3.2 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 D - Reserves & Balances 2023/24

D1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2023 was £35.2 million. This includes £19.3 million set aside for specific purposes in Earmarked Reserves. The makeup of the balance, and the movements during 2023/24 are presented in the table below. As shown, the total as at the end of the year, 31 March 2024, amounts to £39.9 million.

D1.2 The closing balance enables a minimum general fund balance of £4.0 million to be maintained, as agreed by full Council in February 2023.

### Reserves & Balances Quarter 4 2023/24

Earmarked Reserves and Balances	Balance as at 31/03/2023 £000	Contributions to/from Balances 2023/24 £000	Estimated Balance 31/03/2024 £000
Spatial Planning	(558)	57	(501)
Neighbourhood Planning	(77)	20	(57)
Planning Appeals	(229)	0	(229)
Trading Accounts	(0)	0	(0.0)
Civil Parking Enforcement	(370)	(126)	(495)
Future Capital Expenditure	(2,455)	0	(2,455)
Future Funding Pressures	(2,481)	(500)	(2,981)
Homelessness Prevention & Temporary Accommodation	(1,124)	135	(989)
Business Rates Earmarked Balances	(4,303)	366	(3,936)
Funding for Future Collection Fund Deficits	(2,504)	1,037	(1,468)
Commercial Risk	(500)	0	(500)
Invest to Save	(500)	0	(500)
Recovery and Renewal Reserve	(575)	270	(305)
Renewable Energy	(188)	(67)	(255)
Enterprise Zone	(0)	(241)	(241)
Major Works Sinking Fund	(213)	(200)	(413)
Housing Investment Fund	(3,216)	(3,961)	(7,177)
Grants-DWP		(290)	(290)
<b>Total Earmarked Reserves</b>	<b>(19,294)</b>	<b>(3,499)</b>	<b>(22,793)</b>
Unallocated Balances	(15,727)	(1,070)	(16,797)
Carry Forwards fr 22/23 to 23/24	(200)	200	0
Carry Forwards fr 23/24 to 24/25		(264)	(264)
Unallocated Balances	(15,928)	(1,133)	(17,061)
<b>Total General Fund Reserves</b>	<b>(35,222)</b>	<b>(4,633)</b>	<b>(39,854)</b>

# Part E - Treasury Management 2023/24

## E1) 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 22<sup>nd</sup> February 2023, the Council approved a Treasury Management Strategy for 2023/24 that was based on this code. The strategy requires that Corporate Services Policy Advisory Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring. Details of borrowing and investments are set out below.

## E2) Economic Headlines

During the Quarter ended 31<sup>st</sup> March 2024, the Council's Advisors, Link Asset Services, reported:

- The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row;
- Quarter 4 2023 saw negative Growth Domestic Product (GDP) growth of -0.3% while year on year growth was also negative at -0.2%;
- Unemployment is currently sub 4% and annual wage inflation is running at above 5%;
- March 2024 Consumer Price Index (CPI) was at 3.2%, however it is expected to slide below the 2% target rate and to remain below that Bank of England benchmark for the next couple of years.

## E3) 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. Their advice is set out in this section.

The latest forecast on 8<sup>th</sup> January 2024 sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

The PWLB interest 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.

## Interest Rate Forecast

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
<b>BANK RATE</b>	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

### BANK RATE

- At its 20<sup>th</sup> March meeting, the Bank of England’s Monetary Policy Committee (MPC) kept rates on hold for the third time in a row, pushing back against the prospect of near-term interest rate cuts. The vote in favour of keeping rates on hold was 8-1.
- Rate cuts are expected to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months.

### PWLB RATES

- The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back previously. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is 70 basis points difference between the 5 and 50 year parts of the curve.

## E4) Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 22nd February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council’s investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council’s risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. The Council sets limits for individual counterparties to avoid concentration of risk.

The council held investments totaling £18.185m in the previous quarter, which have increased to £33.24m on 31<sup>st</sup> March 2024. This was mainly due to the first £40m tranche of forward borrowing from Aviva Life & Pensions which was received on the 13<sup>th</sup> February 2024. The funds are being held within short term deposits with other local authorities and in instant access Money Market Funds and Call Accounts.

Average level of funds available for investment during the quarter was £33.59m.

A full list of investments held at this time is shown at the table below.

### Short-Term Investments (4<sup>th</sup> Quarter 2023/24)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	4,180,000			5.37%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	8,230,000			5.216%		£10,000,000
Reading Borough Council	Fixed Term Deposit	5,000,000	13/02/2024	13/05/2024	5.6%	5 Years	£8,000,000
Fife Council	Fixed Term Deposit	5,000,000	14/02/2024	14/08/2024	5.55%	5 Years	£8,000,000
Telford & Wrekin Council	Fixed Term Deposit	5,000,000	14/02/2024	14/05/2024	5.65%	5 Years	£8,000,000
Eastleigh Borough Council	Fixed Term Deposit	5,000,000	16/02/2024	16/07/2024	5.55%	5 Years	£8,000,000
<b>Total Investments</b>		<b>33,240,000</b>					

Whilst formal credit ratings are not available for local authorities in the same way as for banks and money market funds, a risk assessment of our local authority counterparties is carried out by Link Group and is supported by our own analysis of their accounts and publicly available information. The average rate of investments during the year 23023/24 is 4.83%, accumulating £1.072m in investment income.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31<sup>st</sup> March 2024.





## E5) Council Borrowing

The council had external borrowings totalling £9m in the last quarter, which have increased to £45m on 31st March 2024. As mentioned in E4 above, the Council received £40m of forward borrowing from Aviva Life and Pensions during the quarter. £4m of this was used to repay short term borrowings. A breakdown is shown in the table below.

### Council Borrowing (4<sup>th</sup> Quarter 2023/24)

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%
Aviva Life & Pensions	Corporate Entity	20,000,000	13/02/2024	13/02/2064	2.89%
Aviva Life & Pensions	Corporate Entity	20,000,000	13/02/2024	13/02/2074	2.89%
Total Loans		45,000,000			

The Council has also committed to a further £40m future borrowing to fund the capital programme. The loans were procured through a tendering process undertaken by Link Asset Service. Details of these can be found in the table below.

### Committed Borrowing (3<sup>rd</sup> Quarter 2023/24)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2025	13/02/2075	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2026	13/02/2076	2.87%
Total		40,000,000			

## E6) Prudential and Treasury Indicators for 2023-24 as of 31<sup>st</sup> March 2024

The table below lists the Council's Prudential and Treasury Indicators showing budget for 2023/24 against the actual as at 31<sup>st</sup> March 2023.

Officers can confirm that the approved Treasury and Prudential limits within the Treasury Management Strategy Statement 2023/24 were not breached during the quarter ended 31<sup>st</sup> March 2024.

## Prudential and Treasury Indicators

Treasury Indicators	2023/24 Budget £'000	31.03.24 Actual £'000
Authorised limit for external debt	60,000	45,000
Operational boundary for external debt	50,000	45,000
Gross external debt	45,000	45,000
Investments	22,882	33,240
Net borrowing	22,118	11,760
<b>Maturity structure of fixed rate borrowing - upper and lower limits</b>		
Under 12 months	4,000	0
5 years to 10 years	0	0
10 years to 20 years	0	0
20 years to 30 years	0	0
30 years to 40 years	0	0
40 years to 50 years	5,000	45,000
<b>Upper limit for principal sums invested over 365 days</b>		
Year 1	2,000	0
Year 2	2,000	0
Year 3	2,000	0
Total	6,000	0

Prudential Indicators	2023/24 Budget £'000	31.03.24 Actual £'000
Capital expenditure	41,924	29,921
Capital Financing Requirement (CFR)	110,511	98,508
Annual change in CFR	37,670	25,667
In year borrowing requirement	37,670	40,000
Ratio of financing costs to net revenue stream	(550.00)	(651.00)