

# **CORPORATE SERVICES**

## **POLICY ADVISORY COMMITTEE MEETING**

Date: Wednesday 16 November 2022  
Time: 6.30 p.m.  
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Brice (Chairman), Mrs Gooch (Vice-Chairman), Brindle, Cannon, Cooke, Cox, Harper, Hinder and Khadka

*The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.*

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### **AGENDA**

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| 2. Notification of Substitute Members  |          |
| 3. Urgent Items  |          |
| 4. Notification of Visiting Members  |          |
| 5. Disclosures by Members and Officers   |          |
| 6. Disclosures of Lobbying   |          |
| 7. To consider whether any items should be taken in private because of the possible disclosure of exempt information |          |
| 8. Minutes of the meeting held on 12 October 2022  | 1 - 4    |
| 9. Presentation of Petitions (if any)  |          |
| 10. Question and Answer Session for Local Residents (if any)   |          |
| 11. Questions from Members to the Chairman (if any)  |          |
| 12. Forward Plan relating to the Committee's Terms of Reference  |          |
| 13. Council Tax Reduction Scheme 2023/24   | 5 - 11   |
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**Issued on 8 November 2022**

**Continued Over/:**

*Alison Broom*

**Alison Broom, Chief Executive**

## **INFORMATION FOR THE PUBLIC**

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If your question is accepted, you will be provided with instructions as to how you can access the meeting.

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## MAIDSTONE BOROUGH COUNCIL

### CORPORATE SERVICES POLICY ADVISORY COMMITTEE

#### MINUTES OF THE MEETING HELD ON WEDNESDAY 12 OCTOBER 2022

##### Attendees:

<b>Committee Members:</b>	<b>Councillors Brice (Chairman), Mrs Gooch, Brindle, Cannon, Cox, Harper, Hinder, English and Garten</b>
<b>Lead Members:</b>	<b>Councillors Perry (Lead Member for Corporate Services)</b>

34. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Cannon and Khadka.

35. NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor Garten was present as Substitute Member for Councillor Cannon.

36. URGENT ITEMS

There were no urgent items.

37. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

38. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members and Officers.

39. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

40. EXEMPT ITEMS

**RESOLVED:** That all items be taken in public as proposed.

41. MINUTES OF THE MEETING HELD ON 13 JULY 2022

**RESOLVED:** That the Minutes of the Meeting held on 13 July 2022 be approved as a correct record and signed.

42. QUESTION AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from Local Residents.

43. PRESENTATION OF PETITIONS

There were no petitions.

44. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

45. FORWARD PLAN RELATING TO THE COMMITTEE'S TERMS OF REFERENCE

**RESOLVED:** That the Forward Plan relating to the Committee's Terms of Reference be noted.

46. FINANCE, PERFORMANCE AND RISK MONITORING REPORT

The Lead Member for Corporate Services introduced the report, stating that the Council was likely to achieve a balanced budget by the end of the 2022/23 financial year. The projected overspend relating to temporary accommodation, contained within the Lead Member for Housing and Health's portfolio, was referenced.

The Lead Member for Corporate Services highlighted the ongoing rise in inflation. A £1.3 million contingency fund for this had been built into the Council's budget for the current financial year. The impact of higher inflation rates on the overall cost of delivering the capital programme would be considered as part of the 2023/24 budget setting process. The importance of maintaining the Council's baseline reserves of £4 million was reiterated, with specific attention drawn to the risk update contained within Appendix 3 to the report including that of 'financial uncertainty'.

The Committee expressed concern over the increase in interest rates and the effect on the capital programme's delivery. In response, the Lead Member for Corporate Services stated that the rise in interest rates was being monitored by the Council and that ensuring the Council's finances were robust was important. The Executive's commitment to delivering the 1000 Affordable Homes programme was reiterated.

The Director of Finance, Resources and Business Improvement stated that the Council had previously secured an £80 million loan from the Public Works Loan Board to support the capital programme's delivery across the next two-to-four years. The interest rate secured was below 3%. As the capital programme totalled £230 million, if interest rates remained over 5% when further borrowing above and beyond the £80 million was required, the projects within the capital programme would have to be further considered before they were progressed.

In response to questions on the risk update provided at Appendix 3 to the report, the Lead Member for Corporate Services stated that the risks within were continuously monitored. It was noted that the report presented to the Committee covered the first quarter of the financial year, with the Committee receive further quarterly update reports.

The Committee welcomed the cautious approach shown to managing the Council's finances. The importance of balancing the Council's housing delivery against other housing objectives, such as the provision of Temporary Accommodation, was

reiterated to ensure that service delivery was maintained whilst achieving a sound, robust financial position.

**RESOLVED:**

That the following be noted

1. The revenue position as at the end of Quarter 1 for 2022/23, including the actions being taken or proposed to improve the position, where significant variances have been identified;
2. The capital position at the end of Quarter 1 for 2022/23;
3. The performance position as at Quarter 1 for 2022/23, including the actions being taken or proposed to improve the position, where significant issues have been identified;
4. The risk update, attached at Appendix 3 to the report;
5. The recovery and renewal update, attached at Appendix 4 to the report; and

That:

6. The Executive be recommended to write-off the irrecoverable Housing Benefits overpayment listed at Appendix 5 to the report.

Note: Councillor Cannon joined the meeting at 6.36 p.m. during the item's introduction.

47. ARCHBISHOP'S PALACE

The Lead Member for Corporate Services introduced the report and explained that a six-month exclusivity agreement had previously been entered into with Balfour Hospitality, to enable a detailed proposal to be developed regarding the future use of Archbishop's Palace. To enable further work on the proposal, the Committee were asked to consider a three-month extension on the agreement, with the option to extend for a further two three-month periods if required. The aim was for the detailed proposal to be completed in early 2023.

The Committee agreed that developing the plan, including seeking planning permission as required, could be a lengthy process and agreed that the extension of the exclusivity agreement should be granted to allow this to be completed. Balfour Hospitality's interest in the site presented an opportunity for the town, and time to complete their detailed proposal should be given.

There were concerns surrounding the financial risk to the Council if either the plan submitted by Balfour Hospitality was rejected by the Council, or if Balfour Hospitality concluded that their original proposal was no longer viable following further investigations during the exclusivity period. In those situations, the building could be left empty for an extended period which would have a financial impact on the Council. Confirmation was requested that Balfour Hospitality would consult fully with local residents, and that the results of the consultation would be taken into account when developing their plan.

In response to the concerns raised, the Lead Member for Corporate Services felt confident that the experience and commitment demonstrated by Balfour Hospitality would lead to economic benefits for Maidstone and attract visitors to the town, and that concerns by local residents would be fully considered within the proposed plan.

The Director of Finance, Resource and Business Improvement added that the decision to grant the exclusivity agreement had been made by the former Policy and Resources Committee, and that the requested extension would allow the original aspirations of that agreement to be fulfilled. In response to further questions, it was clarified that Balfour Hospitality could apply for planning permission for the site, but would not be able to carry out any works unless their full proposal was considered by the Committee, and approved by the Executive. Contingency planning would be undertaken if it became likely that a significant gap would occur between the date of the building being vacated by Kent County Council, and the date that the agreed developer would commence their management obligations of the building.

**RESOLVED:** to recommend to the Lead Member for Corporate Services that

1. The Exclusivity Agreement with Balfour Hospitality be extended for a further three months; and
2. Delegated authority be given to the Director of Finance, Resources and Business Improvement to agree two further three-month extensions if required, in consultation with the Lead Member for Corporate Services.

48. DURATION OF MEETING

6.30 p.m. to 7.38 p.m.

**CORPORATE SERVICES  
POLICY ADVISORY COMMITTEE**

**16 November 2022**

**Council Tax Reduction Scheme 2023/24**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	16 November 2022
Executive	23 November 2022
Council	7 December 2022

<b>Will this be a Key Decision?</b>	Yes
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service</b>	Georgia Hawkes, Director of Mid Kent Services
<b>Lead Officer and Report Author</b>	Zoe Kent, Interim Head of Revenues and Benefits
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

Each year Full Council has to approve the Council Tax Reduction Scheme for the following year. This report makes a recommendation on the scheme to be implemented for 2023-24

This report will be considered by the Corporate Services Policy Advisory Committee before being passed to the Executive. The final decision on the scheme will be made by Full Council.

**Purpose of Report**

Recommendation for Decision

**This report asks the Policy Advisory Committee to consider making the following recommendation to the Executive:**

1. That the Council be recommended to agree that no changes be made to the Council Tax Reduction Scheme for the year 2023/24.
-



# Council Tax Reduction Scheme 2023/24

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<p><b>Impact on Corporate Priorities</b></p>	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> <li>• Embracing Growth and Enabling Infrastructure</li> <li>• Safe, Clean and Green</li> <li>• Homes and Communities</li> <li>• A Thriving Place</li> </ul> <p>We do not expect the recommendation will by itself materially affect achievement of corporate priorities. However, the Council needs to balance the needs of low-income households with the wider interest of local taxpayers to ensure that vulnerable residents are protected whilst providing a scheme that is affordable.</p>	<p>Zoe Kent, Interim Head of Revenues and Benefits</p>
<p><b>Cross Cutting Objectives</b></p>	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> <li>• Heritage is Respected</li> <li>• Health Inequalities are Addressed and Reduced</li> <li>• Deprivation and Social Mobility is Improved</li> <li>• Biodiversity and Environmental Sustainability is Respected</li> </ul> <p>The report recommendation supports the achievement of the Deprivation and Social Mobility cross-cutting objective by providing support to low-income households.</p>	<p>Zoe Kent, Interim Head of Revenues and Benefits</p>
<p><b>Risk Management</b></p>	<p>The risks associated with implementing and operating the scheme are not considered high. Endorsement of a scheme helps reduce the risk but the overall cost of the CTRS is subject to the risk of household incomes falling, as may be the case if the cost-of-living crisis leads onto an increase in unemployment.</p>	<p>Zoe Kent, Interim Head of Revenues and Benefits</p>

<b>Financial</b>	The cost of the CTRS impacts on the Council Tax base and thereby the Council Tax yield. If the cost of awards were to increase, this would mean the Council Tax base and overall Council Tax income would reduce. Any change in the cost of the scheme is shared through the collection fund between the Council and preceptors.	Section 151 Officer & Finance Team
<b>Staffing</b>	We will deliver the recommendations with our current staffing.	Zoe Kent, Interim Head of Revenues and Benefits
<b>Legal</b>	Section 13A of the Local Government Finance Act 1992 requires the Council to adopt a Council Tax Reduction Scheme. Schedule 1A of the Act requires the Council to consider each financial year whether to revise or replace its scheme. The Act contains a statutory duty to consult on a proposed scheme, with guiding principles for fair consultation set out in case law. As there are no changes proposed for the 2023-24 scheme further consultation will not be necessary unless the scheme is not approved.	Interim Team Leader (Contentious and Corporate Governance)
<b>Information Governance</b>	The recommendation does not propose any changes that will impact differently on the personal information (as defined in UK GDPR and Data Protection Act 2018) the Council Processes.	Information Governance Team
<b>Equalities</b>	The recommendation does not propose a change in service therefore will not require an equalities impact assessment.	Equalities & Communities Officer
<b>Public Health</b>	We recognise that the recommendation will have a positive impact on population health or that of individuals.	Public Health Officer
<b>Crime and Disorder</b>	No impact	Zoe Kent, Interim Head of Revenues and Benefits

<b>Procurement</b>	No Impact	Zoe Kent, Interim Head of Revenues and Benefits
<b>Biodiversity and Climate Change</b>	There are no direct implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

## 2. INTRODUCTION AND BACKGROUND

- 2.1 The Council Tax Reduction Scheme (CTRS) was introduced in April 2013 as a replacement for Council Tax Benefit (CTB), a national scheme administered on behalf of the Department for Works and Pensions (DWP).
- 2.2 Since its introduction in April 2013, our local scheme has been reconsidered on an annual basis. In 2020 a full review and consultation was carried out to take account of the increase in claimants moving onto Universal Credit. The consultation sought views on moving to a banded scheme from April 2021 for working age claimants.
- 2.3 Council Tax Reduction provides financial assistance in the form of a rebate on the Council Tax bill, the cost of the scheme generally reduced before the COVID pandemic. In 2020/21 there was an increase in claims due to the pandemic and the number of people claiming Universal Credit.

The figures below give the cost of the scheme to the public, in the amount of CTR awarded annually rather than collected as Council Tax.

2016/17 - £8,786,555  
2017/18 - £8,385,298  
2018/19 - £8,616,425  
2019/20 - £8,652,758  
2020/21 - £10,694,613  
2021/22 - £10,264,367  
2022/23 - £10,046,498 (estimated)

- 2.4 From April 2021, a new income banded scheme was introduced which has an in-built, simplified claiming process with wide income ranges. The new banded scheme means that frequent liability changes have been avoided, and revised bills are only being issued where income crosses into another earnings band. This has made it less cumbersome for customers and has allowed us to convey a relatively simple eligibility message to residents.
- 2.5 Feedback from the Customer Services team and Citizens' Advice has been positive with fewer enquiries being made about eligibility and understanding of the income banded scheme for households with no children, 1-2 children and 3 plus children.

- 2.6 Table 1 shows the banded scheme which awards a maximum of 80% support for those on a passported benefit. Bands 2 to 5 give a maximum award of between 65% and 10% based on the person's earnings. All other income is disregarded. An extra 5% support is given to those in Bands 2 to 5 if a disability benefit is in payment.

Table 1

Band	Household size and earnings threshold			Maximum Award
	No Children	1 - 2 Children	3+ Children	
Band 1	*Passported/Max UC	*Passported/Max UC	*Passported/Max UC	80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 3	£316 - 631.99	£387 - £774.99	£441 - £882.99	50%
Band 4	£632 - £947.99	£775 - £1,162.99	£883 - £1,324.99	25%
Band 5	£948 - £1,263.99	£1,163 - £1,550.99	£1,325 - £1,766.99	10%

\*Passported in the table refers to legacy benefits (job seekers allowance, income support, employment support allowance) for customers who have not migrated to Universal Credit.

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### 3. AVAILABLE OPTIONS

- 3.1 To make no changes to the Council Tax Reduction Scheme for 2023/24. The advantages of this are that claimants have got used to this simplified scheme, they are aware how much they need to pay. It also makes no change to the budget.
- 3.2 To revise the current scheme. This would require consultation with the other preceptors and with those affected by any changes. There could also be additional costs if the payment towards the administration of the scheme was withdrawn by the major preceptors.

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### 4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That no changes be made to the Council Tax Reduction Scheme for the year 2023/24.
- 4.2 This is the second year of the income banded scheme, and it may be advisable for two years to be completed before considering any changes.

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### 5. RISK

- 5.1 The risks associated with implementing and operating the scheme are not considered high.

## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 A public consultation was carried out in 2020 before the decision was taken to move to a banded Council Tax Reduction scheme. As changes to the scheme are not being recommended a public consultation is not mandatory.
- 6.2 The public consultation results were considered as part of the decision-making process when the banded scheme was put forward in 2020.
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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The scheme will be published on the website once a decision has been made by Full Council.
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## **8. REPORT APPENDICES**

- Appendix 1: Council Tax Reduction Scheme 2023/24 – to follow for Full Council
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## **9. BACKGROUND PAPERS**

None

# Agenda Item 14

## **CORPORATE SERVICES POLICY 16 November 2022 ADVISORY COMMITTEE**

### **2<sup>nd</sup> Quarter Finance, Performance & Risk Monitoring Report 2022/23**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	16 November 2022
Executive Meeting	23 November 2022

<b>Will this be a Key Decision?</b>	No
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Executive
<b>Lead Head of Service</b>	Mark Green, Director of Finance, Resources & Business Improvement
<b>Lead Officer and Report Author</b>	Paul Holland, Senior Finance Manager Georgia Harvey, Senior Information Governance Officer Alison Blake, Interim Head of Mid Kent Audit Orla Sweeney, Senior Policies & Communities Officer Charlotte Yarnold, Programme Manager (Strategic Planning)
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

This report sets out the 2022/23 financial and performance position for the services reporting into the Corporate Services Policy Advisory Committee (CS PAC) as at 30<sup>th</sup> September 2022 (Quarter 2). The primary focus is on:

- The 2022/23 Revenue and Capital budgets; and
- The 2022/23 Key Performance Indicators (KPIs) that relate to the delivery of the Strategic Plan 2019-2045.
- Corporate Risk Register

The combined reporting of the financial and performance position enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues in their proper context, reflecting the fact that the financial and performance-related fortunes of the Council are inextricably linked.

#### Budget Monitoring

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

Overall net expenditure at the end of Quarter 2 for the services reporting to CS PAC is £1.175m, compared to the approved profiled budget of £1.559m, representing an underspend of £0.384m.

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.

Capital expenditure at the end of Quarter 2 for CS PAC was £1.069m against a total budget of £12.633m.

#### Performance Monitoring

A number of targets were missed due to current issues with the economy and the after-effects of Covid-19, although there were improvements in a number of other areas.

#### Corporate Risk Update

The report outlines all the Council's corporate risks. Of note is an increase in the risk related to housing pressures as a result of the current economic conditions. The other corporate risks have been reviewed and updated with some changes to risk descriptions and/or controls or actions. Now the review of most operational risks is complete the report also includes the operational risk profile of the Council and the most significant operational risks.

#### Recovery & Renewal Update

The Recovery and Renewal Action Plan at details the progress made against actions for the last two quarters.

#### UK Shared Prosperity Fund Update

An update on progress made against schemes using this funding is shown at Appendix 5.

### **Purpose of Report**

The report enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues as at 30<sup>th</sup> September 2022.

**This report makes the following recommendations to the Corporate Services Policy Advisory Committee:**

1. That the Revenue position as at the end of Quarter 2 for 2022/23, including the actions being taken or proposed to improve the position, where significant variances have been identified, be noted;
2. That the Capital position at the end of Quarter 2 for 2022/23 be noted;
3. That the Performance position as at Quarter 2 for 2022/23, including the actions being taken or proposed to improve the position, where significant issues have been identified, be noted.
4. That the Risk Update, attached at Appendix 3 be noted.
5. That the Recovery & Renewal Update, attached at Appendix 4 be noted.
6. That the UK Shared Prosperity Fund update, attached at Appendix 5 be noted.



# 2<sup>nd</sup> Quarter Finance, Performance & Risk Monitoring Report 2022/23

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<p><b>Impact on Corporate Priorities</b></p>	<p>This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council’s Medium-Term Financial Strategy which is linked to the Strategic Plan and corporate priorities.</p> <p>The Key Performance Indicators and strategic actions are part of the Council’s overarching Strategic Plan 2019-45 and play an important role in the achievement of corporate objectives. They also cover a wide range of services and priority areas.</p>	<p>Director of Finance, Resources and Business Improvement (Section 151 Officer)</p>
<p><b>Cross Cutting Objectives</b></p>	<p>This report enables any links between performance and financial matters to be identified and addressed at an early stage, thereby reducing the risk of compromising the delivery of the Strategic Plan 2019-2045, including its cross-cutting objectives.</p>	<p>Director of Finance, Resources and Business Improvement (Section 151 Officer)</p>
<p><b>Risk Management</b></p>	<p>This is addressed in Section 5 of this report.</p>	<p>Director of Finance, Resources and Business Improvement (Section 151 Officer)</p>
<p><b>Financial</b></p>	<p>Financial implications are the focus of this report through high level budget monitoring. Budget monitoring ensures that services can react quickly enough to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.</p> <p>Performance indicators and targets are closely linked to the allocation of resources and determining good value for money.</p>	<p>Senior Finance Manager (Client)</p>

	<p>The financial implications of any proposed changes are also identified and taken into account in the Council's Medium-Term Financial Strategy and associated annual budget setting process. Performance issues are highlighted as part of the budget monitoring reporting process.</p>	
<b>Staffing</b>	<p>The budget for staffing represents a significant proportion of the direct spend of the Council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.</p> <p>Having a clear set of performance targets enables staff outcomes/objectives to be set and effective action plans to be put in place.</p>	<p>Director of Finance, Resources and Business Improvement (Section 151 Officer)</p>
<b>Legal</b>	<p>The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Committee to remain aware of issues and the process to be taken to maintain a balanced budget.</p> <p>There is no statutory duty to report regularly on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. One of the purposes of the Key Performance Indicators is to facilitate the improvement of the economy, efficiency and effectiveness of Council services. Regular reports on Council performance help to demonstrate best value and compliance with the statutory duty.</p>	<p>Interim Team Leader (Contentious and Corporate Governance) MKLS</p>
<b>Information Governance</b>	<p>The performance data is held and processed in accordance with the data protection principles contained in the Data Protection Act 2018 and in line with the Data Quality Policy, which sets out the requirement for ensuring data quality.</p>	<p>Policy and Information Team</p>

	There is a program for undertaking data quality audits of performance indicators.	
<b>Equalities</b>	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change, should one be identified.	Equalities and Communities Officer
<b>Public Health</b>	The performance recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
<b>Crime and Disorder</b>	There are no specific issues arising.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
<b>Procurement</b>	Performance Indicators and Strategic Milestones monitor any procurement needed to achieve the outcomes of the Strategic Plan.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
<b>Biodiversity and Climate Change</b>	The implications of this report on biodiversity and climate change have been considered and there are no direct implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

## 2. INTRODUCTION AND BACKGROUND

- 2.1 The Medium-Term Financial Strategy for 2022/23 to 2026/27 - including the budget for 2022/23 - was approved by full Council on 23<sup>rd</sup> February 2022. This report updates the Committee on how its services have performed over the last quarter with regard to revenue and capital expenditure against approved budgets.
- 2.2 This report also includes an update to the Committee on progress against its Key Performance Indicators (KPIs), and an updated covering corporate risks.

- 2.3 Attached at Appendix 1 is a report setting out the revenue and capital spending position at the Quarter 2 stage. Attached at Appendix 2 is a report setting out the position for the KPIs for the corresponding period. Attached at Appendix 3 is a report providing an update on corporate risks, in response to the Policy & Resources Committee's previous request for regular updates on this subject. Attached at Appendix 4 is an update on progress against the Recovery & Renewal Plan, and attached at Appendix 5 is an update on the UK Shared Prosperity Fund.
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### **3. AVAILABLE OPTIONS**

- 3.1 The Committee is asked to note the contents but may choose to comment on the content.
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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 In considering the current position on the Revenue budget, the Capital Programme, KPIs and Corporate Risks at the end of September 2022, the Committee can choose to note this information or could choose to comment.
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### **5. RISK**

- 5.1 This report is presented for information only and has no direct risk management implications.
- 5.2 The Council produced a balanced budget for both revenue and capital income and expenditure for 2022/23. The budget is set against a continuing backdrop of limited resources and a difficult economic climate, even before the impact of the Covid-19 pandemic became clear. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives the Executive the best opportunity to take actions to mitigate such risks.
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### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 The KPIs update ("Performance Monitoring") have been reported to the Policy Advisory Committees (PAC) quarterly: Communities, Housing & Environment PAC; Economic Regeneration & Leisure PAC; and the Planning & Infrastructure PAC. Each committee also received a report on the relevant priority action areas. The report was also presented to the Corporate Services PAC reporting on the priority areas of "A Thriving Place", "Safe, Clean and Green", "Homes and Communities" and "Embracing Growth and Enabling Infrastructure".
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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The Quarter 2 Budget & Performance Monitoring reports are being considered by the relevant Policy Advisory Committees during November 2022.
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## **8. REPORT APPENDICES**

- Appendix 1: Second Quarter Budget Monitoring 2022/23
  - Appendix 2: Second Quarter Performance Monitoring 2022/23
  - Appendix 3: Risk Update 2022/23
  - Appendix 4: Recovery & Renewal Update 2022/23
  - Appendix 5: UK Shared Prosperity Fund Update 2022/23
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## **9. BACKGROUND PAPERS**

None.

# Second Quarter Financial Update 2022/23

Corporate Services – Policy Advisory Committee

16<sup>th</sup> November 2022

Lead Officer: Mark Green

Report Author: Paul Holland

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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	Projected		Projected Slippage to 2023/24	Budget Not Required
	Estimate 2022/23	September 2022		Q3 Profile	Q4 Profile		
	£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.









## P&R: Quarter 2 Performance Report

### Key to performance ratings







RAG Rating	
	Target not achieved
	Target slightly missed (within 10%)
	Target met
	Data Only

Direction	
	Performance has improved
	Performance has been sustained
	Performance has declined
N/A	No previous data to compare





### Communities

Performance Indicator	Q2 2022/23				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
Number of new Council Tax Support (CTS) applications received	694				
Total number of live Council Tax Support (CTS) cases as of the end of the quarter	9,645				

### The Council's Financial position

Performance Indicator	Q2 2022/23				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
Percentage of Non-domestic Rates Collected (BV 010)	62.52%	56.52%			
Percentage of Council Tax collected (BV 009) (average is taken July – September 2022)	46.20%	45.85%			

### The Way We Work

Performance Indicator	Q2 2022/23				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
Total running costs of Maidstone House in the period	£714,177.00				

KPI “**Total running costs of Maidstone House in the period**” is £559,496 higher than Q1 2022/23 as it includes costs to be charged to tenants.

**Q2 2022/23 KPIs across service Committees that were missed by more than 10%**

Performance Indicator	Q2 2022/23				
	Value	Target	Status	Short Trend (Last Quarter)	Long Trend (Last Year)
Percentage of successful Relief Duty outcomes	42.17%	60%			
Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]	2.9%	1.8%			
Number of youths unemployed (18-24) (average is taken July – September 2022)	518	373			

**Economy**

The “**Number of youths unemployed (18-24)**” KPI achieved a figure of 518 against a target of 373 as an average for Q2 2022/23. The target of 373 is taken from the average monthly number of youths employed in 2019/20 (pre-pandemic). Unemployment among youth figures has slightly increased in August (525) and September (530) against July figure (500). The number of youths unemployed in Q2 2022/23 (1555) is 55.6% lower than in Q2 2021/22 (2420). However, it is still significantly higher by 33.4% than the pre-pandemic figure of 1035 for Q2 2018/19.

“**Percentage of unemployed people in Maidstone (out of work benefits)**” KPI achieved an average figure of 2.9% for July – September 2022 against an average target of 1.8%. Unemployment rates in Maidstone have stayed consistent in July 2022 when compared to June 2022. In August 2022 the figure slightly shifted and decreased by 0.1%, which came back to the same figure as July 2022 in September 2022. Figures still significantly higher than pre-pandemic figures of 1.8% (Q2 2018/19).

**Communities**

The “**Percentage of successful Relief Duty outcomes**” indicator outcome achieved a result of 42.17 which has declined against last quarter and Q2 2021/22. The indicator missed its target by 17.8%.

The performance of 42.17% of homelessness relieved in the quarter demonstrates average performance and is much higher than the national average of homelessness relieved for the quarter of 38.2%, taken from the detailed LA tables for statutory

homelessness Jan-Mar 22. It is also much higher than the Kent average of 33.8%, also taken from the LA tables for statutory homelessness.

It is recognised that relieving homelessness is more difficult than preventing homelessness, in particular with restricted access to the Private Rented Sector as a result of unaffordable market rents and an increase in demand for private rented accommodation from those who are not economically disadvantaged.

Additionally, applicants who are in priority need and unintentionally homeless can only be owed the relief duty of 56 days, before they become owed the main housing duty, giving only a short window of opportunity to relieve homelessness.





**Appendix 3**

# **Second Quarter Risk Update**

## **2022/23**

November 2022  
Corporate Services PAC  
Report Author: Alison Blake (Interim Head of Audit)

## Introduction

Risk management involves managing the *effect of uncertainties on the achievement of our objectives* and is a key principle of corporate governance. The importance of risk management is recognised in our Local Code of Governance, the Annual Governance Statement and through the Risk Management Framework.

Having arrangements in place to identify and manage our risks increases our chances of achieving corporate and operational objectives by controlling risks in balance with resources. Good risk management also increases our ability to cope with developing and uncertain events and helps to instil a culture of continuous improvement and optimisation.

The Risk Management Framework sets out how the Council identifies, manages and monitors risks. This includes the risk appetite statement, which articulates how much risk the Council is comfortable with and able to bear. In summary, the risk management process for the Council can be broken down into the following key components. Appendix 3B gives a one-page summary of the risk management process.



A key part of the risk management process is to report risk information to understand how the risks to the Council are changing. **The purpose of the report is to provide Members with the Council's corporate risks and how they have changed since they were last updated in September.** The role of this committee is to provide oversight and challenge over the management of the Council's most significant risks.

The report also describes the risks 'on the horizon' providing an indication of potential future risks which may materialise into risks the Council can manage as they become clearer.

Most operational risks have been reviewed and updated and this report includes the overall risk profile of the Council and details of the significant operational risks.

## Corporate Risks

The Council's corporate risks are reported quarterly to the Corporate Services Policy Advisory Committee to ensure effective oversight and monitoring. The risks have been reviewed by risk owners with existing and planned controls being updated and the risk ratings reviewed and amended where necessary.

The table below summarises the **15** risks on the corporate risk register. Further detail on the corporate risks, including a description of the risk and details of existing and planned key controls are outlined below. Appendix 3A outlines the impact and likelihood scoring criteria.

No	Corporate risk	Sep' 2022 Current Risk	November 2022		Corporate Priority			
			Current Risk	Mitigated Risk				
1	Financial uncertainty	25	25	16	✓	✓	✓	✓
2	Contraction in retail sector	25	25	20	✓			✓
3	Election failure / challenge	25	25	20	✓	✓	✓	✓
4	Construction costs / contractor insolvency	20	20	16	✓		✓	✓
5	Housing pressures increasing	16	20	16	✓		✓	
6	Environmental damage	16	16	16		✓	✓	✓
7	Major unforeseen emergency	15	15	12	✓	✓	✓	✓
8	IT network failure	12	12	9	✓	✓	✓	✓
9	Not fulfilling residential property responsibilities	12	12	9	✓		✓	
10	Major contractor failure	12	12	12	✓	✓	✓	✓
11	Ability to access / leverage new funding	12	12	9	✓	✓	✓	✓
12	Loss of workforce cohesion and talent	12	12	9	✓	✓	✓	✓
13	Governance changes	9	9	6	✓	✓	✓	✓
14	Reduced effectiveness of relationships with strategic partners	9	9	9	✓	✓	✓	✓
15	Resilience of the voluntary & community sector	9	9	6		✓	✓	

### Our Priorities



The most significant change to the corporate risks is the increase in the magnitude of the **Housing Pressures Increasing** risk. This risk has increased from an overall score of 16 to 20 because of an increase in the impacts from this risk caused by the current economic conditions.

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>General <b>financial uncertainty</b>. Unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation and contractor costs alongside deteriorating economic environment - places further financial restrictions on the Council resulting in difficulty maintaining standards or meeting aims.</p> <p style="color: green; text-align: center;"><b>UPDATED</b></p>	Mark Green	<ul style="list-style-type: none"> <li>• Agreed work programmes in transformation and commissioning</li> <li>• Budget monitoring in place</li> <li>• MTFS in place and monitored</li> <li>• Scenario planning in budget setting</li> <li>• Strategies for maintaining income (e.g. pricing policies and proactive management of property portfolio)</li> <li>• Holding reserves to mitigate impact of financial restrictions</li> <li>• Robust risk assessment of new business opportunities</li> </ul>	(5 x 5) 25	<ul style="list-style-type: none"> <li>• Currently updating MTFS to reflect impact of inflation</li> <li>• Lobbying to avoid unfavourable financial changes to government funding</li> <li>• Cost recovery through bidding for additional government support for one-off costs and strategic investments</li> <li>• Identifying measures to address future budget gaps</li> <li>• Maximise Council Tax to referendum limit</li> </ul>	(4 x 4) 16
<p style="font-size: 2em; font-weight: bold; margin-bottom: 10px;">58</p> <p>General and localised economic pressure leads to <b>contraction in retail sector</b>, limiting the appeal of Maidstone town centre threatening social cohesion and business rates income. <b>UPDATED</b></p>	William Cornall	<ul style="list-style-type: none"> <li>• Working with Key stakeholders including One Maidstone to safely reopen the High Street.</li> <li>• Regular network meetings with town centre retailers</li> <li>• Public realm improvement work</li> <li>• Supporting One Maidstone Business Improvement District</li> <li>• Acquisition of key property (Royal Mail former sorting office planning application to be submitted Q4 / Grenada House refurbishment works expected to commence Q4)</li> <li>• Work commissioned to promote Maidstone as business destination</li> <li>• Planning Guidelines documents have now been approved by SPI for the Five town Centre Opportunity sites. Planning permissions have now been granted on two of these and pre-application advice given in respect of land parcels on Maidstone Riverside.</li> <li>• Active management of Lockmeadow to enhance the local economy</li> <li>• Support delivered to the sector through Business Rates grants and assistance grants</li> <li>• Town Centre Opportunity guidance published and actively being used</li> </ul>	(5 x 5) 25	<ul style="list-style-type: none"> <li>• Taking advantage of opportunities to support infrastructure investment</li> <li>• A targeted programme of place promotion campaign activities</li> <li>• Development of a Town Centre strategy to guide the reallocation of land uses within the Town Centre (including retail) This is now out to tender, with the successful firm expected to commence work in Jan 23, with a c 12-month commission.</li> <li>• A programme of town centre events and activities is now in place funded through covid response monies. UKSPF Local Government Plan intends to continue and expand this (subject to release of funding)</li> <li>• Covid related Business Support grants will continue to be focussed upon this sector in part.</li> <li>• The Council has now received a circa £1.2m Shared Prosperity Fund allocation for the next three years, and officers are in the process of preparing a draft investment plan for the monies for consideration by Members.</li> <li>• The Leader has agreed the LIP and it has been submitted; we are awaiting the outcome; we need to add reference to our successful bid to the safer Streets Fund which has secured £565k investment for community safety in the town centre.</li> <li>• The Council has submitted an EOI for the town centre / opportunity to become an Investment Zone under the previous government prospectus, the results are awaited.</li> </ul>	(4 x 5) 20

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>Elections Act 2022 introduction of Voter ID for May 2023 elections and transfer of returning officer / electoral registration role over to the Director of Strategy, Insight and Governance results in <b>the election failing or being challenged</b>. Leading to reduced electoral integrity, reputational damage, and potential impact on political leadership and decision-making capability for 2023/24. <b>UPDATED</b></p>	<p>Alison Broom / Angela Woodhouse</p>	<ul style="list-style-type: none"> <li>All usual election risk mitigations are in place including project planning, contingency planning and risk assessments.</li> <li>DES Manager on DLUHC BCN group working on Elections Act 2022 implementation and liaising with AEA.</li> </ul>	<p><b>(5 x 5)</b> 25</p>	<ul style="list-style-type: none"> <li>Increased election staffing for 2023 - all Council staff to be on standby to support elections</li> <li>Early contact of election staff</li> <li>Targeted training</li> <li>Prioritising of elections over corporate functions within Corporate and Electoral Support</li> <li>Contingency planning for post-election challenge impacts.</li> </ul> <p><i>However, risk mitigation is limited due to dependency on external factors (i.e. DLUHC delivering)</i></p>	<p><b>(4 x 5)</b> 20</p>
<p>Inflation continues to rise and a significant economic event (e.g. further pandemic impacts, BREXIT, supply chain issues) causes <b>significant changes in construction costs which may also result in a contractor insolvency, as they are generally locked into delivering schemes at a fixed price, and so need to manage their exposure to rising costs in their supply chain</b>. For the Council, this leads to a narrowing gap between build price and end of property values, increased costs to the Council and a possible time lag in delivery of 1000 affordable new homes, owing to a lack of capacity in the construction sector. <b>UPDATED</b></p>	<p>William Cornall</p>	<ul style="list-style-type: none"> <li>Use of "off-site" and other Modern Methods of Construction where possible to ensure schemes are delivered efficiently</li> <li>Designing buildable efficient schemes</li> <li>Financial stability and overall exposure checks for contractor</li> <li>Performance bonds and quality monitoring</li> <li>Realistically set financial scheme approval hurdle rates</li> <li>Appointment of a single architect, employer's agent and development management specialist as a consistent professional team to support the Council in it delivery of the 1,000 homes programme. The successful firms have now been appointed.</li> </ul>	<p><b>(4 x 5)</b> 20</p>	<ul style="list-style-type: none"> <li>Exploration of suitable contractor frameworks to access.</li> <li>Managing exposure levels to different contractors as the programme gathers momentum.</li> <li>Delaying the letting of key contracts if tendering does not yield VFM proposals that are financially robust.</li> <li>Careful scheme design evolution to enhance the "buildability" of new projects.</li> <li>The internal team is also being strengthened by the creation of three new roles, which are currently being recruited to</li> </ul>	<p><b>(4 x 4)</b> 16</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>The broader housing and cost-of-living crisis leads to <b>housing pressures increasing</b> on the Council, affecting both costs associated with homelessness and ability to meet wider housing needs in the borough. <b>UPDATED</b></p> <p>60</p>	<p>William Cornall</p>	<ul style="list-style-type: none"> <li>• Homelessness prevention team in place with increased resource</li> <li>• Access to our own housing stock to use for temporary accommodation &amp; market rented housing (within Maidstone Property Holdings)</li> <li>• Closer working with private sector &amp; housing associations</li> <li>• Key policies are in place: Temporary Accommodation Strategy</li> <li>• Implementation of Housing Management Team</li> <li>• Council approval in place for MBC to develop up to 1000 affordable homes of its own</li> <li>• We work closely with the voluntary sector and community partners</li> <li>• Home Finders scheme in place and supported through Government funding</li> <li>• Affordable Housing supplementary guidance adopted in Summer 2020</li> <li>• The Council acquired Trinity Place community asset has been refurbished and opened to enable a range of housing and related services to be provided.</li> <li>• The capital programme for 22/23 allowed for c9 TA units to be acquired this year, and to date, 7 of these are identified with offers accepted by vendors.</li> <li>• Officers have appointed a third party provider, BEAM to help secure move-on accommodation in the PRS, for some households currently in TA.</li> </ul>	<p>(5 x 4) 20</p>	<ul style="list-style-type: none"> <li>• Continued progress towards the temporary accommodation acquisition programme funded through the MBC capital programme</li> <li>• Leader of Council ambition to build 1000 new Council homes as soon as possible and plans to meet this aspiration have been approved and the programme is underway with the second major new land acquisition. Around 40% of the required plots are now either acquired or approved by the Executive.</li> <li>• New draft Housing Strategy has been considered by the CHE committee and is now out for public consultation with a view to it being adopted in Q4</li> <li>• The Council continues to work with Homes England to promote the 5,000 home Heathlands garden community through the Local Plan Review, with a view to the project delivering new homes from the late 2020's.</li> <li>• Review of the Home Finder Scheme offer to landlords to increase the supply of stock at our disposal.</li> <li>• Officers will, restart some "direct lets" to households in TA to the RP sector, procure nightly paid TA in a more long-term manner, and make proposals to the Executive to bolder investment in Council owned TA via the new capital programme in the MTFs.</li> </ul>	<p>(4 x 4) 16</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>Increased impacts from climate change (including flooding, severe storms, heatwaves and drought) causes <b>environmental damage</b> reducing residents' quality of life and increasing adaptation support required from the Council.</p>	<p>Angela Woodhouse</p>	<ul style="list-style-type: none"> <li>• Comprehensive Biodiversity and Climate Change Strategy and action plan has been developed and is being implemented across council</li> <li>• Air Quality Action Plan in place</li> <li>• Emergency planning arrangements</li> <li>• Parks and open spaces strategy to reduce risk of damage from trees and nature based mitigation of climate impacts</li> <li>• Budget available to deliver actions and additional funding allocated</li> <li>• Communication / engagement activities to increase resilience and awareness of residents and businesses for adverse weather events</li> <li>• Use of Severe Weather Impacts Monitoring System (SWIMS) to understand impacts of severe weather in borough</li> <li>• Member of the Kent Climate Change Network</li> <li>• Permanent Biodiversity and Climate Change Manager in post</li> <li>• Permanent Biodiversity and Climate Change engagement officer in post to support public and business adaptation to climate change</li> <li>• Part of Medway Flood Partnership and Kent Resilience Forum</li> <li>• Strong governance arrangements in place with operational board chaired by Director of Strategy Insight and Governance, Fortnightly oversight meetings with the Leader and quarterly reports to Corporate Leadership Team, Policy Advisory Committee and the Executive</li> </ul>	<p>(4 x 4) 16</p>	<ul style="list-style-type: none"> <li>• Continue Implementation of the B&amp;CC strategy and action plan to engage with public and businesses to adapt to and mitigate impacts of climate change</li> <li>• Review of our own estate in line with ambition to be carbon neutral by 2030, and work with partners to reduce carbon, reduce surface run off and increase natural solutions to mitigate impacts of climate change and pollution</li> <li>• Partner with KCC, other Kent districts and private landowners on widescale tree planting and nature recovery to mitigate impacts of climate change</li> <li>• Newly appointed Emergency Planning Officer will be trained on SWIMS and take on the task of uploading impacts on SWIMS more regularly and with closer ties to KCC.</li> <li>• Establishing with MBC B&amp;CC action owners the best way to measure progress through KPIs</li> <li>• Work with Medway Flood Partnership to identify and develop actions, including natural flood management (nature-based solutions and sustainable urban drainage), which can help to reduce flooding.</li> <li>• Ensure Local Plan review considers level of current and future projected flood/drought risk and that new developments are planned accordingly.</li> <li>• Work with the Kent Resilience Forum, spatial planners and other partners to enhance adaptation and emergency planning contingencies for severe weather and other climate impacts. 'Strengthening' of power and water supply and other critical infrastructure should be a priority alongside ensuring more resilient settlements</li> </ul>	<p>(4 x 4) 16</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p><b>Major unforeseen emergency</b> with national / international impact (e.g. new pandemic, environmental disaster) <b>UPDATED</b></p>	Alison Broom	<ul style="list-style-type: none"> <li>• Strong existing emergency planning framework</li> <li>• Active engagement with Local Resilience Forum</li> <li>• Flexible, committed and appropriately trained workforce</li> <li>• Quarterly oversight &amp; monitoring through the Emergency Planning Group (EPG)</li> <li>• Some financial reserves</li> <li>• Good partnership working as demonstrated during Covid-19 pandemic</li> <li>• Continued update to Business Continuity Plans and arrangements</li> <li>• Ongoing considerations of financial reserves which have been increased</li> </ul>	<b>(5 x 3)</b> <b>15</b>	<ul style="list-style-type: none"> <li>• Plan for dealing with different types of major emergencies, including water supply interruptions</li> <li>• Review and update of the Council’s IT Disaster Recovery arrangements and Business Continuity Plans</li> <li>• Embedding arrangements over the quarterly review of emergency threats and risks through the EPG including horizon scanning and early warnings</li> <li>• Recovery and renewal funding allocated to strengthen work on community resilience</li> <li>• Report (from Emergency Planning &amp; resilience Manager) to CLT in November will recommend improvements to the business continuity arrangements</li> </ul>	<b>(4 x 3)</b> <b>12</b>
<p><b>62</b> Security breach or system weakness leading to <b>IT network failure</b> results in wide-spread system unavailability, increased legal and financial liability and reputational damage. <b>UPDATED</b></p>	Georgia Hawkes	<ul style="list-style-type: none"> <li>• Regular backup programmes</li> <li>• External testing of IT security by specialists –resulting findings and actions are implemented and tested</li> <li>• ICT policies &amp; staff training, including disaster recovery plan</li> <li>• Mandatory cyber security training was rolled out and completed</li> <li>• CLT monitoring of performance indicators, including ICT incidents</li> <li>• Nessus scanning software reporting daily on system vulnerabilities</li> <li>• New firewall tested and installed</li> <li>• Ongoing programme of awareness raising through Cyber events, training, and tests</li> <li>• Ongoing programme of IT campaigns including phishing</li> <li>• IT Business Continuity Plan which prioritises the systems that need to be bought back online.</li> <li>• Bulk messaging system to ensure adequate communication lines available. Gov.notify used and an awareness campaign run to encourage staff to sign up.</li> </ul>	<b>(4 x 3)</b> <b>12</b>	<ul style="list-style-type: none"> <li>• Cyber Security Incident BC Exercise to be undertaken in November 2022</li> <li>• Business Impact Assessments are being reviewed and updated and will be used to update all BC Plans</li> <li>• Consider how to implement the recommendations from Zurich Cyber security report</li> </ul>	<b>(3 x 3)</b> <b>9</b>



Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>Insufficient awareness / expertise leads to <b>not fulfilling residential property responsibilities</b> resulting in possible health &amp; safety breaches. <b>UPDATED</b></p> <p>63</p>	William Cornall	<ul style="list-style-type: none"> <li>Faithfull Farrell &amp; Timms have been retained as a critical friend to allow the new housing management function to up skill.</li> <li>West Kent Housing Association (WKHA) engaged to provide an asset management service for the whole MBC residential portfolio.</li> <li>The whole MBC residential portfolio is now being managed by a single team within Housing &amp; Communities, where previously it was split between Housing &amp; Property.</li> <li>H&amp;S KPIs are now recorded and reported through a permanent software solution.</li> <li>The H&amp;S KPIs are reported monthly to Corporate Leadership Team.</li> <li>Good level of awareness from officers around H&amp;S obligations and compliance</li> <li>Excellent levels of compliance being reported to the CLT monthly.</li> <li>The new Residential Portfolio Manager has been appointed and she commenced with MBC in Sept 22.</li> </ul>	(4 x 3) 12	<ul style="list-style-type: none"> <li>Eventual goal of real time reporting in terms of gas safety</li> <li>Review of existing resources and skills underway to support the housing portfolio and management of properties.</li> <li>Policy &amp; Resources Committee has approved a sizable re-investment in the Council owned Gypsy &amp; Traveller site portfolio and works nearing completion</li> <li>Implementation of new specialist housing management software to support the growing portfolio.</li> <li>The current provider of asset management services to the MBC and MPH residential portfolios, West Kent Housing Association, has served notice to end the contract in Jan 2023, so officers are starting the procurement process for an alternative supplier/s. The replacement firm will be selected in Nov 22 and commence in Jan 23.</li> </ul>	(3 x 3) 9
<p><b>Failure of a major contractor:</b> As a result of market pressures one of the Councils contractors goes into liquidation / administration or seeks to negotiate an increase in the cost of the contract. Leading to disruption and increased costs.</p>	Mark Green	<ul style="list-style-type: none"> <li>Regular contract monitoring and communication with contractors</li> <li>Procurement expertise made available through the Partnership with Tunbridge Wells</li> <li>Financial performance and sustainability embedded into the procurement process</li> <li>Contractor business continuity plans in place and alternative contractors may be available</li> <li>'Exit plan' included as a requirement in the ITT document for all relevant contracts</li> </ul>	(4 x 3) 12	<ul style="list-style-type: none"> <li>Ongoing financial performance and resilience checks of our suppliers and contractors</li> <li>Risk register work being completed for each of the Council's strategic contracts</li> <li>Increased consideration of in-house provision or alternative commissioning routes</li> </ul>	(4 x 3) 12

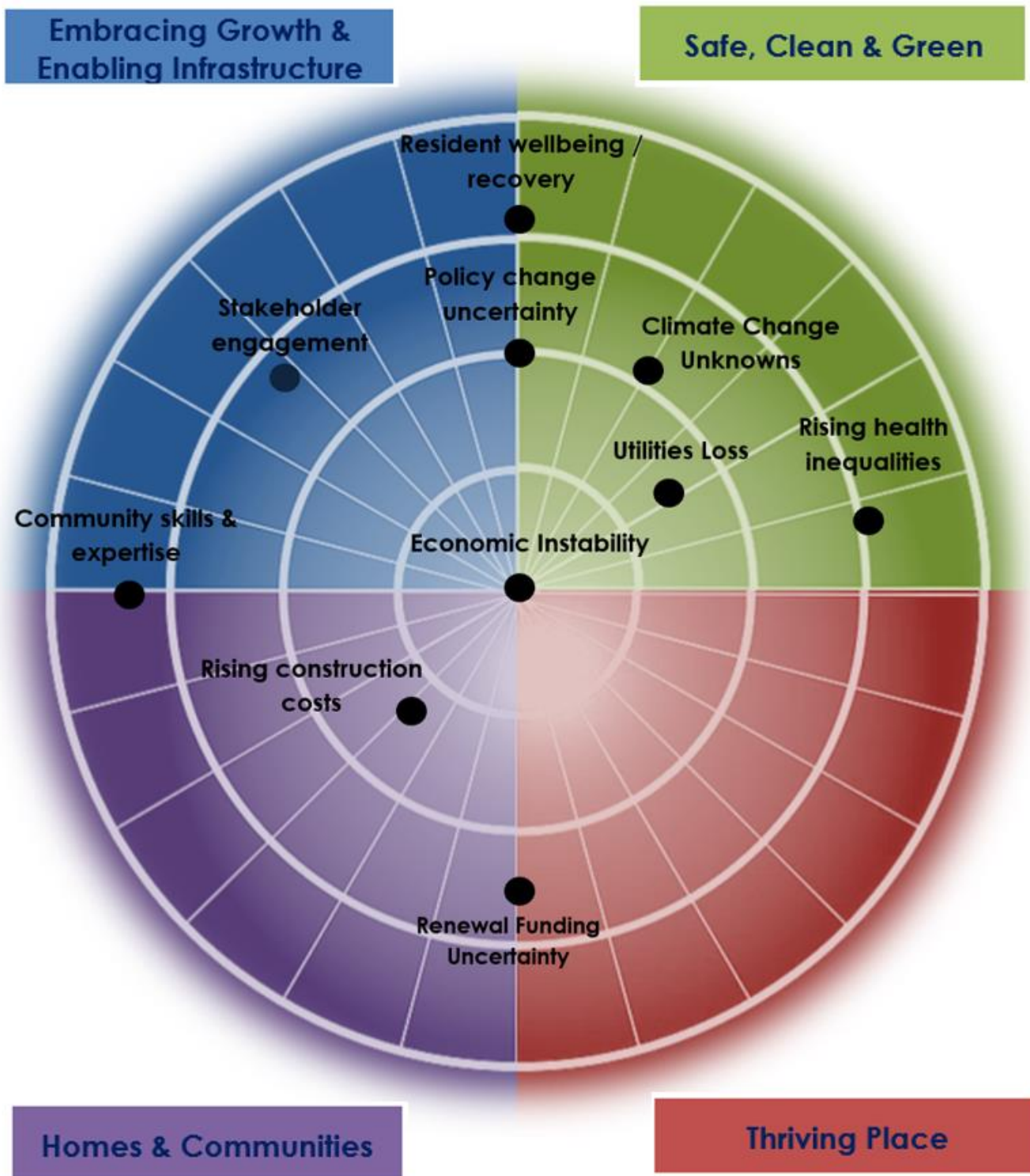
Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p>Difficulties in recruiting and retaining the right skills and adapting to hybrid working leads to a <b>loss of workforce cohesion and talent</b>. This results in a loss of productivity. <b>UPDATED</b></p>	Georgia Hawkes	<ul style="list-style-type: none"> <li>• Workforce strategy monitoring &amp; reporting</li> <li>• Training &amp; development programme (including hybrid working skills)</li> <li>• Occupational health, employee support and HSE Stress Survey</li> <li>• Recruitment process that includes ability to adjust pay and market supplement for hard to recruit jobs</li> <li>• Rewards package reviewed regularly</li> <li>• Commissioning specialist external support as required</li> <li>• Online onboarding of new staff</li> <li>• Use of ClearReview to encourage continuous conversations and clear objectives</li> <li>• Hybrid Policy and service review of hybrid working arrangements</li> <li>• Market Supplement Policy reviewed and updated</li> </ul>	<p>(3 x 4) 12</p>	<ul style="list-style-type: none"> <li>• Review of paygrades underway</li> <li>• Use of SmartPath to offer additional support to managers</li> <li>• Specialist consultant (RedQuadrant) in place to support the culture change programme</li> <li>• Engagement survey for all staff the output from which will create an action plan for the Council</li> <li>• Review potential for different approaches to recruitment</li> <li>• Consider the use of personalised development plans, and offer this during recruitment</li> </ul>	<p>(3 x 3) 9</p>
<p>Uncertainties relating to the Council's ability to access new funding at suitable rates and availability of PWLB loans. <b>Increases difficulty securing and leveraging funding</b> to help stabilise and support the delivery of our capital programme. <b>UPDATED</b></p>	Mark Green	<ul style="list-style-type: none"> <li>• Access to professional networks to identify opportunities for funding</li> <li>• Experienced officer capacity</li> <li>• Good relationships with funding partners, e.g. Homes England</li> <li>• Obtaining forward borrowing</li> </ul>	<p>(3 x 4) 12</p>	<ul style="list-style-type: none"> <li>• Investment of one-off resources for putting together funding bids</li> </ul>	<p>(3 x 3) 9</p>
<p>As a result of significant changes to the Councils' governance (including moving to executive model and the boundary review) <b>sound governance processes may not be maintained during the change or poor processes may be introduced</b>. Leading to delays in decision making, reputational damage or legal implications.</p>	Angela Woodhouse	<ul style="list-style-type: none"> <li>• Monitoring Officer in place to oversee Council activities and provide advice</li> <li>• Code of Conduct</li> <li>• Timeline agreed for the Local Government Boundary Commission review and work overseen by the Director of Finance and Business Improvement</li> <li>• Software to facilitate consultation on ward boundaries</li> <li>• Templates and system for agendas and decision publication updated</li> <li>• New constitution agreed and in place</li> <li>• Training carried out with Officers and Members on the new governance arrangements</li> </ul>	<p>(3 x 3) 9</p>	<ul style="list-style-type: none"> <li>• Recruit two additional officers into Democratic Services to support the new model</li> <li>• Review of the constitution by Democracy and General Purposes Committee, December 2022</li> <li>• Log of issues kept by Democratic Services – contributed to by the Monitoring Officer, Democratic Services and Director of Strategy, Insight and Governance</li> </ul>	<p>(3 x 2) 6</p>

Risk (title & full description)	Risk Owner	Key Existing Controls	Current rating (I x L)	Controls planned	Mitigated rating (I x L)
<p><b>Reduced effectiveness of relationships with strategic partners</b></p> <p>Financial constraints and requirements from Government or regulators change the priorities or commitments of our strategic partners or their capacity to work with us. This causes a dislocation with our work and increases Member pressure to highlight concerns. <b>UPDATED</b></p> <p>65</p>	Alison Broom	<ul style="list-style-type: none"> <li>• Collaboration with Kent County Council via a variety of project teams including Town Centre Strategy</li> <li>• The Community Safety Partnership with the Police and other key parties</li> <li>• The West Kent Health and Care Partnership Board which includes Executive Board (officers) and Elected Members Forum with</li> <li>• Participation in Kent One Public Estate Board</li> <li>• Maidstone Health and Well-being Partnership Group</li> <li>• Maidstone Inclusion Board</li> <li>• Survey of all voluntary and community sector to understand changes in community need and demand for services</li> <li>• Good integration with County-wide networks</li> <li>• Anchor Institutions engaged in various projects including UK Shared Prosperity Fund Local Investment Plan</li> <li>• Whole System event to review partnership working effectiveness – July 2022</li> </ul>	(3 x 3) 9	<ul style="list-style-type: none"> <li>• Strengthen processes for continued horizon scanning with partners to understand changes in priorities and formulate an overview of all key partners</li> <li>• Regular programme of Anchor Institutions stakeholder meetings planned from November 2022</li> <li>• Review of outputs from Whole System Event and significant actions to strengthen partnership working on key priorities</li> </ul>	(3 x 3) 9
<p><b>Resilience of the voluntary &amp; community sector</b></p> <p>The pressures facing the voluntary and community sectors are unprecedented and increasing, threatening the resilience and stability of these support networks. This could result in increased financial pressures for residents of the Borough with knock-on effects for the Council.</p>	Alison Broom	<ul style="list-style-type: none"> <li>• Commitments obtained to establish an architecture to support the voluntary and community sector and provide funding.</li> <li>• Project to increase engagement in volunteering underway</li> <li>• Networking session organised to advise VCS on increasing funding</li> <li>• Investment has been made in Trinity Foyer and it has opened as a Community Hub</li> <li>• Love Where You Live &amp; Get Involved project has been launched and continues to be delivered</li> <li>• Financial Inclusive Strategy has been agreed</li> <li>• The Community resilience fund first round of funding has been distributed across a range of VCS groups across the borough</li> <li>• Agreed part funding with the Citizens Advice Bureau for a Debt Management post</li> <li>• Community Sector newsletter established</li> <li>• VCS repository is live and under review to ensure it is kept up to date</li> </ul>	(3 x 3) 9	<ul style="list-style-type: none"> <li>• Launch second round of community resilience fund bids</li> <li>• Undertake further engagement with VCS to establish change in needs</li> <li>• Establish a community sector forum</li> <li>• Review Financial Inclusion Strategy in light of cost-of-living crisis</li> </ul>	(3 x 2) 6

## External Threats (horizon scanning)

Our horizon scanning process identifies external threats over which we have no direct control or ability to manage the impact on delivery of our priorities. Our response to these threats will be an important factor in how we develop our strategies, policies and how we translate that into service delivery. As such, we can draw down any of these threats into our corporate risk register if (or when) the time is right.

For the time being, we will keep our eye on these threats and continue to provide updates as part of the quarterly monitoring report. The diagram summarises the external threats aligned to each of our priorities with those closest to the centre being those likely to happen soonest.



The following points provide some more detail on the threats outlined in the diagram above:

- **Economic Instability** – uncertainty around employment rates, interest rates and inflation increases, and the affect this will have on the local economy, residents financial position and our operational and contractual costs and wage bill.
- **Climate change unknowns** – some of the implications of climate change are already captured within the corporate risk register. But this reflects the possibility of other as yet unknown implications from climate change.
- **Policy change uncertainty** – potential for changes in legislation and other central government policy changes.
- **Funding uncertainty** – ability of Maidstone BC to get funding which matches its aspirations and delivery goals.
- **Stakeholder engagement** – heightened sensitivity to Council plans leading to increased intolerance and complaints.
- **Resident Wellbeing and recovery** – potential for residents in the borough to not have long term improvements to their wellbeing
- **Rising health inequalities** – increasing inequality in access to health care provisions.
- **Rising construction costs** – unanticipated consequences from rising costs in the construction industry.
- **Community skills and expertise** – decline in diversity of skills and expertise within communities.
- **Utilities Loss** – loss of water, electricity or telecoms over a wide area in the Borough.

## Operational Risks

A review and update of all operational risks has been undertaken and is now largely complete with approximately 90% of services having reviewed their risks. The following matrix sets out the operational risk profile of the Council including shared service risks.

**Current Operational Risk Profile  
(October 2022)**

Impact	5	0	6	0	1	0	
	4	4	20	9	4	3	
	3	5	28	33	10	0	
	2	1	17	8	3	1	
	1	2	0	0	0	0	
		1	2	3	4	5	
Likelihood							
						TOTAL	155

4 black risks have been identified including 2 that were identified shortly before submission of this report, namely: *increased demand for housing assistance* and *disparity between affordable housing demand and supply*. Once CLT have reviewed the risks and the adequacy of the responses outlined these risks will be included in the next update to Corporate Services PAC. The other 2 black risks are detailed below and will be routinely monitored by CLT to ensure that the actions taken are reducing the risk.

<b>Infrastructure improvements to road, rail, public transport, cycling, community &amp; social infrastructure and broadband within the borough fail to take place.</b>			
Service Area: <b>Spatial Planning &amp; Economic Development</b>	Ownership: <b>Chris Inwood</b>	Score: <b>14 x L5</b>	<b>20</b>
<p style="text-align: center;"><b>Causes</b></p> <p>Lack of investment Change to government priorities</p> <p style="text-align: center;"><b>Consequences</b></p> <p>Residents of the Borough do not have access to Broadband Residents of the Borough are not served adequately by Public Transport Cycling is not encouraged as cycle lanes are not introduced Roads cannot cope with existing and future traffic demands</p>	<p style="text-align: center;"><b>Existing Controls</b></p> <ul style="list-style-type: none"> <li>Continue to work with KCC, Network Rail and Helen Grant MP to secure Thameslink services and further improvements</li> <li>CIL/S106 team and planning policy officers provide advice until Integrated Transport Strategy Officer is in post</li> <li>Working with Kent County Council on Broadband issues</li> <li>KCC Transport Planner working for and assisting MBC</li> <li>Manager supervision and regular 1:1s</li> <li>Ongoing agenda item for SPED (Spatial Planning &amp; Economic Development)</li> </ul>	<p style="text-align: center;"><b>Risk Response</b></p> <ul style="list-style-type: none"> <li>Monitor what will replace the SE Rail franchise. Government leading on this.</li> <li>Dedicated officer will be appointed to deliver the Integrated Transport Strategy</li> <li>Making Maidstone More Active project to identify sports facility requirements across the Borough</li> <li>Future options for Mote Park Leisure centre to be considered by ERL during 2021 as the contract with MLT and Serco comes to an end</li> </ul>	
<b>Risk review: October 2022</b>	<b>Risk direction over time: no change</b>	Score: <b>14 x L3</b>	<b>12</b>

**Waste Collection Contract costs increase. Annual contract financial review could result in increase in costs associated with the contract, or contract not being viable for the contractor.**

<p>Service Area: <b>Environmental Services &amp; Public Realm</b></p>	<p>Ownership: <b>Jen Stevens</b></p>	<p>Score: <b>15 x L4</b></p>	<p><b>20</b></p>
<p><b>Causes</b> National HGV driver shortage is having impact on collection costs due to substantial pay increases to attract and retain staff New contract from 2023 could be financially unviable given the requirements set out in the specification and if the full extent of the carbon reduction requirements are to be realised e.g. full electric RCV fleet</p> <p><b>Consequences</b> Financial burden on the council. Potential reconsideration of how the service is provided.</p>	<p><b>Existing Controls</b></p> <ul style="list-style-type: none"> <li>• Agreed waste contract and T&amp;Cs around termination of contract and changes to the contract</li> <li>• Opportunities to review fees and charges to residents in line with costs</li> <li>• Quarterly monitoring of property growth and estimation of growth included in budget</li> <li>• Budget set aside from fees and changes to cover garden waste increases</li> <li>• Monitoring with finance on financial position</li> <li>• Income from Council tax growth to cover increase in service</li> </ul>	<p><b>Risk Response</b></p> <ul style="list-style-type: none"> <li>• Early and ongoing discussions around the impact of the national HGV driver shortage on the contractor. Including identifying appropriate levels of support to protect the ongoing delivery of the service. MBC are considering appropriate financial support for Contractor in light of additional and unexpected costs</li> <li>• Exploring new mechanism within new contract Payment mechanism through Competitive Dialogue</li> <li>• Indexation more closely aligned with actual costs for new contract</li> <li>• Consideration of pay rates for new contract</li> <li>• Carbon impact to be considered as part of the overall scoring mechanism</li> <li>• Individual costs to be provided for each council to take into account their specific needs and requirements</li> <li>• Updated MTFS with likely increases in contract costs</li> </ul>	
<p><b>Risk review:</b> <b>October 2022</b></p>	<p><b>Risk direction over time:</b> </p>	<p>Score: <b>15 x L4</b></p>	<p><b>20</b></p>

## Appendix 3A Impact and Likelihood Definitions

Risks are assessed for impact and likelihood. So that we achieve a consistent level of understanding when assessing risks, the following definitions were agreed and have been used to inform the assessment of risks on the risk register.

### RISK IMPACT

Level	Service	Reputation	H&S	Legal	Financial	Environment
<b>Catastrophic (5)</b>	Ongoing failure to provide an adequate service	Perceived as a failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
<b>Major (4)</b>	Failure to deliver Council priorities Poor Service, 5+ days disruption	Significant adverse national publicity	Fails to prevent death, causes extensive permanent injuries or long term sick	Litigation expected and uncertain if defensible Breaches of law punishable by significant fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1+ yrs)
<b>Moderate (3)</b>	Unsatisfactory performance Service disrupted 3-5 days	Adverse national publicity of significant adverse local publicity	Fails to prevent extensive permanent injuries or long term sick	Litigation expected but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1 yr)
<b>Minor (2)</b>	Marginal reduction in performance Service disrupted 1-2 days	Minor adverse local publicity	Medical treatment required Long term injuries or sickness	Complaint or litigation possible Breaches of regulations or standards	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
<b>Minimal (1)</b>	No performance reduction Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

### RISK LIKELIHOOD

Level	Probability	Description
<b>Almost Certain (5)</b>	90% +	Without action is likely to occur; frequent similar occurrences in local government / Council history
<b>Probable (4)</b>	60% - 90%	Strong possibility; similar occurrences known often in local government / Council history
<b>Possible (3)</b>	40% - 60%	Might occur; similar occurrences experienced in local government / Council history
<b>Unlikely (2)</b>	10% - 40%	Not expected; rare but no unheard of occurrence in local government / Council history
<b>Rare (1)</b>	0% - 10%	Very unlikely to occur; no recent similar instances in local government / Council history



# One Page Process Summary

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Step 1 – Identify Risks	Step 2 – Evaluate Risks	Step 3 – Risk Response	Step 4 – Monitor & Review																																													
<p>Best done in groups, by those responsible for delivery objectives.</p> <p><b>RISK</b> is a <i>potential future</i> event that, if it materialises, has an <i>effect</i> on the achievement of our objectives.</p> <p>Consider both threats and opportunities.</p> <p>When to consider:</p> <ul style="list-style-type: none"> <li>• Setting business aims and objectives</li> <li>• Service planning</li> <li>• Target setting</li> <li>• Partnerships &amp; projects</li> <li>• Options appraisal</li> </ul> <p>Establish the <b>risk owner</b>.</p> <p>Document in the <b>risk register</b>.</p>	<p>Combination of the <b>impact</b> and <b>likelihood</b> of an event (the <b>CURRENT RISK</b>).</p> <p>Impact score is the highest from the different categories.</p> <p>Establish your <b>key existing controls</b> and whether they are managing the impact and/or likelihood of the risk.</p> <p>Scores can be depicted in the <b>risk matrix</b>:</p> <table border="1" data-bbox="658 836 1124 1187"> <tr> <td rowspan="5">Likelihood</td> <td>5</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Black</td> <td>Black</td> </tr> <tr> <td>4</td> <td>Green</td> <td>Yellow</td> <td>Red</td> <td>Red</td> <td>Black</td> </tr> <tr> <td>3</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> <tr> <td>2</td> <td>Blue</td> <td>Green</td> <td>Yellow</td> <td>Yellow</td> <td>Yellow</td> </tr> <tr> <td>1</td> <td>Blue</td> <td>Blue</td> <td>Green</td> <td>Green</td> <td>Yellow</td> </tr> <tr> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td colspan="5">Impact</td> </tr> </table>	Likelihood	5	Yellow	Yellow	Red	Black	Black	4	Green	Yellow	Red	Red	Black	3	Green	Yellow	Yellow	Red	Red	2	Blue	Green	Yellow	Yellow	Yellow	1	Blue	Blue	Green	Green	Yellow			1	2	3	4	5			Impact					<p><b>Black</b> – Above our <b>tolerance</b>, immediate action and reporting to directors.</p> <p><b>Red</b> – Outer limit of our <b>appetite</b>, immediate action.</p> <p><b>Amber</b> – Medium risk, review existing controls.</p> <p><b>Green</b> – Low risk, limited action, include in plans.</p> <p><b>Blue</b> – Minimal risk, no action but annual review.</p> <p>Risk Response – 4Ts</p> <ul style="list-style-type: none"> <li>• Treat (i.e. apply controls)</li> <li>• Tolerate (i.e. accept risk)</li> <li>• Transfer (e.g. insurance / partnership)</li> <li>• Terminate (i.e. stop activity)</li> </ul> <p>After your response; where does the risk score now? (the <b>MITIGATED RISK</b>)</p>	<p>Completed risk registers returned to <b>Mid Kent Audit</b>.</p> <ul style="list-style-type: none"> <li>• <b>Corporate Leadership Team</b> monthly monitoring of <b>black</b> risks. Quarterly reporting of all high level (<b>black</b> and <b>red</b>) risks.</li> <li>• 6-monthly reporting to <b>Wider Leadership Team</b>.</li> <li>• Risk registers sent quarterly to <b>directors</b> and <b>heads of service</b>.</li> <li>• 6-monthly monitoring at <b>Policy &amp; Resources Committee</b>.</li> <li>• Annual monitoring of process by <b>Audit, Governance &amp; Standards Committee</b>.</li> </ul> <p>Mid Kent Audit facilitate the review and update of risk actions (as per your risk register) during the year for and high-level (<b>red</b> / <b>black</b>) risks.</p>
Likelihood	5		Yellow	Yellow	Red	Black	Black																																									
	4		Green	Yellow	Red	Red	Black																																									
	3		Green	Yellow	Yellow	Red	Red																																									
	2		Blue	Green	Yellow	Yellow	Yellow																																									
	1	Blue	Blue	Green	Green	Yellow																																										
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## Recovery and Renewal Progress Update

## A Vibrant Economy

Action	Agreed funding	Target Start	Target End	Expected Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
72 MidKent College Skills Hub	£60,000 Recovery Fund	Sep-21	TBC	Provision of a town centre venue to provide accessible training, careers advice, and employability support for all residents. Courses delivered to a range of participants including book-keeping and computerised accounting, skills development online courses, essential digital skills, certified work skills programmes, food hygiene and employability workshops and support. Courses delivered to a range of participants including bookkeeping and computerised accounting, skills development online courses, essential digital skills, certified work skills programmes, food hygiene and	Exploring barriers preventing the project progressing with the Mall. It is felt that the shop front in the Mall remains the right location for a Skills and Community Hub. The financial investment form MKC required to make the shop front serviceable far exceeded initial programme of works forecast. Negotiation is taking place regarding the refurbishment, rent, rates and insurance with the Mall. Once agreement is reached MBC will be provided with a breakdown of costs. The project will then move forward.	Regrettably, the college have not yet identified and agreed commercial terms on suitable premises. Discussions with them remain ongoing and it is hoped that the new facility will be delivered.	The college was unable to identify and agree commercial terms on a suitable premises and have confirmed that they are no longer in a position to undertake this project.  It remains a strategic priority for the college who would welcome collaboration with the council in the future when other future opportunities and funding sources become available.

Action	Agreed funding	Target Start	Target End	Expected Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
				employability workshop and support. With space for ten participants to be physically present in the hub it is envisaged that 208 people would be able to take advantage of the hub for courses and support over 26 weeks.			
<b>Invest in industrial and warehouse premises to help de-risk new employment sites coming forward</b>	Capital Programme funding	Sep-21	N/A	Projects are identified to invest in and Maidstone is seen and delivers its promise of being open for business, businesses can expand and locate to the Borough.	Update delayed due to staffing changes.	There are monies allocated in the Council's capital programme for such property acquisitions or developments but at the time of writing, none have yet been identified.  This objective will now sit with the newly appointed Head of Property and Leisure that joins the Council in November.	No further update due to timeframe of appointment of Head of Property and Leisure that joins the Council in November.
<b>Vibrant Visitor Economy</b>	£32,000 Business Rates Pool	Jul-21	Jul-23	Maidstone has an enhanced arts and culture offer with increased visitors to key attractions and an increase in footfall in the town centre.	Update delayed due to staffing changes.	The money allocated towards this area has been used to host a calendar of 17 events throughout the summer months in Maidstone Town Centre including: <ul style="list-style-type: none"> <li>Fusion Festival</li> </ul>	A number of events were delivered during October Half term with Town Centre partners (One Maidstone, Hazlitt Theatre, the Mall and Fremlin Walk). These included: <ul style="list-style-type: none"> <li>The Scarecrow trail</li> </ul>

Action	Agreed funding	Target Start	Target End	Expected Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
						<ul style="list-style-type: none"> <li>• Brenchley Gardens Concerts</li> <li>• Art in the Park</li> <li>• Amphitheatre Workshops</li> <li>• Live theatre performances</li> </ul> <p>In addition, an autumn event has been scheduled to engage with The Mall, Lockmeadow, Royal Star Arcade and Fremlin Walk introducing the first Scarecrow Trail in Maidstone.</p>	<ul style="list-style-type: none"> <li>• Halloween crafts at the Mall and Museum</li> <li>• Scarecrow School in Fremlin Walk.</li> <li>• 2 Walking Escape Room's created by the Hazlitt Theatre.</li> <li>• A Geek Tour @ Halloween - a night time tour at Maidstone Museum.</li> </ul> <p>Events in November and December as part of the build up to Christmas include:</p> <ul style="list-style-type: none"> <li>• Christmas Lights Switch-on</li> <li>• Magic of Maidstone Festival Parade</li> <li>• Santa's Giant Post Box launch</li> <li>• Santa Paws at Lockmeadow</li> <li>• Father Christmas's Fireplace 2022</li> </ul>
<b>Capacity to develop projects and bids to take advantage of new funding opportunities</b>	£45,000 Recovery Fund	Sep-21	Sep-25	Successful bids and projects completed that meet our priorities.	No action	No action	No action

Action	Agreed funding	Target Start	Target End	Expected Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
<b>Transform the Town Centre through the development and delivery of a town centre strategy.</b>	£175,680 Recovery Fund	Sep-21	TBC	<p>Town Centre Strategy in place by 1 March 2023, projects may begin prior to this. Maidstone town centre becomes a centre of excellence for urban sustainability with a strong focus around arts, culture, leisure and visitor economy creating a place where people want to live, feel safe and which prides itself upon being a town centre which is relevant to all of the Borough's residents and to which all of the borough's residents can relate.</p>	<ul style="list-style-type: none"> <li>• Report taken to Policy &amp; Resource Committee in March to confirm scope and content of the strategy, and draft Engagement Strategy.</li> <li>• Draft Transport Brief has been prepared and is under discussion with KCC, pending discussion with members.</li> </ul>	<ul style="list-style-type: none"> <li>• Senior officer internal meetings have been held and discussions around scope of change.</li> <li>• Progression on access to smart data to create baseline indicators for Town Centre use.</li> <li>• Discussions ongoing around use and procurement of 3D modelling software</li> <li>• Early project briefs are being identified for discussions with Members</li> </ul>	<ul style="list-style-type: none"> <li>• Access to smart data completed.</li> <li>• Procurement exercise underway, bids are due to be returned in November and appointment is anticipated to be in December 2022.</li> <li>• Initial Stakeholder event held in October.</li> </ul>

## Resilient Communities

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
76 <b>Establish Community Compact</b>	n/a	May-21	n/a	Partnership in place between the community and voluntary sector and the council. Joint projects completed and greater resilience	MBC represented on KCC and District Council VCS Forum established in November 2021. MBC Consultation team supporting team on district mapping exercise of local forums and bodies to understand the offer across Kent.	No further update. Next Meeting of board – 23 Sept 2022	<p>The Civil Society Strategy (CSS) was agreed by KCC Cabinet in December 2020 and as part of this, KCC committed to supporting better engagement with the VCS. KCC established a Strategic Partnership Board for the VCSE and a VCSE Steering Group, which is independent of KCC and brings together a range of VCS representatives. The districts are represented by Dr Susan Priest on the VCSE Strategic Partnership Board as agreed by the Joint Kent Chiefs.</p> <p>An informal group of officers from the districts had been meeting on a bimonthly basis since November 2021 however it was agreed in August 2022 by JKC to review the membership of this group and design a more robust engagement mechanism to enable deeper engagement between KCC and all districts on VCSE support and strategic issues and to support dialogue at the Strategic Partnership Board for the VCSE.</p> <p>The terms of reference for this group have now been</p>

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
							formalised and MBC will be represented by the Insight, Communities and Governance Manager.
<b>Support and Encourage Volunteering in the Borough.</b>	£25,000 Recovery Fund	Jun-21	Oct-22	Increase in the number of volunteers, volunteering in the Borough and as a consequence more community initiatives delivered. Work with involve to develop an indicator	Working with KCC as part of Kent Volunteers pilot to promote and develop platform in Maidstone with VCS partners.	<p>Further development to Voluntary and Community pages on website underway, to incorporate Kent Volunteers platform and resources to support individuals and organisations with volunteering.</p> <p>A Volunteering and Funding Support Event, organised by Funding for All in partnership with MBC is currently under development and will take place at the end of November at the Council's new Community facilities at Trinity.</p> <p>The event will include guest speakers, offering experience and expertise in the sector. It will also</p>	<p>Website pages have been developed and will now include a publicly available repository of VCS groups in Maidstone.</p> <p>The Council's join up with the VCS has been extended to include Churches and Faith groups. The Policy and Communities and Engagement team have mapped all the groups known to exist in Maidstone and proactively reached out to them so that they have a single point of contact at the Council, and we can signpost them to funding and support on offer as well as maintain a two way channel of communication across the VCS at critical times.</p> <p>In partnership with Funding for All, MBC are hosting a 'Volunteering &amp; Funding Advice</p>

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
78						include 1-1 mentoring and networking.	<p>Event' on 30 November at Trinity House.</p> <p>This event is for volunteers and VCS organisations supporting people in the borough of Maidstone.</p> <p>It will offer funding support and explore opportunities for volunteer engagement. Training will be delivered on volunteering and diversifying funding sources. There will be opportunities to meet funders and have 1:1s with funding advisors. There will also be a marketplace where groups can connect with and seek support from a range of VCSEs and support organisations for VCSEs.</p> <p>The day will end with a panel discussion about volunteering and the way forwards in Maidstone borough.</p> <p>This training event will be useful for those who wish to:</p> <ul style="list-style-type: none"> <li>• explore opportunities to volunteer in Maidstone borough</li> <li>• recruit volunteers for VCSEs in Maidstone borough</li> <li>• find out about available funding and learn about new funding sources</li> </ul>



Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
							<ul style="list-style-type: none"> <li>• meet funders who fund projects in Maidstone borough</li> <li>• glean funding advice specific to their needs</li> <li>• network with other volunteers and VCSEs who serve the borough of Maidstone</li> </ul> <p>It is hoped that this will be the first of a series of events, developed with the sector to respond to its need.</p>
<b>Online Community Participation</b>	£15,000 Recovery Fund	Sep-21		Online tool in place and used to successfully engage with the public on projects and initiatives.	Project to deliver new engagement platform underway. To be launched in July to deliver Resident Survey, facilitating wider public involvement and engagement in Council projects, initiatives and decision making.	<p>'Let's Talk Maidstone' was rolled out in July 2022, launching the Resident Survey. The response to the Resident Survey so far has eclipsed the response rate of previous years with 3341 responses to date (survey still open).</p> <p>The platform allows residents to engage in different ways such as quick polls or providing qualitative information via 'stories' and comment tools. Background information can be included on the 'project' page such as FAQs which help inform visitors to the platform on the purpose of the consultation.</p>	<p>Two engagement 'hubs' have been developed on the platform – 1 for Economic Development and 1 for Planning</p> <p>Economic Development are utilising 'Let's Talk Maidstone' to help develop an upcoming Innovation Centre Research and Development event with the Business Community.</p> <p>A Planning Hub has now been launched for the 'Sustainability and Design Mapping exercise'. This seeks to find out resident views on features and characteristics of the borough.</p> <p>The Resident survey closed at the end of September. A total</p>

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
08						<p>To date, Let's Talk Maidstone has been used to engage the public on Operation Broc, an Arts project for Mote Park, a Business Hub has been created for Economic Development and a Planning Hub (to host local plan consultation) is due to be launched in September 2022.</p>	<p>of 5027 people responded to the questionnaire, of which 3584 provided age and gender allowing these responses to be weighted in line with the population of Maidstone.</p> <p>Since its launch in July the platform has been used to deliver the following Consolation and Engagement activities:</p> <ul style="list-style-type: none"> <li>• Operation Broc</li> <li>• Mote Park Arts</li> <li>• Scarecrow Festival</li> <li>• Marden Task Force</li> <li>• Waste and Recycling</li> <li>• Community Governance Review</li> <li>• Budget Survey</li> <li>• Community Wi-Fi</li> </ul> <p>Air Quality Action Plan (due to launch in November).</p>
<b>Community Resilience Fund</b>	£150,000 Recovery Fund	Oct-21	Oct-24	30 projects delivered by a variety of community and voluntary sector groups and organisations.	<p>20 organisations were funded from the 1<sup>st</sup> phase of the Community Resilience Fund amounting to £58, 429.00.</p> <p>The funding will support a wide variety of activities from a diverse group of organisations including, Hi Kent, Maidstone Street</p>	There will be a second wave of funding available in Autumn/Winter 2022 for organisations in the VCS.	The second wave of funding will launch mid-November to help support communities through the winter months. Applications will be invited from organisations across the VCS who deliver services or activities that support or improve physical and mental well-being, making the community feel better and the

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
					Pastors, Fusion healthy living and Rubicon Cares. Organisations will be able to continue to provide or increase their ability to meet demand by providing activities and support ranging from counselling sessions and mental health support to outdoor activities to support wellbeing.		community a better place. The overarching outcome is to help individuals and communities achieve 'pride in place.'
<b>Equip Trinity Foyer to be a Community Hub</b>	£30,000 Recovery Fund	Jun-21	Oct-21	New community hub delivered for all housing and related support services in Trinity.	Equipment has been installed, and further resources being purchased, for digital inclusion for those using the Community Hub. This will include static laptops, audio visual training equipment and tablets for individuals to use.  The handover of the refurbished building has been delayed – expert by end of June with activities and digital services going live to our community mid July 2022.	The building is now open and fully operational.	The building is operational, and all the residential units full.  The customer IT is in place and being used every day.  The training room has been operating seminars and workshops for both internal and external partners/stakeholders and beneficiaries.  The desk top IT is present and those who require some help to access any IT related issue can seek support from our Support Officers on site everyday.
<b>Financial Inclusion Strategy and Actions</b>	£34,320 Recovery Fund			The number and value of unclaimed benefits that residents are supported to claim A reduction in the number of	The Welfare Officer posts have now been in place since March 2022. A project was carried out in March 2022 to issue fuel vouchers	<b>March/April fuel voucher</b> offer: 1400 households, total vouchers issued 3184 – Total value of vouchers issued £65272	<b>Update on Household support fund – fuel voucher</b>  Aug/Sept - 1277 vouchers issued valued at £49.00 each.

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
				households in financial crisis or at risk of moving into crisis Increased take up of debt advice services by households with problem debt A reduction in the number of households identified as being in a repeated pattern of Council Tax debt The number of low-income households supported with energy efficiency measures The number of low-income households supported to access a more appropriate tariff	<p>in conjunction with KCC to those on pre-payment meters. Over 3,000 vouchers were issued in a month to 1,000 households.</p> <p>Using the Policy in Practice data pensioner households have been contacted who may be entitled to claim Pension Credit.</p> <p>Postcards are being sent out to those who live in deprived areas who are not claiming Council Tax Support who are likely to be entitled. This will be rolled out across the Borough by area.</p> <p>The Welfare Officers will help customers who are contacted to complete applications, or they will signpost to charities or the DWP for support. Support will be provided if these customers are in rent arrears, not claiming disability benefits that they may be entitled to or unable to provide the necessary support for their families</p>	<p><b>CTS pilot scheme:</b> 150 MBC residents contacted – 18 confirmed they would apply (data outstanding re results) 150 TWBC residents contacted – 23 confirmed they would apply (Data outstanding re results)</p> <p><b>CTS UC applications</b> – 410 MBC residents contacted – 110 applied – yearly award of £66153.88</p> <p>- 262 TWBC residents contacted – 103 applied – yearly award of £52847.96</p> <p><b>PC take up</b> – MBC 146 residents contacted – 72 applications submitted – due to Pension Credit backlog only 19 have been completed by DWP, total value of yearly award £45284.20. 53 Claims still waiting to be assessed by DWP. TWBC – 119 residents contacted – 55 applications submitted – due to Pension Credit backlog only 13 have been completed by DWP, 12 accepted and 1 declined – total value of yearly award</p>	Total value of £62573.00. 518 Households impacted.

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
						<p>£31034.64- 43 claims still waiting to be assessed by DWP.</p> <p><b>Household support fund – fuel voucher</b> – approx. 1277 vouchers to issue valued at £49.00 each. Have issued 587 to date and remainder to be issued by end of September. Households impacted – 431</p>	
<p><b>Love Where You Live and Get Involved.</b></p>	£35,000 Recovery Fund	Sep-21	Sep-22	8 community environmental projects delivered. Civic Pride increased as measured by the Resident's Survey. Baseline the number of participants in the project.	<p>The 1s community Environmental project has started with a location in Tovil being identified as suitable and meeting the required criteria. Existing local volunteer groups, new volunteers, relevant members and Tovil Parish Council have all been updated and a dedicated Working group will be created in the coming months.</p> <p>A slight delay has been created due to complications removing a dilapidated building but with MBC's Building Control and Legal assisting in the</p>	Tovil project in progress. Further projects to be revaluated based on community appetite.	No further update.

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
					removal of this building, the matter is due to be resolved within the next 2 months. Once the matter of the building is resolved with timelines, work will start.		

## The Way We Work

Action	Agreed funding	Target Start	Target End	Expected Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
<p>Increase HR capacity to facilitate agile working and new ways of working</p> <p>85</p>	<p>£50,000 Recovery Fund</p>	<p>Oct-21</p>	<p>Oct-22</p>	<p>Better understanding from staff on impact of changes to organisation culture Actions taken to meet future workforce requirements.</p>	<p>All 3 work streams of the culture change project have progressed over the last few months. The first work stream involves holding listening sessions which started at the Chief Executive level and will run through all the way to managers so that everyone has the chance to participate in these sessions in order to support the desired culture for the organisation. The second activity reviews the whole council system and this will involve staff, partners and service users to help us to understand how we are perceived and what we need to adapt or change to achieve continuous improvement in our approach to service design and delivery. This event will be taking place in July.</p>	<p>Listening sessions at WLT and manager level have continued across the organisation. The feedback from the manager sessions will be reviewed by the HOS to see what changes/improvements need to be made based on the feedback. The WLT had an away day on 25 July where they reviewed all the feedback from the listening sessions to identify key messages and current issues from the discussions held at team level. The WLT also explored what things they would want to hear in the future from staff and how as a group they going to make the organisation feel different to achieve this. There will be further discussions at WLT on the actions discussed at the away day. The Whole Systems event with internal staff and external partners took place on 8 July. There were a number of topic areas discussed at this meeting and the outputs</p>	<p>The culture change project is on-going and we will be working on the outcomes from listening sessions but these take time to plan and implement.</p>

					<p>The final work stream looks at identifying, recognising and building on the positive activities that are already taking place at the council and encouraging others to participate in these events. This was presented to staff in the all staff webinar in April where everyone participated in the event by providing ideas on all the different activities staff have been involved with and new ones that could be set up to increase staff engagement.</p>	<p>have been shared with the relevant individuals. The key messages from the different themes will also be shared with the WLT. We are working on creating a Teams page to encourage staff to be involved in events/activities that they are interested in as part of the community building work stream of the culture change project. At the next all staff webinar in September an update will be provided to all staff on the work that has been done on the project and things we have delivered and looking to implement on our culture change journey.</p>	
<b>Action</b>	<b>Agreed funding</b>	<b>Target Start</b>	<b>Target End</b>	<b>Expected Success</b>	<b>Progress at May 2022</b>	<b>Progress at August 2022</b>	<b>Progress at November 2022</b>
Embedding new ways of working and ensuring the office is fit for purpose	£50,000 Recovery Fund £40,000 Capital Programme	Oct-23		Flexible office space that supports the new ways of working with the right technology and facilities.	£45k funding required to provide specialist M365 consultancy and to backfill support for long-term covid sickness. £15k per partners (3) partners beginning April 2022.	Backfill support post has now ended. Learning and knowledge gained has been shared within the ICT team. Support enabled ICT to move the entire email service to the cloud and build the foundations on which the partnership will move documents to the cloud, and support new and modern ways of working through the use of workflow and automation, collaboration (internally and with external partners) and	Plans are being developed to move staff "personal" drives and departmental file shares to the Microsoft 365 Cloud – into OneDrive and Teams. A pilot will commence imminently, and will be followed by a carefully planned move throughout 23/24. This has been made possible by the backfill support post that ended in the summer.



						Enterprise Social Media tools to improve internal communications.	
<b>Ensure staff have the right equipment (office and home) to enable new ways of working</b>	Capital Programme	Oct-21		Staff able to effectively work anywhere	£30k spent on specialist consultancy between April 22 and end of June 22. The period prior to this was funded out of existing ICT pooled budgets). The balance (£10k) is accounted for in the expense of providing additional hardware (laptops, conferencing tools etc and licences to support lockdown measures and increased homeworking 2020/21.	Conference room facilities ("HP Slice" device for "Teams in a room") are in place across the partnership.  Specialist consultancy has provided the foundation to improve and secure remote access as we move more services to the cloud.	No update to report.

## Responding to Increased Demands arising from COVID-19

Action	Agreed funding	Target Start	Target End	Success	Progress at May 2022	Progress at August 2022	Progress at November 2022
<b>Planning Development Control fixed term post</b>	£35,000 Recovery Fund	ASAP		Backlog resolved and staff able to meet demands on the service	This has been achieved	Complete	Complete
<b>Planning Enforcement fixed term post</b>	£35,000 Recovery Fund	ASAP	Mar-22	Backlog resolved and staff able to meet demands on the service	This has been achieved	Complete	Complete
<b>Increased capacity in Heritage and Landscape</b>	£70,000 Recovery Fund	ASAP		Backlog resolved and staff able to meet demands on the service	This has been achieved with the fixed term appointment of a principal conservation officer	Complete	Complete
<b>Increased capacity within Data Analytics to provide support for recovery and renewal projects</b>	£50,000 Recovery Fund	Jul-22	Jul-23	18 dashboards in place by 2023	Existing fixed term post within the Information and Analytics team will be extended later this year. Ten dashboards have already been developed: <ul style="list-style-type: none"> <li>• Development Management</li> <li>• Planning Enforcement</li> <li>• Community Protection</li> <li>• Customer Services</li> <li>• Waste Crime</li> <li>• Street Cleansing</li> <li>• Data Protection</li> <li>• Revenues</li> <li>• HR</li> <li>• Property</li> <li>• Compliance</li> </ul>	There are now seven more dashboards currently in various stages of development, with a current focus on the service areas within Revenues and Benefits. The team remain on target to achieve 18 by summer 2023.  The team continue to improve the information held on the website and dashboards are publicly accessible <a href="#">here</a>	There are nine completed dashboards, with a further four under review and another 7 under development.  The team remain on target to achieve 18 by summer 2023.  The team have improved the information published on the website, with dashboards accessible <a href="#">here</a> .

					Four more dashboards are currently in various stages of development. Meaning the team are well on target to achieve 18 by summer 2023. The team are now focusing on improving the information held on the website and making dashboards publicly available where relevant and possible		
<b>Action</b>	<b>Agreed funding</b>	<b>Target Start</b>	<b>Target End</b>	<b>Success</b>	<b>Progress at May 2022</b>	<b>Progress at August 2022</b>	<b>Progress at November 2022</b>
<b>Revenues and Benefits – Citizens Advice Maidstone Post</b>	£18,000 Contain Outbreak Management Fund	Aug-21		Residents with debt problems are assisted to maximise income, reduce debt by claiming the benefits they are entitled to	A service level agreement has been entered with the Citizens Advice Bureau who pro-actively contact 40 low-income households who are experiencing with debt issues.	In line with the monitoring requirements of the SLA, data detailing contacts and outcomes is reported to the Inclusion Board.	No further update.

Intervention	Project	Detail	2022/23 budget	Amount spent:	£ Committed	Q2 Update:
E1: Improvements to town centres & high streets	Project B A Safe and Attractive Town Centre achieved through Greening and Lighting	Feasibility study in year 1, The feasibility study will be combined with other work required for the Town Centre Strategy so the amount allocated reflects the study being partly funded from the TCS allocation	£20,815			Consultant to be appointed December 2022, works to commence January 2023.
E6: Local arts, cultural, heritage & creative activities	Project A - Building Pride in Place through promotion of the Town Centre and Events.	Creative communities funds for local organisations and groups to support events	£31,602			Bidding will open between November-January. Bids will be reviewed and allocated funds by the end of January, then funds will be distributed in February.
		Festive Trail event – working with One Maidstone to create a festive trail to run through the Town Centre from the last week of November through to December	£21,068	£8,145	£8,145	Company has been appointed and work is progressing to achieve timeline.
		Events Expertise to develop bespoke events	£4,740			
		Equipment purchase to support events	£15,000	£146		Microphone and speaker box has been purchased.
E8: Campaigns to encourage visits and exploring of local area	Project A - Building Pride in Place through promotion of the Town Centre and Events.	Advertising budget to promote events across all channels	£20,835	£1,138	£2,864	To promote the Festive Trail.
		Borough Insight Events and Town centre focussed	£26,043		£26,043	Estimated cost of the next Borough Insight is £30,602. The remaining costs will be funded from other income.
		Promotional video for business and events in TC	£5,436			Company appointed, work has not yet been booked.
		<b>Total:</b>	<b>£145,540</b>	<b>£9,429</b>	<b>£37,952</b>	
				<b>£47,381</b>		

**CORPORATE SERVICES POLICY  
ADVISORY COMMITTEE**

**16th November  
2022**

**Medium Term Financial Strategy 2023/2028**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	16 <sup>th</sup> November 2022
Executive Meeting	23 November 2022

<b>Will this be a Key Decision?</b>	Yes
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Executive
<b>Lead Head of Service</b>	Mark Green, Director of Finance & Business Improvement
<b>Lead Officer and Report Author</b>	Adrian Lovegrove, Head of Finance
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

This report sets out the updated Medium Term Financial Strategy (MTFS) to reflect the latest position and describes the issues and risks involved. It sets out key assumptions to be made in preparing the MTFS.

The report concludes by setting out the subsequent steps involved in developing an updated MTFS and the Budget for 2023/24, including a timetable for consideration by Members.

Overall it shows that the future financial position is worsening with continued high inflation and potential reductions of local government funding. Scenario 4 provides the latest view on the size of the challenge. We have also developed a scenario 5 that shows a worst case scenario if inflation continues to remain high. Therefore the MTFS focuses on these two most likely scenarios.

There is still a huge amount of uncertainty. The recent mini budget caused significant risks to local government funding and borrowing. The reversal of these and appointment of the new Prime Minister have had a positive impact with interest rates returning to levels similar to that before the mini budget. 17<sup>th</sup> November has been set as the date for publishing an Autumn statement

which it is hoped will give some clarity about local government funding and the wider UK financial implications such as inflation.

The Council continues to consider savings options that may be needed to balance the budget, as whichever scenario arises, we will need to consider such options.

It should be noted that the overall financial position of the Council's balance sheet and the level of usable reserves puts us in a better position than many councils. It will give us flexibility to use reserves to manage the budget position in the short term while we develop sustainable savings options.

**Recommendation to Corporate Services Policy Advisory Committee.**

1. That the issues and risks associated with updating the Medium Term Financial Strategy are noted.
2. That the Committee recommend to the Executive to approve the MTFS and the proposed approach outlined to development of an updated Medium Term Financial Strategy for 2023/24 – 2027/28 and a budget for 2023/24 be approved.

# Medium Term Financial Strategy 2023/2028

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
<b>Cross Cutting Objectives</b>	The MTFS supports the cross-cutting objectives in the same way that it supports the Council's other strategic priorities.	Section 151 Officer & Finance Team
<b>Risk Management</b>	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
<b>Financial</b>	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee considers the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
<b>Staffing</b>	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
<b>Legal</b>	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Interim Team Leader (Contentious and Corporate Governance) and Monitoring Officer
<b>Privacy and Data Protection</b>	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Section 151 Officer & Finance Team
<b>Equalities</b>	The MTFS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence based equalities impact assessment will be	Equalities & Communities Officer

	undertaken. Should an impact be identified appropriate mitigations will be identified.	
<b>Public Health</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
<b>Crime and Disorder</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
<b>Procurement</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
<b>Biodiversity and Climate Change</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

## 2. INTRODUCTION AND BACKGROUND

- 2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council adopted a Strategic Plan for the period 2021 – 2045 in December 2018, and the existing MTFS for the period 2022/23 to 2026/27 reflects the Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.
- 2.2 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2023/24 at the Council meeting on 22 February 2023.
- 2.3 A draft MTFS is attached to this report. As background, it comprises an assessment of the economic environment and the Council's own financial position. It will be seen that the Council faces a difficult financial position, with continued high inflation and potential reductions of local government funding.
- 2.4 We have carried out an assessment of the Council's financial resilience. CIPFA provide a Resilience Index tool to test a council's financial resilience, which indicates no high risks and we have reviewed number of elements that contribute to financial resilience, according to CIPFA, using financial data and also considering financial management. Again this shows a positive position.
- 2.5 As in previous years, different future scenarios have been considered. Scenario 4 provides the latest view on the size of the challenge. We have also developed a scenario 5 that shows a worst case scenario if inflation continues to remain high. The MTFS focuses on these two most likely scenarios and sets out how the Council should respond.



- 2.6 The development of the MTFS and the detailed budget for 2023/24 will maintain short to medium term financial resilience.
- 

### **3. AVAILABLE OPTIONS**

3.1 The Committee has the following options:

- 1 To note the contents but may choose to comment on the content.
  - 2 That the Committee recommend to the Executive to approve the MTFS and the proposed approach outlined to development of an updated Medium Term Financial Strategy for 2023/24 – 2027/28 and a budget for 2023/24 be approved.
  - 3 That the Committee do not recommend approval and Council runs the risk of operating without a clear MTFS and an unclear plan of how it can balance the budget in 2023/24.
- 

### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 The preferred option is option 2. That the Committee recommend to the Executive to approve the MTFS and the proposed approach outlined to development of an updated Medium Term Financial Strategy for 2023/24 – 2027/28 and a budget for 2023/24 be approved.

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### **5. RISK**

- 5.1 The preceding paragraphs have indicated at several points the risks and uncertainty surrounding the Council’s financial position. In order to address these in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
- 5.2 It should be recognised that risks are not usually discrete. There are interrelationships between the risks, such that (for example) inaccurate inflation projections could impact the overall risk of failing to deliver a balanced budget.
- 

### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

6.1 Consultation with all relevant stakeholders is an important part of the process of developing the MTFS. A public budget consultation is taking place during November, then individual Policy Advisory Committees will be consulted in January on the details of the MTFS proposals as they affect the respective Committee portfolios.

- 6.2 Corporate Services Policy Advisory Committee on 13 July 2022 recommended that an additional alternative course of action be considered, namely a 0% council tax increase. Details of this were provided. The cost is around an additional £2m of savings that would be required by 2027/28.
- 

## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 An outline timetable for developing the Medium Term Financial Strategy and budget for 2023/24 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
23 November 2022	Executive	Agree proposed approach to updating MTFS for submission to Council
December 2022		Receive 2023/24 Local Government Finance Settlement
January 2023	All Policy Advisory Committees	Consider 23/24 budget proposals
8 February 2023	Executive	Agree 23/24 budget proposals for recommendation to Council
22 February 2023	Council	Approve 23/24 budget

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## **8. REPORT APPENDIX**

- Appendix 1: Draft Medium Term Financial Strategy 2023/28
- 

## **9. BACKGROUND PAPERS**

None.

# **MAIDSTONE BOROUGH COUNCIL**

## **MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2027/28**



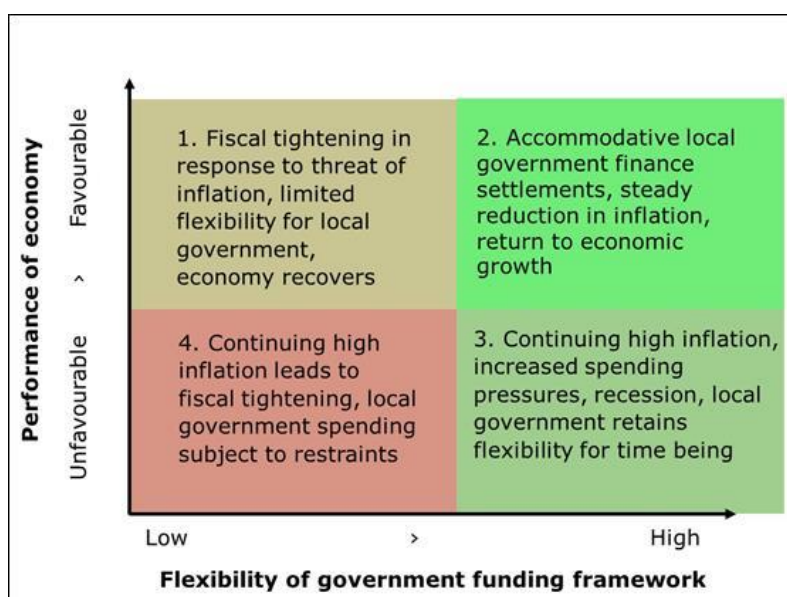
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## 1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

- 1.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council's Strategic Plan, agreed in December 2018, covers the period 2019 to 2045. The Strategic Plan incorporates four key objectives: embracing growth and enabling infrastructure; homes and communities; a thriving place; and safe, clean and green. Further details are set out in **Section 2**.
- 1.2 Delivering the Strategic Plan depends on the Council's financial capacity and capability. Accordingly, the MTFS considers the economic environment and the Council's own current financial position. The external environment (**Section 3**) is challenging because of an impending economic recession, high inflation and the state of the UK's public finances. The state of the international economy, with tensions between the superpowers, high energy prices and the continuing war in Ukraine, only serves to exacerbate these challenges. In assessing the Council's current financial position (**Section 4**), attention therefore needs to be paid to its resilience, including the level of reserves that it holds.
- 1.3 Most key variables in local authority funding are determined by central government, such as the Council Tax referendum limit and the share of business rates that is retained locally. Although a three-year Spending Review was announced by the Chancellor in October 2021, there was only a one year settlement for Local Government for 2022/23. At the time of writing (October 2022) the government had not set out its plans for balancing government spending over the medium term, but this was expected to include tight constraints on public expenditure. More details will emerge in the Local Government Finance Settlement, expected in December 2022. A consideration of the funding likely to be available in the future is set out in **Section 5**.
- 1.4 In view of these different elements of uncertainty, it is imperative that the MTFS both ensures Maidstone Council's continuing financial resilience and is sufficiently flexible to accommodate a range of potential scenarios. The Council has prepared financial projections under different scenarios, continuing a practice that has been followed for several years. Details of the assumptions made in the different scenarios are set out in **Section 6**.
- 1.5 The MTFS sets out the financial projections in **Section 7**. Various potential scenarios were modelled, based on two key variables: (a) the performance of the economy, which is closely linked to the global economy and subject to all the pressures of war and constraints on energy supplies; and (b) how aggressively the government and the Bank of England respond to rising inflation. We originally had 4 potential scenarios, given these two key variables, which can be shown as follows.

**Figure 1: Potential future scenarios**



1.6 Since we last provided an update on the MTFs we have introduced a fifth scenario to reflect the potential for reduction in funding. Scenarios 4 and 5 are described as :

- Scenario 4: Continuing high inflation leads to fiscal tightening, local government spending subject to restraints
- Scenario 5: Continuing high inflation leads to fiscal tightening, local government spending subject to reductions

1.7 Scenario 4 has been used to assess the likely size of the budget gap, based on what we currently know. We need to await confirmation of funding and monitor the economic environment including the level of inflation that the UK is currently facing. There is still no clarity about local government following recent budget announcements, but we hope that the Chancellor’s announcement on 17<sup>th</sup> November will start to provide some clarity. The table below shows projections for scenario 4, before taking account of budget changes, which will be considered by members at PAC meetings in January 2023, and other updates.

**Table 1: MTFs Revenue Projections 2023/24 – 2027/28**

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
<b>Scenario 4 – Limited flexibility, continued stagflation</b>					
Total Resources	46.7	48.2	49.8	51.5	53.3
Predicted Expenditure	49.7	53.6	56.9	60.9	64.4
Budget Gap	-3.0	-5.4	-7.1	-9.3	-11.1
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-2.5	-4.6	-6.3	-8.6	-10.4

In accordance with legislative requirements the Council must set a balanced budget. Section 7 concludes by setting out a proposed approach which will specifically address the budget gap in 2023/24 and, more generally, provide a framework for closing the budget gap in future years.

- 1.8 The Council's strategic priorities are met not only through day-to-day revenue spending but also through capital investment. The Council's programme of building 1,000 Affordable Homes is the centre-piece of the Capital Strategy. Capital investment therefore serves to deliver the Council's strategic priorities, but must remain affordable and sustainable. As set out in **Section 8** below, funds have been set aside for capital investment, using prudential borrowing, and further funding may be available by taking advantage of opportunities to bid for external funding, e.g. the Levelling-Up Fund.
- 1.9 The MTFS concludes by describing the process of agreeing a budget for 2023/24, including consultation with all relevant stakeholders, in **Section 9**.

## 2. CORPORATE OBJECTIVES AND KEY PRIORITIES

2.1 The Council has a Strategic Plan which was approved by Council in December 2018. The Strategic Plan has been refreshed in light of the Covid-19 pandemic. The overall strategic priorities remain the same, but specific areas of focus for the next five years have been agreed. So far as recovery from Covid-19 is concerned, the Council's approach will be based around four themes: economic recovery, supporting resilience for communities and vulnerable people, adapting the way we work, and financial recovery. The four key objectives, as follows:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

'Embracing growth and enabling infrastructure' recognises that we want Maidstone Borough to work for the people who live, visit and work; now and in the future. We want a Borough where there is a variety of jobs, housing need is met and infrastructure is in place to meet the growing needs of our residents and economy. We also want to ensure we lead and shape our place as it grows, including leading master planning and investing to bring about high quality housing and jobs in the Borough.

'Homes and communities' expresses that we want to have a place that people love and where they can afford to live. This means ensuring that there is a good balance of different types of homes, including affordable housing. We will have safe and desirable homes that enable good health and wellbeing for our communities. We will address homelessness and rough sleeping to move people into settled accommodation. We will work with our partners to improve the quality of community services and facilities including for health care and community activities. Residents will be encouraged and supported to volunteer and play a full part in their communities.

'A thriving place' is a Borough that is open for business, attractive for visitors and is an enjoyable and prosperous place to live for our residents. Maidstone is the Business Capital of Kent; we will continue to grow our local economy with high employment, good local jobs and thriving local businesses. We want our town and village centres to thrive and be fit for the future. We will lead investment in the County town and rural service centres through our regeneration projects and working with partners. We are proud of our heritage and will continue to grow our leisure and cultural offer

A 'safe, clean and green' place is one where we will keep Maidstone an attractive and clean place for all. Maidstone is a safe place to live and we want our residents to feel safe. We want to protect and where possible enhance our environment and make sure our parks, green spaces, streets and public areas are high quality by ensuring they are looked after, well managed and respected.



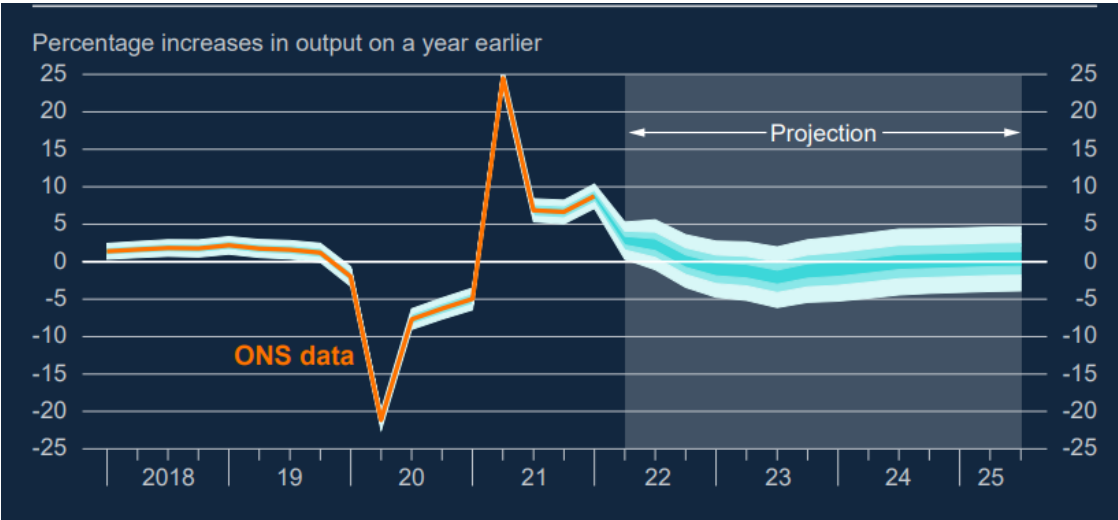
- 2.2 Since the adoption of the Strategic Plan in December 2018, the objective of 'Embracing growth and enabling infrastructure' has started to be realised, for example the completion of the Innovation Centre and development a new Garden Community.
- 2.3 Amongst initiatives to help make Maidstone a 'Thriving Place' have been MBC investment at Lockmeadow and on the Parkwood Industrial Estate, along with the emerging plans for developing a Town Centre Strategy. We will continue to leverage the Council's borrowing power, if appropriate in conjunction with partners, to realise our ambitions for the borough.
- 2.4 Our 'Homes and Communities' aspirations are being achieved by investment in temporary accommodation and the Trinity Centre and the Leader's commitment to build 1,000 new affordable homes.
- 2.5 The objective of a 'Safe, Clean and Green' place has been emphasised by the Council's commitment to a carbon reduction target and the capital investment to help enable this to be delivered and timely preparation for new waste management arrangements.
- 2.6 Within the framework of the existing Strategic Plan, the Council is therefore prioritising:
- development of the Local Plan and related strategies and policies, in particular the Town Centre Strategy
  - continued investment to make Maidstone a thriving place
  - investment in 1,000 new affordable homes
  - measures to enable the Council's carbon reduction target to be met
  - continued recovery from the Covid 19 pandemic.
- 2.7 The overall funding envelope within which these priorities must be delivered remains unclear. However, it is clear that there are financial challenges arising from a likely downturn in the economy and continuing high levels of inflation. Whilst the Council is largely self-sufficient financially, drawing most of its income from Council Tax and a range of other locally generated sources of income, including Parking, Planning Fees and the Council's property portfolio, it operates within the local authority funding framework set by central government, which is likely to impose tight constraints. The most significant element of this is the restriction set by central government on the amount by which Council Tax can be increased. The financial implications are set out in section 7 below.

### 3. ECONOMIC ENVIRONMENT

#### Macro outlook

3.1 The outlook for the UK economy is exceptionally uncertain. Following the initial recovery from the Covid recession, growth has slowed and the economy is likely to move into a recession, continuing into 2023. Growth thereafter will be very weak by historical standards. This reflects global factors including sharp rises in energy prices, but local factors mean that the UK economy is affected more severely and its performance lags behind that of other leading nations. The Bank of England projects negligible growth over the next two years and any subsequent recovery will be modest.

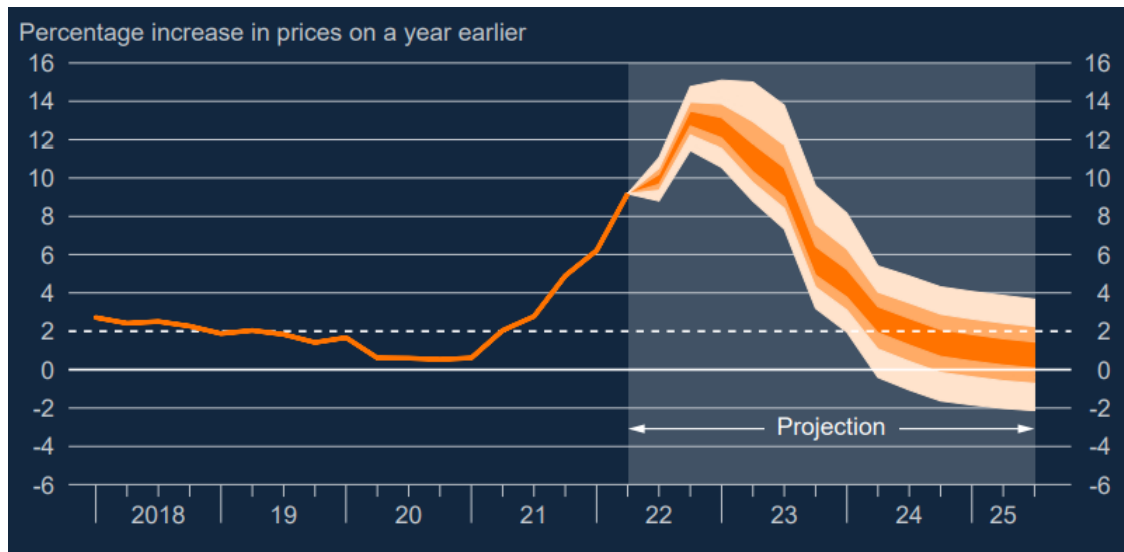
**Figure 1: GDP projection based on market interest rate expectations**



*Source: Bank of England Monetary Policy Committee report, August 2022*

3.2 Stagnant economic growth will be accompanied, in the short term at least, by high inflation. Currently inflation is around 10% and the Bank of England forecasts that inflation will increase further. The subsequent fall in inflation may be slower and longer than previously thought.

**Figure 2: CPI inflation projection based on market interest rate expectations**



*Source: Bank of England Monetary Policy Committee report, August 2022*

- 3.3 The projections above indicate that inflation will fall over the medium term. However, many commentators have challenged whether current policies will be successful in bringing down inflation. The example of the 1970s has been cited, when 'those countries that rapidly killed inflationary impulses with tight policy, led by the West German Bundesbank, took the pain and suffered a short and shallow downturn. Those that followed a more accommodating path ended up with persistently higher inflation rates that required much deeper recessions in the early 1980s to stamp out inflation'. (Chris Giles, FT 09.06.2022).

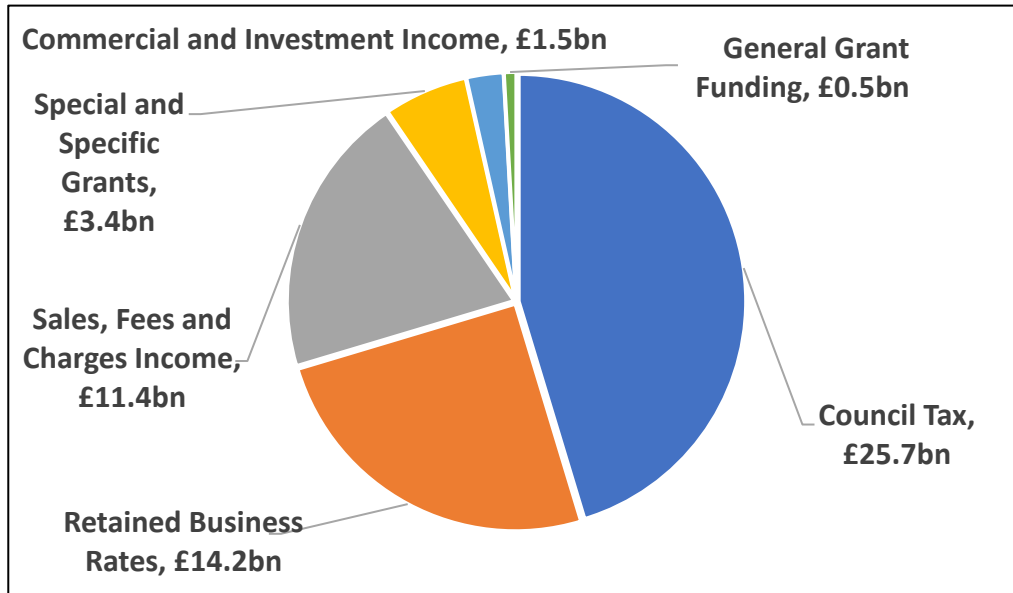
### **Public Finances**

- 3.4 An economic downturn impacts on the public finances by reducing tax income and increasing spending pressures. The financial markets' response to the 'mini budget' of September 2022 demonstrated that these pressures cannot be addressed by increasing public borrowing without a credible medium term fiscal plan. At the time of writing, details of the government's plans have yet to emerge, but they are likely to involve constraints on public spending.
- 3.5 The local authority funding framework set by government remains a crucial determinant of the Council's future financial position. This is primarily because central government restricts the amount by which Council Tax can be increased through the referendum limit and it determines the share of business rates that can be retained locally.

## Local Government Funding

3.6 The main sources of local government funding nationally are set out below.

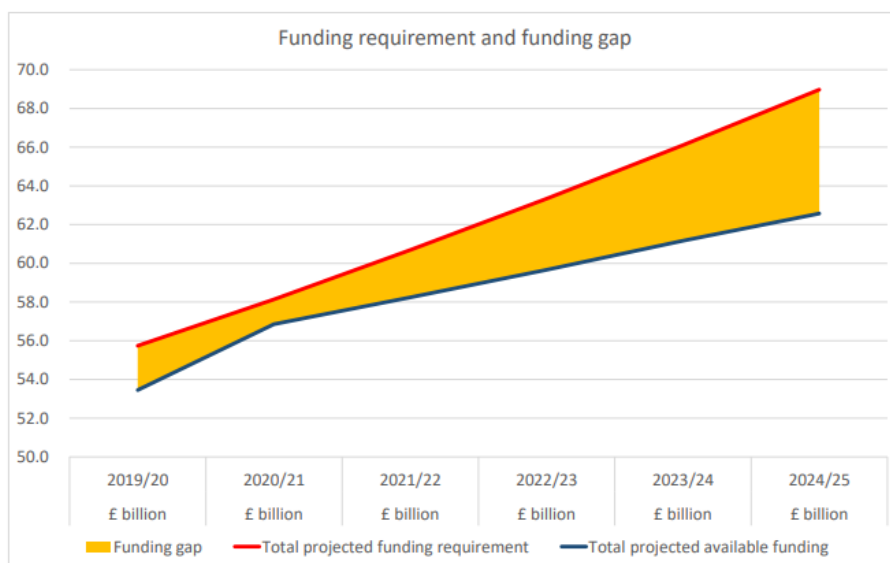
**Figure 3: How Council Services are funded**



*Source: IFS, 'Does Funding Follow Need?', October 2022*

- 3.7 In recent years, the reduction in direct central government funding for local government has been mitigated by increases in locally generated sources of income, with Council Tax rising by more than the overall rate of inflation. Upper tier authorities in particular have been able to raise additional tax through a social care precept. This has led the government's preferred measure of council spending, 'Council spending power', to increase, even though it may not reflect the actual resources available.
- 3.8 However, funding has failed to keep up with the increased demands on Council services, particularly for social care and housing. LGA analysis ahead of the 2020 Budget and Spending Review identified that Council services faced an additional funding requirement for their annual day-to-day spending and the position is likely to have worsened since then.

**Figure 4: 2025 funding gap analysis**



*Source: LGA analysis*

- 3.9 The other main element of local government funding, beside Council Tax, is Business Rates. The 2010-15 Coalition Government transferred a notional 50% of locally-collected Business Rates income back to local government, but the requirement to adjust the amount of business rates retained between authorities, based on respective service needs, means that authorities with an active commercial sector and low perceived levels of need, like Maidstone, retain a low proportion of business rates (just 10% in Maidstone’s case). It was originally intended to increase the 50% share of business rates retained locally to 75%, but this is no longer government policy.
- 3.10 At the time of writing, government spending plans are still based on a three-year Spending Review, announced on 27 October 2021. This included assumptions about real terms growth in Council Spending Power (the government’s preferred measure) over the next three years. It should be noted that the calculation of Council Spending Power assumes that local authorities will increase Council Tax by the maximum permissible without a referendum, which in Maidstone’s case is a 2% increase. The term spending power should not be conflated with actual resources available.
- 3.11 Details of what the overall increase in spending power in year 1 of the three year Spending Review period meant for individual authorities were announced in the Local Government Finance Settlement in December 2021. A potential issue for Maidstone was that an ‘across the board’ increase in funding for Councils could have used the current basis of assessing funding requirements, which in 2019/20 indicated that the Council would have to pay negative Revenue Support Grant (RSG) to government, rather than receiving RSG from the government. The first element of any increase in funding would therefore have been used to reverse negative RSG, giving no benefit to the Council. In the event, the original 2013/14 needs assessment was used to allocate additional resources to Councils, in the form of a Services Grant, which gave the Council an additional £225,000.

- 3.12 Although the Spending Review covered three years (2022/23 to 2024/25), this only translated into a one-year local government funding settlement in 2022/23 and it is anticipated that this will be the case again in 2023/24.
- 3.13 Government announcements in October 2021 included various capital funds (£300m grant funding to unlock brownfield sites, £1.5bn to regenerate unused land, UK Shared Prosperity Fund £2.6bn, Levelling-Up Fund £4.8bn). Access to this funding is through a bidding process. Reflecting its low standing in the levelling up agenda, Maidstone is a Priority 2 area.
- 3.14 Spending plans for the period from 2023/24 remain to be announced at the time of writing, but current indications suggest the public sector is going to have to make cuts. With severe pressures on the health service and adult and children's social care, there is a risk that available funding will be focused on the NHS and upper tier authorities, rather than lower tier authorities like Maidstone.

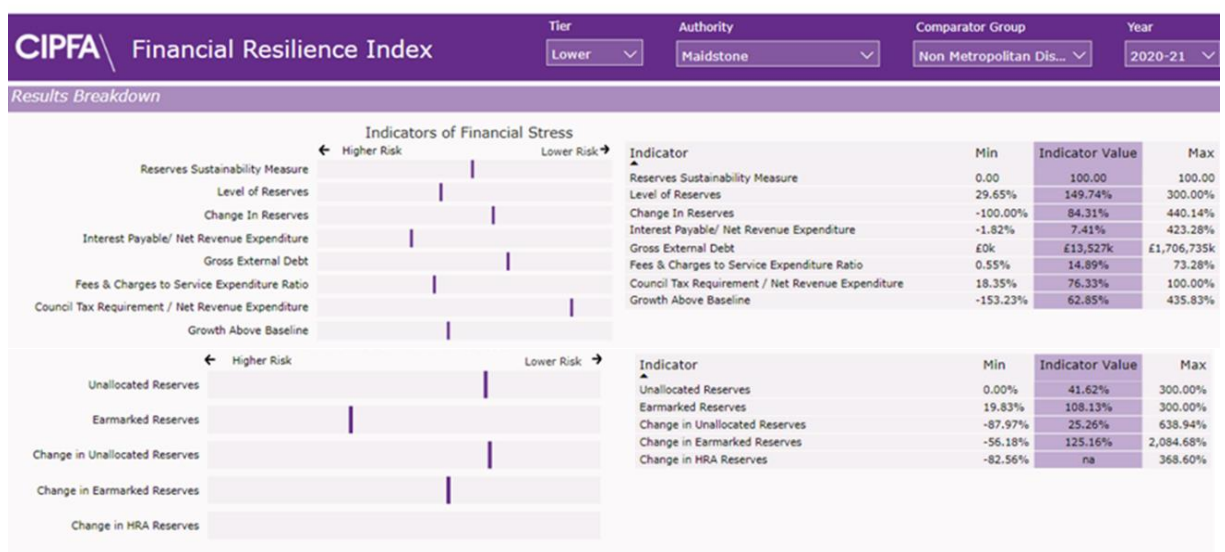
### **Conclusion**

- 3.15 The UK economy faces exceptional challenges, which make the government's task of constructing a sustainable fiscal policy more difficult than ever. Whilst local government faces severe spending pressures, there is a risk that available funding will be prioritised around the NHS and social care rather than the services delivered by this Council.

## 4. CURRENT FINANCIAL POSITION

- 4.1 As a lower tier authority, Maidstone Borough Council is not subject to the extreme pressures currently faced by upper tier authorities arising in particular with respect to adults' and children's social care.
- 4.2 Prior to the Covid-19 pandemic, the Council was broadly self-sufficient financially. It had ceased receiving direct government support in the form of Revenue Support Grant (RSG) and relied mainly on Council Tax and a range of other locally generated sources of income, including parking, planning fees and the property portfolio, to fund ongoing revenue expenditure. However, during the pandemic, income fell and expenditure increased. The consequent budget gap, being the difference between cost of services and aggregate income, was covered with direct government funding.
- 4.3 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 was no more direct government funding to cover the costs of Covid, but the Council was 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. At the half-way point of 2022/23, it is expected that, with this provision, the Council will remain within budget for the year. 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.
- 4.4 It is nevertheless appropriate to assess the Council's financial resilience. CIPFA provide a Resilience Index tool to test a council's financial resilience. We have run the model for 2020/21 (comprising the most up to date data) and it confirms the council is in a good position with no 'higher risk' indicators.

**Figure 5 – CIPFA Resilience Index for the Council in 2020/21.**



4.5 There are a number of elements that contribute to financial resilience, according to CIPFA<sup>1</sup>, based on financial data and also considering financial management:

- level of reserves
- quality of financial management, including use of performance information
- effective planning and implementation of capital investment
- ability to deliver budget savings if necessary
- risk management.

An assessment is set out below of how the Council performs on these measures.

### Level of Reserves

4.6 Maidstone Borough Council's financial position, as shown by its most recent balance sheet, is as follows (unallocated General Fund balance highlighted, previous year shown for comparative purposes).

**Table 2: Maidstone Borough Council balance sheet**

<b>31st March 2021 £000</b>		<b>31st March 2022 £000</b>
164,760	<b>Long Term Assets</b>	186,272
35,849	<b>Current Assets</b>	50,819
57,257	<b>Current Liabilities</b>	76,301
96,857	<b>Long Term Liabilities</b>	97,854
<b>46,495</b>	<b>Net Assets</b>	<b>62,935</b>
33,691	Usable Reserves	34,160
12,803	Unusable Reserves	30,096
<b>46,495</b>	<b>Total Reserves</b>	<b>64,256</b>

4.7 The main changes between the two balance sheet dates and the principal reasons are as follows:

- *Increase in long term assets:* A number of additional properties were purchased during 21/22.
- *Increase in Current Assets:* The value of short-term deposits with financial institutions grew as part of the Treasury Management Policy.
- *Increase in current liabilities:* The movement in the balances for Central Government grants, e.g. for distribution to local businesses,

<sup>1</sup> CIPFA Financial Management Code, Guidance Notes, p 51



which have been received by the Council but not yet deployed, were accounted for as liabilities at the balance sheet date.

- *Increase in unusable reserves:* this primarily relates to the difference between council tax and non-domestic rates income, as credited to the Comprehensive Income & Expenditure Statement, and council tax and non-domestic rates income calculated in accordance with statutory requirements, where this income is dealt with through the Collection Fund. The abnormal movement between years arises from the way that the Council was reimbursed for Covid business rates relief.
- 4.8 The unallocated general fund balance, part of usable reserves, represents the Council's core reserves. It is an essential part of the Council's strategic financial planning, as this amount represents the funds available to address unforeseen financial pressures.
- 4.9 For local authorities there is no statutory minimum level of unallocated reserves. It is for each Council to take a view on the required level having regard to matters relevant to its local circumstances. CIPFA guidance issued in 2014 states that to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters, as well as internal risks such as the achievement of savings.
- 4.10 Maidstone Council historically set £2 million as a minimum level for unallocated reserves. In the light of the heightened risk environment facing the Council, it was agreed from 2021/22 that this minimum should be increased to £4 million. This level of reserve provides flexibility to fund financial pressures on a one off basis.

### **Current Position**

- 4.11 Current indications are that the Council will deliver a balanced budget for 2022/23, allowing the level of reserves to be maintained. The balanced position does reflect some increased pressures in Temporary Accommodation. Further pressures are expected arising from end of the current contract for waste collection. These costs are being managed in year, but as they are likely to be ongoing, they will need to be reflected in the MTFS.

### **Financial management**

- 4.12 Financial management at Maidstone Borough Council contains a number of elements. Officers and members are fully engaged in the annual budget setting process, which means that there is a clear understanding of financial plans and the resulting detailed budgets
- 4.13 Detailed financial reports are prepared and used on a monthly basis by managers, and on a quarterly basis by elected members, to monitor performance against the budget. Reports to members are clear, reliable and timely, enabling a clear focus on any areas of variance from the plan.

- 4.14 Financial reports are complemented by performance indicators, which are reported both at the service level to the wider leadership team, and at a corporate level to members. Member reports on performance indicators are aligned with the financial reports, so that members see a comprehensive picture of how services are performing.
- 4.15 Financial management and reporting is constantly reviewed to ensure that it is fit for purposes and meets the organisation's requirements. Quarterly financial reports to members have been redesigned over the last two years to make them more user-friendly.
- 4.16 Where variances arise, prompt action is taken to address them. Action plans are put in place at an early stage if it appears that there is likely to be a budget overspend.
- 4.17 The authority consistently receives clean external and internal audit opinions.

### **Capital investment**

- 4.18 The Council's capital programme (5 year rolling programme) is intended to support local public services and to help the Council achieve its strategic priorities for the borough. The Council plans to continue investing through the capital programme.
- 4.19 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code, which requires that capital investment should be funded in a way that is prudent, affordable and sustainable. Increased cost of borrowing will require investments to provide a better return to ensure they are sustainable.
- 4.20 The capital programme is largely funded through external sources, so it depends on the availability of funding, whether through Public Works Loan Board borrowing or other sources of finance. The Council has locked in £80 million of future borrowing, to be drawn down between 2024 to 2026, in order to mitigate the funding risk.
- 4.21 Member oversight is ensured, first by inclusion of schemes in the capital programme that is approved as part of the annual budget setting process. Subsequently, prior to any capital commitment being entered into, a report setting out details of the capital scheme is considered by the relevant service committee.
- 4.22 The Council has a corporate project management framework that applies to most of the projects included within the capital programme. This provides for designation of a project manager and sponsor and includes a mechanism for progress on major projects to be reported to a Strategic Capital Investment Board.
- 4.23 Financial monitoring of capital projects is incorporated within the quarterly reports to Service Committees.

## **Ability to deliver budget savings**

- 4.24 The Council has a good track record of delivering budget savings, whilst sustaining and investing in services. Savings initiatives are planned so far as possible across the five-year period of the MTFS, rather than the focus being simply on achieving whatever savings are necessary in order to balance the budget for the coming year.
- 4.25 A common criticism of local authority financial planning is that proposed savings are often over-optimistic and are not based on realistic evidence of what is achievable. The Council aims to mitigate this risk with a robust process for developing budget savings proposals:
- New and updated savings proposals are sought on a regular annual cycle, with Service Managers typically briefed on the savings remit in August/September
  - Savings proposals are then developed over a period of around two months
  - Savings proposals have to be formally documented and signed off by the Service Head who will be responsible for delivering them.
- 4.26 Once savings have been built into the budget, their achievement is monitored as part of the regular financial management process described above.

## **Risk management**

- 4.27 The Council's MTFS is subject to a high degree of risk and uncertainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
- 4.28 The major risk areas that have been identified as potentially threatening the Medium Term Financial Strategy are as follows.
- Failure to contain expenditure within agreed budgets
  - Inflation rate is higher than 2% government target
  - Financial impact from resurgence of Covid-19 virus
  - Fees and Charges fail to deliver sufficient income
  - Adverse impact from changes in local government funding
  - Collection targets for Council Tax and Business Rates missed
  - Capital programme cannot be funded
  - Planned savings are not delivered
  - Constraints on council tax increases
  - Litigation costs exceed budgeted provisions
  - Business Rates pool fails to generate sufficient growth
  - Shared services fail to meet budget
  - Council holds insufficient balances

- Increased complexity of government regulation.
- Other income fails to achieve budget
- Increased complexity of government regulation
- Financial Impact from IT security failure
- Pension liability cannot be funded

4.29 The Council is implementing JCAD risk management software, which allows individual service areas to log and monitor risks. By reviewing risks on a regular basis in this way, it is expected that any major new risks will be identified and appropriate mitigations developed.

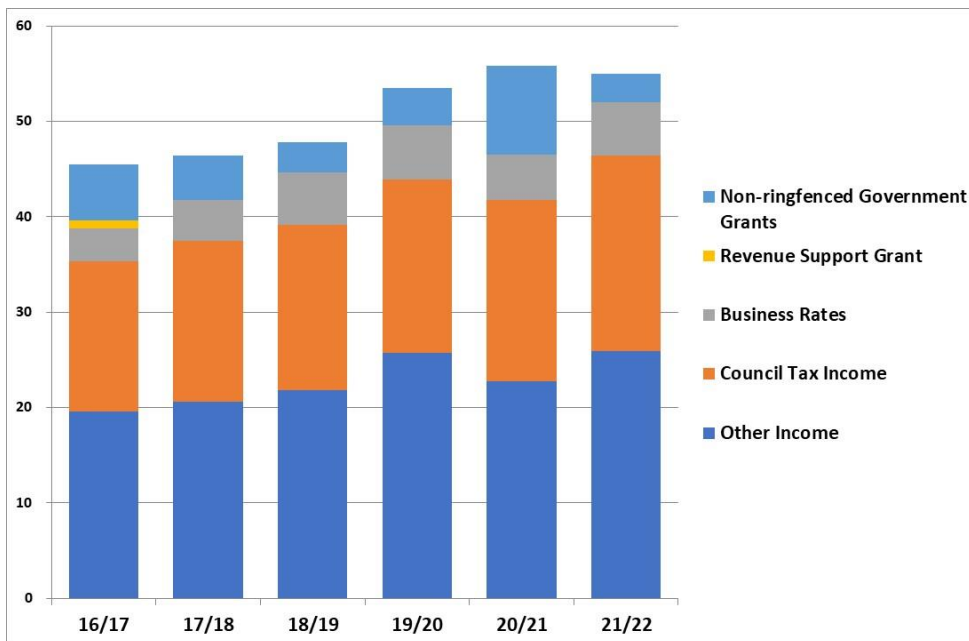
### **Conclusion**

4.30 When assessed against the CIPFA criteria for financial resilience, the Council can be seen to have adequate reserves in the short term and to be positioned well to manage the financial challenges it will face. The following section considers whether this position is sustainable.

## 5. AVAILABLE RESOURCES

- 5.1 The Council's main sources of income are Council Tax and self-generated income from a range of other sources, including parking, planning fees and property investments. It no longer receives direct government support in the form of Revenue Support Grant; although it collects around £60 million of business rates annually, it retains only a small proportion of this.

**Figure 6: Sources of Income (£ million)**



Council Tax income remained resilient throughout the Covid-19 pandemic, with only a slight deterioration in collection levels. Other income fell back sharply in 2020/21, but has now largely recovered.

### Council Tax

- 5.2 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.
- 5.3 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below.

**Table 3: Number of Dwellings in Maidstone**

	2018	2019	2020	2021	2022
Number of dwellings	70,843	71,917	73,125	75,034	76,351
% increase compared with previous year	1.74%	1.52%	1.68%	2.61%	1.76%

Note: Number of dwellings is reported each year based on the position shown on the valuation list in September.

- 5.4 Whilst the effect of the increased number of dwellings is to increase the Council Tax base, this is offset by the cost of reliefs for council tax payers, in particular Council Tax support, and any change in the percentage of Council Tax collected. The increase in the number of households and people living in the borough also impacts on the cost of service delivery, for example refuse collection and street cleansing.
- 5.5 The level of council tax increase for 2023/24 is a decision that will be made by Council based on a recommendation made by the Executive. The Council's ability to increase the level of council tax is limited by the requirement to hold a referendum for increases over a government set limit. The referendum limit for 2022/23 was the greater of 2% or £5.00 for Band D taxpayers. Council Tax was increased by the maximum possible, ie £5.40 (2%).

### **Business Rates**

- 5.6 Under current funding arrangements, local government retains 50% of the business rates it collects. The aggregate amount collected by local government is redistributed between individual authorities on the basis of perceived need, so that in practice Maidstone Borough Council retains only around 10% of the business rates that it collects.
- 5.7 The amount of business rates retained by individual authorities is currently based on a needs assessment that dates back to 2013/14. A reset is expected at some point, based on a 'Fair Funding Review'. The overall amounts to be allocated as part of the Fair Funding Review are yet to be determined. It is therefore difficult to predict with any degree of accuracy whether the proportion of business rates retained by Maidstone in the medium term will remain the same, increase or decrease.
- 5.8 The current local government funding regime gives authorities the opportunity to pool their business rates income and retain a higher share of growth as compared with a notional baseline set in 2013/14. Maidstone has been a member of the Kent Business Rates pool since 2014/15. Its 30% share of the growth arising from membership of the pool has hitherto been allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has hitherto been spent on the Maidstone East development. Following Maidstone's acquisition of Kent County Council's 50% share in the development in 2021/22, the Growth Fund will be split equally between Maidstone Borough Council and Kent County Council.
- 5.9 It should be noted that, when re-allocating business rates according to need, following a Fair Funding Review, the business rates baseline is likely to be reset, so all growth accumulated to that point will be reallocated between local authorities as described in paragraph 5.8 above.
- 5.10 Total projected business rates income for 2022/23, and the ways in which it is planned to deploy it, are summarised in the table below.

**Table 4: Projected Business Rates Income 2022/23**

	£000	
Business Rates baseline income	3,593	Included in base budget
Growth in excess of the baseline	1,692	Included in base budget
Pooling gain (MBC share)	507	Funds Economic Development projects
Pooling gain (Growth Fund)	204	Funds Maidstone East development
Total	5,996	

### **Revenue Support Grant**

- 5.11 Maidstone no longer benefits directly from central government support in the form of Revenue Support Grant, as it is considered to have a high level of resources and low needs. In fact, Councils in this situation were due to be penalised by the government under the four-year funding settlement which ran from 2016/19 to 2019/20, through negative Revenue Support Grant. Maidstone was due to pay negative RSG of £1.589 million in 2019/20. However, the government faced considerable pressure to waive negative RSG and removed it in the 2019/20 and subsequent Local Government Finance Settlements.
- 5.12 Any increase in overall funding for local authorities could simply be used to reverse negative RSG for those authorities where it was payable. As has been seen, a different mechanism was used in 2022/23, which provided some benefit to the Council in the form of the Services Grant.
- 5.13 More generally, a needs-based distribution of funding will continue to create anomalies like negative RSG, so it cannot be assumed that the threat of an adverse impact, such as Maidstone was due to experience in 2019/20, has gone away.

### **Other income**

- 5.14 Other income is an important source of funding for the Council. It includes the following sources of income:
- Parking
  - Shared services (as agreed in collaboration agreements and where MBC is the employer)
  - Commercial property
  - Private rented sector housing (Maidstone Property Holdings)
  - Planning fees
  - Crematorium and cemetery
  - Garden waste collection
  - Commercial waste collection

Where fees and charges are not set by statute, we apply a policy that guides officers and councillors in setting the appropriate level based on demand, affordability and external factors. Charges should be maximised within the limits of the policy, but customer price sensitivity must be taken into

account, given that in those areas where we have discretion to set fees and charges, customers are not necessarily obliged to use our services.

5.15 Commercial property income in particular has increased rapidly in recent years. This has arisen from a deliberate strategy of focusing capital investment on projects such as the acquisition of the Lockmeadow Leisure Complex and Maidstone House which have served the dual purposes of meeting the Council's strategic priorities and generating income. See below.

**Table 5: Net Property Income 2016/17 – 2022/23**

	16/17	17/18	18/19	19/20	20/21	21/22	22/23
	£000	£000	£000	£000	£000	£000	£000
Commercial Property	847	1,064	1,467	1,590	2,774	2,819	3,437
Maidstone Property Holdings (PRS Housing)	0	0	0	188	280	837	830
<b>Total</b>	<b>847</b>	<b>1,064</b>	<b>1,467</b>	<b>1,778</b>	<b>3,054</b>	<b>3,656</b>	<b>4,267</b>

*Source: MBC Budget Books*

5.16 Other income, particularly parking, was seriously affected by Covid-19. However, income levels in most categories have now recovered to pre-Covid levels.

### **Conclusion**

5.17 It can be seen that ongoing revenue resources are subject to uncertainty, owing to the economic environment and lack of clarity about the government's plans for funding local government. The previous section indicated that the Council's reserves, while adequate, do not leave it with a large amount of flexibility. This puts a premium on accurate forecasting and strong financial management.



## 6. SCENARIO PLANNING

- 6.1 Owing to uncertainty arising from the economic environment, and from the lack of clarity about what the government's plans for local government funding will mean for the Council, financial projections were prepared in July 2022 on four different scenarios. Following a further deterioration in the economic outlook and the impact of the September 2022 'mini budget' it is now considered that unfortunately Scenario 4, the most adverse of these scenarios, is the most likely to materialise. We have also now developed a scenario 5 to reflect the potential impact of the latest views from government.

***Scenario 1: Fiscal tightening in response to threat of inflation, limited flexibility for local government, economy recovers***

This is the scenario in which the government takes prompt action to bring down inflation. This would be likely to involve restrictions on government spending, including limits on Council Tax increases. If successful, this policy would mean that inflation would return to the government's long term target rate of 2% and the economy would recover, leading to renewed growth in the Council Tax base and the Council's other sources of income.

***Scenario 2: Accommodative local government finance settlements, steady reduction in inflation, return to economic growth***

Current government and Bank of England policy was previously based on the assumption that drastic action was not required to combat inflation, and there would be a return to growth in any case. Growth would however be anaemic, with external income returning to pre-Covid levels over a period of 3-4 years. There would continue to be growth in the Council Tax base, but constraints in the construction sector mean there is a slow-down for the first 2-3 years of the planning period. The Council would be able to fund inflationary increases in expenditure through matching increases in Council Tax. This is the most optimistic scenario.

***Scenario 3: Continuing high inflation, increased spending pressures, recession, but local government retains flexibility for time being***

Heightened assumptions about the inflation rate, capacity constraints and low economic growth compared with other national economies lead to prolonged inflation in excess of the government's 2% target. As a result, there is no real terms growth in Council income. Whilst under this scenario, the Council would be able to match inflationary growth in costs through increases in Council Tax, the poor performance of the economy would nevertheless lead to an overall deterioration in its financial position.

***Scenario 4: Continuing high inflation leads to fiscal tightening, local government spending subject to restraints***

In this scenario the government is forced to take action to bring down inflation. This would involve restrictions on government spending, including limits on Council Tax increases. The Council would not be able to match inflationary growth in costs through increases in Council Tax and the poor performance of the economy would mean minimal growth in the Council Tax base and other sources of income. This is now considered to be the most likely scenario.

***Scenario 5: Inflation peaks at a higher level than previously envisaged and remains high. Local government spending is subject to reductions.***

In this scenario inflation remains higher than originally expected. The Government and Bank of England take action to stabilise the economy, but this is not sufficient to avoid a prolonged recession. This will be reductions in government spending, including limits on Council Tax increases. The Council will not be able to match higher and sustained inflationary growth in costs through increases in Council Tax and the poor performance of the economy would mean minimal growth in the Council Tax base and other sources of income. This is the most pessimistic scenario.

**Strategic Revenue Projection**

6.2 For illustrative purposes, assumptions about what scenarios 4 and 5 might mean are set out in this section, and high-level revenue projections are shown for both. The key dimensions are:

- the Council Tax base;
- the level of Council Tax;
- retained Business Rates, which in turn depends on overall business rates income and government policy on distributing it between local authorities and central government;
- other local income, eg fees and charges;
- the cost of service delivery, which is subject to the effect of inflation on input prices.

Each of these is considered in more detail below.

**Council Tax base**

6.3 Projected Council Tax income for 2022/23 amounts to £18.2 million and is the Council's single biggest source of income. Council Tax is a product of the tax base and the level of tax set by the council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions. As described in the previous section, the tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough.

6.4 The Council tax base is also affected by collection rates and the number of households benefitting from the Council Tax Reduction Scheme. Typically these factors do not vary significantly between years but in the event of a major downturn in the economy, collection rates could be expected to fall and more households would be eligible for the Council Tax Reduction Scheme.

6.5 Future growth assumptions for each scenario are set out below.

**Table 6: Council Tax Base Growth**

<b>Council Tax base growth assumptions</b>					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	1.5%	1.0%	1.0%	1.0%	1.0%
Scenario 5 – Limited flexibility, potential funding reductions, continued stagflation	1.5%	1.0%	1.0%	1.0%	1.0%

**Level of Council Tax**

6.6 In practice, the Council’s ability to increase the level of council tax is limited by the need to hold a referendum for increases over a government set limit. In 2022/23, the limit was 2%. The Council approved the maximum possible increase. The rationale for this approach was that:

- pressures on the Council’s budget mean that even a marginal difference in Council Tax income is of value;
- the referendum limit might revert to a lower level in later years;
- because the starting point for calculating the referendum limit in any given year is the previous year’s Council Tax, agreeing a lower increase reduces the Council’s room for manoeuvre in later years.

6.7 The referendum limit of 2% was intended broadly to reflect the rate of inflation. It was also assumed in the government’s planning for local government expenditure that local authorities would indeed increase by the maximum permissible amount, and this was reflected in the ‘Spending Power’ data published for each local authority. At this stage there is no indication as to whether the government will set a higher referendum limit in 2023/24 to reflect current inflation levels.

6.8 Assumptions for each scenario are set out below, on the basis that these increases represent the government’s referendum limit and the Council follows its practice of increasing Council Tax by the maximum permitted.

**Table 7: Council Tax Increase**

<b>Council Tax increase assumptions</b>					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	2.0%	2.0%	2.0%	2.0%	2.0%
Scenario 5 – Limited flexibility, potential funding reductions, continued stagflation	2.0%	2.0%	2.0%	2.0%	2.0%

## Retained business rates

- 6.9 Under the current business rates regime, local government in aggregate retains 50% of business rates income. However, most of the 50% share collected locally is lost to Maidstone, because it is redistributed to other authorities and the government through a system of tariffs and top-ups.

**Table 8: Projected Business Rates Income 2022/23**

	£000	%
<b>Maidstone Borough Council</b>	<b>5,285</b>	<b>10</b>
Kent County Council	4,631	9
Kent Fire & Rescue Authority	515	1
Central Government	41,410	80
<b>Total Business Rates Income</b>	<b>51,841</b>	<b>100</b>

- 6.10 To the extent that business rates income exceeds a notional baseline, this growth element is retained locally, subject to a levy payable to central government by tariff authorities like Maidstone. The Council has been able to minimise the levy payable on business rates growth through its membership of the Kent Business Rates Pool. This is because, by pooling our income, the levy payable by some pool members (district councils) is offset against the top-up received by the major preceptors (Kent County Council and Kent Fire and Rescue). Details are set out in the previous section.
- 6.11 It is assumed at this stage that pool proceeds continue to be earmarked as currently. Note that in the event of a business rates reset there would initially be no growth available for pooling.
- 6.12 In general, projections of business rates income for the years after 2023/24 must, of necessity, take a cautious position on how much business rates income is likely to be retained locally, given that this is the element in our total resources that is most at risk from the vagaries of government policy. Future growth assumptions for each scenario are set out below.

**Table 9: Business Rates Growth Assumptions**

<b>Business Rates growth assumptions</b>					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	0.0%	0.0%	2.0%	2.0%	2.0%
Scenario 5 – Limited flexibility, potential funding reductions, continued stagflation	0.0%	0.0%	2.0%	2.0%	2.0%

## Other income

6.13 The main components of other income are set out below:

**Table 10: Projected Other Income 2022/23**

	£ million
Fees and charges	9.2
Property rental income and service charges	6.9
Shared services trading income	3.3
Other income	2.3
<b>TOTAL</b>	<b>21.7</b>

Each component is subject to different inflationary factors. Some fees and charges are set by central government and are not necessarily increased annually. However, where the council has the flexibility to review fees and charges, it is assumed that they are increased in line with inflation. Rents may only change at the point of periodic rent reviews. Future growth assumptions, using a composite inflation rate, are set out below.

**Table 11: Other Income growth assumptions**

Other income growth assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	5.0%	5.0%	5.0%	5.0%	5.0%
Scenario 5 – Limited flexibility, potential funding reductions, continued stagflation	5.0%	5.0%	5.0%	5.0%	5.0%

## Cost of Service

6.14 The cost of services is subject to inflation. Salaries account for around 50% of total input costs, and whilst salary increases tend to lag behind published inflation figures, market pressures are likely to mean that inflation will impact salaries in the medium term. Many other costs, in particular contract costs, are directly linked to inflation indices.

6.15 A recent benchmarking exercise indicates that salaries at Maidstone have fallen behind the policy target of the public and not for profit sector median level for any given grade. It is estimated that an additional £675,000 growth, including salary on-costs, less amounts that can be recharged, would be required to bring salaries into line. For the purposes of the MTFS projections, this growth has been excluded, on the basis that it will need to be self-financing, ie any growth will need to be funded from new savings.

6.16 Assumptions for each scenario, using a composite rate at this stage, are set out below. Note that these figures do not equate to inflation projections, because the growth in cost of services tends to lag behind headline inflation

indices. The figures below exclude any growth to address the shortfall against the salary benchmark described in the previous paragraph.

**Table 12: Cost of Service growth assumptions**

<b>Cost of services growth assumptions</b>					
	23/24	24/25	25/26	26/27	27/28
Scenario 4 – Limited flexibility, continued stagflation	5.0%	5.0%	5.0%	5.0%	5.0%
Scenario 5 – Limited flexibility, potential funding reductions, continued stagflation	10.0%	7.0%	5.0%	5.0%	5.0%

For the purposes of detailed budget planning, a more granular approach is taken to forecasting budget growth, and specific percentages are applied to the different categories within cost of services. Additionally, specific provision has been built into the strategic revenue projections for two major known future pressures, namely the continuing additional cost of providing temporary accommodation and the likely additional costs arising from relet of the waste collection contract.

## 7. REVENUE PROJECTIONS

- 7.1 Strategic revenue projections, based on the assumptions set out above, are summarised in table 14 below for scenarios 4 and 5. In light of the many uncertainties around future funding, it is important to note that projections like these can only represent a 'best estimate' of what will happen. These projections will be updated as more information becomes available, prior to a final version of the projections being included in the updated Medium Term Financial Strategy. The figures exclude the cost of potential changes in pay and grading as set out above.

**Table 13: MTFS Revenue Projections 2023/24-2027/28**

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
<b>Scenario 4 – Limited flexibility, continued stagflation</b>					
Total Resources	46.7	48.2	49.8	51.5	53.3
Predicted Expenditure	49.7	53.6	56.9	60.9	64.4
Budget Gap	-3.0	-5.4	-7.1	-9.3	-11.1
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-2.5	-4.6	-6.3	-8.6	-10.4
<b>Scenario 5 – Limited flexibility, potential funding reductions, continued stagflation</b>					
Total Resources	46.9	48.7	50.3	52.0	53.8
Predicted Expenditure	51.9	56.9	60.4	64.6	68.3
Budget Gap	-5.0	-8.3	-10.1	-12.6	-14.5
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-4.5	-7.5	-9.4	-11.8	-13.8

### Notes

- Resources comprise Council Tax, retained Business Rates and Other Income.
- Predicted expenditure comprises the cost of services and finance costs.
- A negative figure represents the amount of savings required to balance the budget; a positive figure represents a budget surplus.
- All scenarios incorporate the assumption that Council Tax income is increased by the maximum possible given the referendum limit, and fees and charges are increased in line with inflation to the extent that the Council has the flexibility to do so.

- 7.2 Even in the more favourable scenario, government constraints on local government spending, principally a freeze in the Council Tax referendum limit at the current level of 2%, lead to a deficit in 2023/24 if no further savings are made.

### Approach to balancing the budget

- 7.3 In delivering a balanced budget, the requirement to make savings or generate increased income will need to be balanced against the key priorities set out in the Council's Strategic Plan, namely:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

- 7.4 In recent years, the Council has been successful in simultaneously generating additional income and meeting its strategic priorities, through successful investments (Lockmeadow, Maidstone House) and its programme of delivering private rented sector housing through Maidstone Property Holdings. The Council will continue to seek similar opportunities in the future. However, it would not be prudent to rely solely on this approach to balance the budget, both because of the scale of the budget gap and because of current challenges in delivering capital investment, namely the availability of affordable finance and the paucity of suitable opportunities.
- 7.5 Accordingly, all budgets will be reviewed in detail to identify opportunities for savings, or increased income, which can be delivered with the minimum impact on the strategic priorities. To the extent that further growth is planned, above and beyond existing budgets, this will need to be offset by further savings. It should be noted that the savings requirement in scenario 4, whilst significant, amounts to just 3% of gross revenue expenditure. If this level of savings were achieved across all services, it may be possible to close the budget gap with a minimal impact on service delivery.
- 7.6 Option 5 provides a more challenging savings target for 2023/24. However, it will be seen from section 5 that the Council has sufficient reserves to manage a shortfall of this scale. Reserves can however only be used once, so the ongoing impact of such an adverse scenario would have to be addressed through more significant budget savings in the future.



## 8. CAPITAL STRATEGY

8.1 The capital programme plays a vital part in delivering the Council's strategic plan, since it is only through long term investment that our ambitions for the borough can be realised. The capital programme is a rolling five year programme. The existing capital programme was approved by Council at its budget meeting on 23<sup>rd</sup> February 2022. An updated capital strategy and capital programme is due to be considered by the Executive in January.

8.2 Major schemes include the following:

- 1,000 Affordable Homes programme
- Private rented sector housing programme
- Temporary accommodation
- Biodiversity & Climate Change capital projects
- Garden Community preliminary work.

8.3 Schemes may be included in the capital programme if they fall within one of the following categories:

- Required for statutory reasons, eg to ensure that Council property meets health and safety requirements or maintain the condition/value of the asset;
- Schemes focused on strategic plan priority outcomes that are self-funding.

A further two categories have also been defined, namely:

- Other schemes focused on strategic plan priority outcomes;
- Other priority schemes that will attract significant external funding.

Note that these further categories of expenditure will only meet the Prudential Code requirement for sustainable investment if specific revenue provision is made for their funding.

8.4 Prior to inclusion in the capital programme, all schemes are subject to an initial assessment. The assessment of self-funding is to ensure we achieve the appropriate rate of return, which will be subject to the cost of borrowing.

8.5 All schemes within the capital programme are then also subject to appropriate option appraisals, requiring the preparation of a business case, before approval to spend is agreed. Any appraisal must reflect the Prudential Code, which requires that capital investment should be funded in a way that is prudent, affordable and sustainable.

8.6 The current capital programme amounts to £230 million over the next five years. In the light of inflation, this amount will need to be increased if the same outputs are to be delivered, and higher input costs will need to be factored into the appraisal of individual capital schemes to ensure that they are still affordable.

- 8.7 It is envisaged that the capital programme will primarily be funded from external borrowing. In view of uncertainty about the future trajectory of interest rates and the availability of funds from the Public Works Loan Board, the Council has secured forward borrowing of £80 million, which will be drawn down between 2024 and 2026. The balance of the capital programme will still need to be funded, with the cost of finance dependent on rates applying when the borrowing requirement arises.

### **New Homes Bonus**

- 8.8 Prior to 2022/23, New Homes Bonus, which is a form of revenue grant from central government, was earmarked for capital expenditure. This reduced the Council's borrowing requirement and meant that Maidstone remained debt-free until 2019/20. For 2022/23, Council agreed when setting the budget that the first £1 million of New Homes Bonus would be allocated for strategic policy and plan making, with the balance of £3.1 million transferred to a Housing Investment Fund, to be used to subsidise the Council's Affordable Housing Programme.
- 8.9 There is an inherent requirement for subsidy within the Affordable Housing programme, as it involves providing housing at less than a market rent. In due course, as the Affordable Housing programme is rolled out, the Council will be legally obliged to establish a Housing Revenue Account, which explicitly cannot be subsidised by the General Fund. However, in the meantime, the Council is able to set funds aside to subsidise affordable housing as agreed when setting the 2022/23 budget. Inclusion of the Affordable Housing Programme within the Capital Programme implies a continuing requirement for funds to be accumulated in this way.
- 8.10 At the time of writing, there is no certainty about the future of New Homes Bonus. If it is reduced or withdrawn, alternative sources of subsidy will need to be identified for the Affordable Housing programme.

## **9. CONSULTATION AND NEXT STEPS**

- 9.1 Each year the Council carries out consultation as part of the development of the MTFS. A budget survey is being carried out and is due to close on 20th November 2022. The results of the survey will be considered as part of the detailed budget and can be considered by Policy Advisory Committees.
- 9.2 Consultation with members will take in January 2023 on the detailed budget proposals. Individual Policy Advisory Committees will consider the budget proposals relating to the services within their areas of responsibility. The final budget will be presented to Council on the 22<sup>nd</sup> February 2023.