

CORPORATE SERVICES POLICY ADVISORY COMMITTEE MEETING

Date: Wednesday 12 July 2023
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Bartlett (Chairman), Cannon, Conyard, Cooke, Mrs Gooch (Vice-Chairman), Harper, Hinder, S Thompson and Webb

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.

AGENDA

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| 1. Apologies for Absence | |
| 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 14 June 2023 - To follow | |
| 9. Forward Plan relating to the Committee's Terms of Reference | 1 - 5 |
| 10. Biodiversity and Climate Change Action Plan Update and Cost for Achieving Net Zero 2023 | 6 - 16 |
| 11. Corporate Planning Timetable | 17 - 22 |
| 12. Medium Term Financial Strategy 2024 - 2029 | 23 - 42 |
| 13. Archbishop's Palace | 43 - 53 |

Issued on Tuesday 4 July 2023

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

PART II

To move that the public be excluded for the items set out in Part II of the Agenda because of the likely disclosure of exempt information for the reasons specified having applied the Public Interest Test.

Head of Schedule 12A and Brief Description

14. Exempt Appendix to Item 13 - Archbishop's Palace	3 – Financial/Business Affairs	54
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INFORMATION FOR THE PUBLIC

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 4 p.m. one clear working day before the meeting (i.e. by 4 p.m. on Monday 10 July 2023). You will need to tell us which agenda item you wish to speak on.

If you require this information in an alternative format please contact us, call **01622 602899**.

To find out more about the work of the Committee, please visit the [Council's Website](#).

MAIDSTONE BOROUGH COUNCIL FORWARD PLAN FOR THE FOUR MONTH PERIOD 30 MAY 2023 TO 30 SEPTEMBER 2023

This Forward Plan sets out the details of the key and non-key decisions which the Cabinet or Cabinet Members expect to take during the next four-month period.

A Key Decision is defined as one which:

1. Results in the Council incurring expenditure, or making savings, of more than £250,000; or
2. Is significant in terms of its effects on communities living or working in an area comprising two or more Wards in the Borough

The current Cabinet Members are:

 <p>Councillor David Burton Leader of the Council DavidBurton@maidstone.gov.uk 07590 229910</p>	 <p>Councillor Paul Cooper Deputy Leader and Cabinet Member for Planning, Infrastructure and Economic Development PaulCooper@Maidstone.gov.uk 01622 244070</p>	 <p>Councillor John Perry Cabinet Member for Corporate Services JohnPerry@Maidstone.gov.uk 07770 734741</p>
 <p>Councillor Claudine Russell Cabinet Member for Communities, Leisure and Arts ClaudineRussell@Maidstone.gov.uk</p>	 <p>Councillor Patrik Garten Cabinet Member for Environmental Services PatrikGarten@Maidstone.gov.uk 01622 807907</p>	 <p>Councillor Lottie Parfitt-Reid Cabinet Member for Housing and Health LottieParfittReid@Maidstone.gov.uk 07919 360000</p>

Anyone wishing to make representations about any of the matters listed below may do so by contacting the relevant officer listed against each decision, within the time period indicated.

Under the Access to Information Procedure Rules set out in the Council's Constitution, a Key Decision or a Part II decision may not be taken, unless it has been published on the forward plan for 28 days or it is classified as urgent:

The law and the Council's Constitution provide for urgent key and part II decisions to be made, even though they have not been included in the Forward Plan.

Copies of the Council's constitution, forward plan, reports and decisions may be inspected at Maidstone House, King Street, Maidstone, ME15 6JQ or accessed from the [Council's website](#).

Members of the public are welcome to attend meetings of the Cabinet which are normally held at the Town Hall, High St, Maidstone, ME14 1SY. The dates and times of the meetings are published on the [Council's Website](#), or you may contact the Democratic Services Team on telephone number **01622 602899** for further details.

David Burton
Leader of the Council

Details of the Decision to be taken	Decision to be taken by	Relevant Cabinet Member	Expected Date of Decision	Key	Exempt	Proposed Consultees / Method of Consultation	Documents to be considered by Decision taker	Representations may be made to the following officer by the date stated
<p>Medium Term Financial Strategy 2024 – 2029</p> <p>Update on the MTFS for the next 5 year period 2024 to 2029. It sets the financial strategy including assumptions we are currently working to.</p> <p>Ω</p>	Cabinet	Cabinet Member for Corporate Services.	26 Jul 2023	Yes	No Open	Corporate Services Policy Advisory Committee 12 Jul 2023	Medium Term Financial Strategy 2024 - 2029	<p>Mark Green, Adrian Lovegrove</p> <p>Director of Finance, Resources & Business Improvement, Head of Finance</p> <p>markgreen@maidstone.gov.uk, adrianlovegrove@maidstone.gov.uk</p>
<p>Archbishop's Palace</p> <p>Archbishop's Palace - Next Steps</p>	Cabinet	Cabinet Member for Corporate Services.	26 Jul 2023	No	No Part exempt	<p>Corporate Services Policy Advisory Committee 12 Jul 2023</p> <p>Public consultation (already undertaken)</p>	Archbishop's Palace	<p>Mark Green</p> <p>Director of Finance, Resources & Business Improvement</p> <p>Mark.green@maidstone.gov.uk</p>

Details of the Decision to be taken	Decision to be taken by	Lead Member	Expected Date of Decision	Key	Exempt	Proposed Consultees / Method(s) of Consultation	Documents to be considered by Decision taker	Representations may be made to the following officer by the date stated
4 Biodiversity and Climate Change Action Plan Update and Cost for Achieving Net Zero 2030	Cabinet	Leader of the Council.	26 Jul 2023	No	No Open	<p>Communities, Leisure and Arts Policy Advisory Committee 4 Jul 2023</p> <p>Planning, Infrastructure and Economic Development Policy Advisory Committee 5 Jul 2023</p> <p>Housing, Health and Environment Policy Advisory Committee 11 Jul 2023</p> <p>Corporate Services Policy Advisory Committee 12 Jul 2023</p>	Biodiversity and Climate Change Action Plan Update and Cost for Achieving Net Zero 2030	<p>James Wilderspin</p> <p>Biodiversity and Climate Change Manager</p> <p>jameswilderspin@m aidstone.gov.uk</p>

Details of the Decision to be taken	Decision to be taken by	Lead Member	Expected Date of Decision	Key	Exempt	Proposed Consultees / Method(s) of Consultation	Documents to be considered by Decision taker	Representations may be made to the following officer by the date stated
Corporate Planning Timetable report on process for updating the strategic plan and MTFS timetable	Cabinet	Cabinet Member for Corporate Services.	26 Jul 2023	No	No Open	Corporate Services Policy Advisory Committee 12 Jul 2023 informal cabinet CS PAC	Corporate Planning Timetable	Angela Woodhouse Director of Strategy, Insight & Governance angelawoodhouse@maidstone.gov.uk
1st Quarter Finance, Performance and Risk Monitoring Report	Cabinet	Cabinet Member for Corporate Services.	20 Sep 2023	No	No Open	Corporate Services Policy Advisory Committee 11 Sep 2023	1st Quarter Finance, Performance and Risk Monitoring	Paul Holland paulholland@maidstone.gov.uk

Agenda Item 10

Corporate Services Policy Advisory Committee

12 July 2023

Biodiversity and Climate Change Action Plan Update and Estimated Costs for Achieving Net Zero 2030

Timetable	
Meeting	Date
Corporate Leadership Team	20 June 2023
Communities, Leisure, and Arts Policy Advisory Committee	4 July 2023
Planning, Infrastructure and Economic Development Policy Advisory Committee	5 July 2023
Housing, Health, and Environment Policy Advisory Committee	11 July 2023
Corporate Services Policy Advisory Committee	12 July 2023
Cabinet	26 July 2023

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Cabinet
Lead Head of Service	Angela Woodhouse, Director of Strategy, Insight and Governance
Lead Officer and Report Author	James Wilderspin, Biodiversity and Climate Change Manager
Classification	Public
Wards affected	All

Executive Summary

This is the biannual report on the implementation of the Biodiversity and Climate Change Action Plan following the annual review of the Action Plan agreed in April 2023 and includes an overview of each action's status, comments from action owners, and key indicators used to monitor progress (**Appendix 1**).

This report also details indicative costs for electrifying the fleet, retrofitting, and decarbonising key buildings, upgrading housing stock EPCs, as well as costs for offsetting (investing in renewable energy generation and carbon sequestration), to achieve as close to Net Zero by 2030 for the Council's own operations. This is set out at **Appendix 2**.

Purpose of Report

Noting / Recommendation

This report asks Corporate Services Policy Advisory Committee to consider the following recommendations:

1. That the Cabinet be recommended to note the action plan implementation updates and indicative costs of achieving net zero by 2023 for the Council's operations, subject to the consideration of any further recommendations made by the Committee.

Biodiversity and Climate Change Action Plan Update and Estimated Costs for Achieving Net Zero 2030

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>Accepting the recommendations will materially improve the Council's ability to achieve all its priorities.</p>	Anna Collier Insight Communities and Governance Manager
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>Delivering the Biodiversity and Climate Change Action Plan supports the achievement of the Biodiversity and Environmental Sustainability is respected cross cutting objective. It also supports cross cutting objectives of Health Inequalities are Addressed and Reduced Deprivation and Social Mobility is Improved as delivery of actions have the opportunity to improve the health of residents in the longer term and reduce residents' energy costs.</p>	Anna Collier Insight Communities and Governance Manager
Risk Management	Already covered in the risk section (see paragraph 5)	Anna Collier Insight Communities and Governance Manager
Financial	The specific costed proposals will be funded from within existing budgets. Future changes to policies and strategies will need to be assessed to understand the impact to ensure	Section 151 Officer & Finance Team

	they remain affordable during the year and in future years as part of the Medium-Term Financial Strategy.	
Staffing	We will deliver the recommendations with our current staffing.	Anna Collier Insight Communities and Governance Manager
Legal	Local authorities have a duty under Section 40 of the Natural Environment and Rural Communities Act 2006 in exercising their functions to have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity. The Council's Biodiversity and Climate Action Plan demonstrates compliance with the statutory duty.	Legal Team
Information Governance	The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council Processes. Some individual actions may have implications in the future and the appropriate review and documentations will be completed as required	Information Governance Team
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Policy & Information Manager
Public Health	We recognise that the recommendations will have a positive impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	No implications	Anna Collier Insight Communities and Governance Manager
Procurement	Some actions will have implications and the appropriate procurement exercises will be undertaken	Anna Collier Insight Communities and Governance Manager

<p>Biodiversity and Climate Change</p>	<p>The delayed/stalled actions as part of this update are slowing the progress of implementing the Action Plan.</p> <p>The costs detailed to achieve Net Zero by 2030 must be fully committed to achieve 'Making our estate carbon neutral'</p> <p>Action 7.1 Deliver Maidstone Borough Council 2030 Net Zero Commitment, by:</p> <ul style="list-style-type: none"> • Decarbonising the councils' buildings through low carbon heating, LEDs, insulation and smart controls, • decarbonising the council's fleet to fully EV, • investing in renewable energy generation, • incorporating energy saving principles into office strategies, and • supporting staff to shift to electric/ultra-low emission vehicles, public transportation and more flexible working. 	<p>Biodiversity and Climate Change Manager</p>
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2. INTRODUCTION AND BACKGROUND

2.1 The Policy and Resources Committee adopted the Biodiversity and Climate Change Action Plan on 21st October 2020. This report is the fifth biannual update report on the implementation of the Biodiversity and Climate Change Action Plan. The last update was November 15th, 2022, to Communities, Housing and Environment Policy Advisory Committee. The Action Plan has undergone a comprehensive update as part of the Annual Review, which was agreed by the Executive in April 2023 and now comprises 38 actions, which can more readily be monitored and aligned with Cabinet Member Portfolios.

2.2 This report summarises the status of each action (**Appendix 1**) and details the estimated costs to the Council to achieve Net Zero for its own estate and operations in line with its commitment by 2030 (**Appendix 2**).

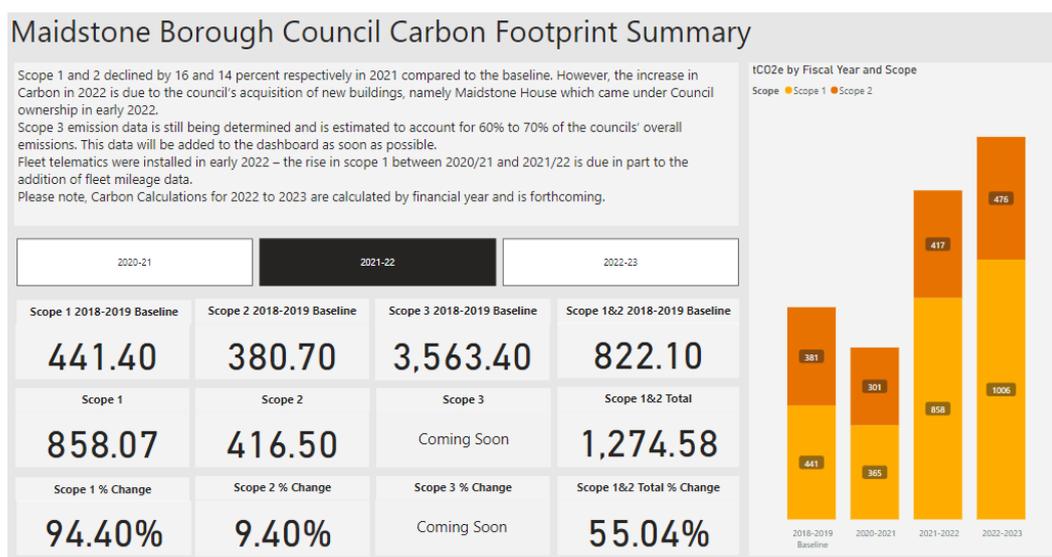
Biodiversity and Climate Change Action Plan Implementation Update

2.3 In previous updates the status of actions has been summarised in a RAG rating. Following feedback from Cabinet, a new more detailed scale of the action's status is used to give greater clarity of progress on actions. A summary of performance can be seen in the table below and full details of each action's status, including the November 2022 updates, responsible officers, outputs, and outcomes - please see **Appendix 1**.

Status	Number of Actions
Yet to commence / Delayed	9
Being Investigated	11
Planning and Development	7
Being Implemented	9
Complete and being monitored	2

Carbon Footprint

- 2.4 The overarching key performance indicator for the implementation of the Action Plan is the Council's operational Carbon Footprint (Scope 1 and Scope 2). Progress is measured by carbon emission equivalent each year towards meeting the Council's net zero 2030 commitment/target.
- 2.5 Officers have developed a [Carbon Footprint Dashboard](#), that automates the utility data (gas/electricity is kWh) from each MBC building, and fleet telematics data collecting engine type and mileage data in each vehicle, calculating the carbon emissions into tonnes of carbon dioxide equivalent (tCO₂e). The carbon footprint is updated on a 6 monthly basis.
- 2.6 In 2020/21 there was a 19% decrease in total Scope 1 and 2¹ carbon emissions compared to the baseline (totalling 665.9tCO₂e) this is due to the impact of Covid19 measures and a decreased usage of buildings and vehicles. However, in 2021/22 financial year there was an increase of +55% in carbon emissions compared to the baseline, this was predominantly in Scope 1 which rose to 858.4tCO₂e and Scope 2 also rose to 416.6tCO₂e (totalling 1274.9tCO₂e).



¹ Scope 1 covers emissions from sources that an organisation owns or controls directly – for example from burning fuel in our fleet of vehicles. Scope 2 are emissions that a company causes indirectly and come from where the energy it purchases.

2.7 This rise is likely due to staff returning to work in Council buildings, following the lifting of restrictions put in place in response to Covid19, as well as the Council's acquisition of Maidstone House in early 2022. Additionally, more accurate mileage data is now captured from the fleet telematics software and more reliable utilities data collected as part of the dashboard process. This also suggests that the baseline footprint calculated in 2020, underestimated the Council's carbon emissions. The 2022/23 carbon footprint is still being calculated but estimated to be similar to last year's total.

Estimated Costs of Decarbonising the Council Operations

2.8 It was highlighted at the last annual review that understanding the costs associated with achieving Net Zero by 2030 would help inform Members understanding and better enable them to prioritise actions.

2.4 To achieve Net Zero by 2030 MBC must decarbonise its operations and needs a large-scale financial commitment to reducing greenhouse gas emissions. The Council has set an ambitious net zero by 2030 target and is implementing a comprehensive Biodiversity and Climate Change Action Plan, with substantial financial commitment already set aside.

2.5 MBC plays a wider role in supporting residents, businesses and the borough reduce emissions to meet the national government target of the UK achieving net zero by 2050. However, this section looks only at the estimated costs of achieving Net Zero for the Councils' own operations or in its direct control, to demonstrate leadership in addressing climate change and transitioning to a sustainable future.

2.6 Calculating the costs of achieving net zero for the Council is crucial for several reasons:

- Understanding the costs associated with achieving net-zero emissions will allow MBC to develop a clear and comprehensive capital strategy, allocate resources effectively, prioritise initiatives, and set realistic targets and timelines.
- Calculating the costs of achieving net zero helps MBC allocate resources efficiently on investments in renewable energy, energy-efficient technologies, carbon offset projects, and other emission reduction initiatives. This ensures that financial resources are directed towards the most impactful and cost-effective measures, optimising the MBC's ability to achieve its sustainability goals and save costs in the long term.
- Net-zero targets require long-term planning and financial forecasting. Understanding the costs involved will enable MBC to allocate appropriate budgets, submit bids and secure financing, and plan for the necessary investments over the required time frame.
- Assessing the costs of achieving net zero will help MBC identify and manage financial risks. It allows for a comprehensive evaluation of potential cost drivers, market fluctuations, and uncertainties related to technology advancements, policy changes, or external factors.

- Transparently communicating the costs associated with achieving net zero is crucial for stakeholder engagement and buy-in.
- Calculating the costs of achieving net zero will allow MBC to assess the potential return on investment and quantify the financial benefits.

2.9 Estimated costs for achieving net zero are at **Appendix 2**, this includes:

- Energy Efficiency Measures (retrofits, efficient equipment upgrades),
- Converting the Fleet to Electric Vehicles and the infrastructure required to assure operations,
- Energy Transition Costs (transition to renewable energy sources and decarbonize energy consumption), and
- Carbon Offsetting (costs of purchasing carbon credits or supporting projects that sequester carbon).

Please note that this does not include an assessment of the 1,000 affordable homes, but that consideration of the net zero commitment must also be included as part of this scheme.

2.10 Investigations into Borough wide emission targets and associated costs for housing and transportation are underway; however, officers are currently only able to calculate estimates based on the Council’s own operational emissions and actions under its direct control.

2.11 The calculations in **Appendix 2** are based on technical advice and expertise, including;

- Detailed energy audits conducted by APSE Energy on 12 MBC buildings and recommendations of heating, insulation, glazing, smart control options to decarbonise each building and improve energy efficiency.
- Detailed market analysis and site EV infrastructure modelling of the depot conducted by SWARCO, to ensure transitioning the fleet to EV vehicles would not hinder operations and that capacity would be sufficient to achieve net zero.
- Energy market advise and analysis from LASER Energy on green tariffs and longer-term renewable energy generation investment.
- The latest carbon offsetting evidence from Natural England and potential carbon costs scenarios.

2.12 The following table summarises the estimated costs to achieve Net Zero across Council operations (against the 2021-22 carbon footprint).

MBC Net Zero Operational Areas	Total Estimated Costs	Carbon Reductions (tons and %)
1. Estimated cost to decarbonise 13 MBC key/largest properties	£12,364,224.00	888.6 tCO ₂ e (60%)
2. Estimated cost to purchase Green Tariffs to decarbonise procured energy across the estate	£55,320.00 (Per Annum)	Not Applicable

(excluding Maidstone House/The Leisure Centre/Lockmeadow Entertainment Complex)		
3. Estimated cost to improve current temporary accommodation housing stock to EPC-C minimum	£219,693.00	Unable to calculate carbon reductions of housing stock at this time
4. a. Estimated cost to electrify petrol/diesel fleet (based on today's technology, excluding heavy duty vehicles where replacements EVs are not yet on the market)	£3,469,091.35	160 tCO ₂ e (11%)
b. Costs to upgrade the capacity of the depot to meet the electric demand	£253,000.00	Not Applicable
5. Estimated cost to offset remaining 10% operational emissions through third party carbon offsetting schemes (based on projected high carbon cost scenario)	£34,443.00 (Per Annum)	140 tCO ₂ e (10% based on 2021-22 MBC carbon footprint)
6. a. Alternative estimated cost to offset remaining operational emissions through renewable energy generation schemes	Unable to calculate without further investigation	Not Applicable
b. Cost to maximise solar energy generation on Council estate (scoped projects)	£1,243,050.00	105.3 CO ₂ te (7.5%)
7. 7. Alternative estimated cost to offset remaining operational emissions through potential direct land purchases for carbon sequestration schemes.	Unable to calculate without further investigation	Not Applicable
Estimated Total to achieve net zero carbon on Council Scope 1 and 2 emissions	£17,638,821.35	1293.9 CO₂te (92%)

2.13 It has been estimated that it will cost £17,638,821.35 to reduce the Council's carbon emissions by 92% (based on 2021-22 carbon footprint). This total includes offsetting a maximum of 10% (as advised by the Climate Change Committee) of the Council's annual emissions through a high-cost carbon scenario. Please note that '6.b Cost to maximise solar energy generation on Council estate' is not removal of emissions, but is renewable energy generated on the estate to offset emissions.

2.14 A priority area is the decarbonisation of Council properties, and of those an 85% reduction in emission (of the 13 buildings in the table) can be achieved by upgrading/retrofitting just three building, namely Maidstone House and Link, Maidstone Leisure Centre, and Maidstone Museum which have the highest proportion of carbon emissions but would cost £7,710,720 (44% of the total estimated cost) to achieve Net Zero. Officers are working to apply

for Public Sector Decarbonisation Scheme funding to support up to two thirds of the costs to decarbonise the Council's highest carbon emitting buildings.

- 2.15 The proportion of tCO₂e removed per annum by converting the entire fleet to electric, plus the costs to upgrade the infrastructure at the depot, suggests that the cost/benefit ratio is poor, and that the current [Green Fleet Strategy](#), adopted on the [15th of November 2022](#) by the Communities, Housing and Environment Policy Advisory Committee, to gradually transition vehicles to EV based on the market and operational need is the better medium-term approach. Particularly as the heavy-duty vehicles proportionately account for more emissions and equivalent EV versions are not yet on the market. Waiting for other emerging technologies for the heavy vehicles and upgrading lighter vehicles will likely save the council costs in the medium term.
- 2.16 Investment in maximising the solar energy generation on Council property is a good medium-term investment in terms of both savings to the council and carbon reductions. Further investigation into larger renewable energy generation schemes is needed, as is longer term procurement of renewable energy (Green Tariffs) for the Council.
- 2.17 Options for indirectly or directly offsetting 10% of Council emissions also needs further investigation. However, it is likely that larger costs would be incurred for directly offsetting emissions through local renewable projects or tree planting, but these costs must be evaluated in regard to other local, social, biodiversity benefits and ecosystem services.
- 2.18 The work completed to date is indicative and have been included in this report to inform the debate on the next steps. To get complete and accurate figures further engagement will be needed from departments across the council and engagement of external expertise. Investigations into Borough wide emission targets and associated costs for housing and transportation are likely to require external advice and substantial work.
- 2.19 The next annual review will need to be completed by early 2024, as CLT have indicated that the costs should inform this discussion agreement on timing and the forum for this is sought from CLT.

3. AVAILABLE OPTIONS

- 3.1 That the Cabinet be recommended to note the action plan implementation updates and indicative costs of achieving net zero by 2023 for the Council's operations, subject to the consideration of any further recommendations made by the Committee.
- 3.2 Members could choose not to receive regular updates on the action plan or alternatively could ask for more frequent updates.
- 3.3 Additional information has been provided on costs in this report. Members could ask for additional information on these costs.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That the Cabinet be recommended to note the action plan implementation updates and indicative costs of achieving net zero by 2023 for the Council's operations, subject to the consideration of any further recommendations made by the Committee.

5. RISK

- 5.1 Responding to the climate emergency is a key corporate risk. Ongoing monitoring of the delivery of the Action plan is a key mitigation as the annual review of the action plan ensures continued accountability.
- 5.2 Understanding the costs associated with achieving net-zero emissions will allow the Council to develop a clear and comprehensive strategy, allocate resources effectively, prioritise initiatives, and set realistic targets and timelines.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The Policy and Resources Committee adopted the Biodiversity and Climate Change Action Plan on 21st October 2020. Progress has been regularly reported to Policy Advisory Committees and the Cabinet. Monthly briefing meetings on Biodiversity and Climate Change are held with the Leader of the Council.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 Continue to update the implementation of the Action Plan, monitor progress, and updates to members.
- 7.2 To organise a members strategy workshop to prioritise and act on the indicative costs outlined in this report.

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Biodiversity and Climate Change Action Plan Implementation Status
- Appendix 2: MBC Operational Net Zero Estimated Costs

**CORPORATE SERVICES POLICY
ADVISORY COMMITTEE**

12 July 2023

Corporate Planning Timetable

Timetable	
Meeting	Date
Corporate Services PAC	12 July 2023
Cabinet	26 July 2023

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Cabinet
Lead Director	Angela Woodhouse, Director of Strategy, Insight and Governance
Lead Officer and Report Author	Angela Woodhouse, Director of Strategy, Insight and Governance
Classification	Public
Wards affected	All

Executive Summary

The Policy Advisory Committee and the Cabinet is asked to agree that as the Strategic Plan milestones were reviewed by Councillors in 2023/24 they not be reviewed this year. This report sets out the timetable and approach to setting the Medium Term Financial Strategy 2024/25– 2028/29.

Purpose of Report

Recommendation to Cabinet

This report makes the following recommendations to the Committee:

1. To recommend to Cabinet that the Strategic Plan not be reviewed in 2023/23 and approve the corporate planning timetable at 3.3

Corporate Planning Timetable

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>The Strategic Plan sets out the Council’s priorities. This paper sets out a timetable for setting the Medium Term Financial Strategy aligned to the recently reviewed strategic milestones.</p>	Director of Strategy, Insight and Governance
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>The Strategic Plan sets out the Council’s priorities. This paper sets out a timetable for setting the Medium Term Financial Strategy aligned to the recently reviewed strategic milestones.</p>	Director of Strategy, Insight and Governance
Risk Management	<p>The Council’s corporate risk strategy includes strategic risks associated with the Strategic Plan.</p>	Director of Strategy, Insight and Governance
Financial	<p>The financial implications of the Strategic Plan are set out in the Council’s five-year Medium Term Financial Strategy. The timetable for approving the strategy is included in this report</p>	Section 151 Officer & Finance Team

Staffing	We will deliver the recommendations with our current staffing.	Director of Strategy, Insight and Governance
Legal	The Strategic Plan aligns with the Council's general duty, as a best value authority, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness – section 3 of the Local Government Act 1999. If adopted as recommended the corporate planning timetable enables the Council to monitor its performance against the agreed Strategic Plan outcomes.	Interim Team Leader (Contentious and Corporate Governance)
Information Governance	The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council Processes.	Information Governance Team – either Anna, Georgia or Lauren to review and approve.
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment. Equality impact assessments will need to be carried out for any decisions made in relation to services as part of the Medium Term Financial Strategy.	Equalities & Communities Officer
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	The council maintains it's priorities under safe clean and green.	Director of Strategy, Insight and Governance
Procurement	Not applicable	Head of Service & Section 151 Officer
Biodiversity and Climate Change	The strategic commitment to biodiversity and climate was agreed as an area of focus for 2023-28.	Biodiversity and Climate Change Officer

2. INTRODUCTION AND BACKGROUND

- 2.1 The Strategic Plan is a core element of our corporate planning. The priorities and outcomes in the Strategic Plan are developed alongside the Medium Term Financial Strategy (MTFS) to ensure consistency between priorities, service delivery and budgets. Service Planning allows the Council to convert high level priorities from the Strategic Plan into actions for each directorate, service or team across the Council, which then feeds into individual staff priorities.
 - 2.2 The Cabinet has been asked to consider whether to refresh the existing Strategic Plan, create a new one or leave as is. As the Strategic Plan was refreshed in 2022/23 with a full review by the Policy Advisory Committees and the Cabinet of the areas for focus for the next five years it has been determined that the plan will remain as is this year. The Corporate Services Policy Advisory Committee is asked to consider whether it is in agreement with this and recommend accordingly.
 - 2.3 A timetable of activity has been planned for the Medium-Term Financial Strategy Process as part of the corporate planning timetable. The proposed timetable of activities includes a period of public consultation on the 2024/5 budget as required by law, reports to Policy Advisory Committees (PACs), Overview and Scrutiny the Cabinet and Council on the Medium Term Financial Strategy and Budget.
 - 2.4 The current Strategic Plan was adopted in December 2018 and covers the period until 2045. The plan was agreed after careful analysis and consultation. The decision was taken for it to be a 26-year plan to ensure continuity, and a basis on which all other Maidstone Borough Council plans and strategies could be developed. Last year a review of the strategic areas of focus for the next five years was undertaken by Policy Advisory Committees, the Leadership Team and Cabinet. As a result a number of changes were made to reflect the Council's ambitions in regard to Biodiversity and Climate Change, the emerging Town Centre Strategy, community resilience and achieving 1,000 affordable homes. The foreword from the Leader was also revised.
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3. AVAILABLE OPTIONS

Retain the existing Strategic Plan

- 3.1 The current Strategic Plan was developed involving a wide cross section of Councillors, staff and other stakeholders in 2018 before being adopted in December of that year, the vision and priorities are clear and relevant. It was updated in 2020 and refreshed again last year with an update to the areas of focus for 2023-28 for each priority.
- 3.2 Outlined below is a proposed timetable for the development of budget proposals. A report on the MTFS has been included on this agenda and that has been considered in the proposed timetable below.

3.3 Corporate Planning Timetable

Date	Action
26 July 2023	Corporate Services Policy Advisory Committee and Cabinet consider the corporate planning timetable
July 2023- August 2023	Budget Survey
September 2023	Draft Budget Proposals to Policy Advisory Committees, Overview and Scrutiny Committee and Cabinet
December 2023	Provisional Local Government Finance Settlement published
5 February 2024	Corporate Services Policy Advisory Committee consider the final proposals on the Budget for recommendation to the Cabinet
7 February 2024	Cabinet approve the Medium Term Financial Strategy to be considered at full Council on 21 February 2024

Create a new Strategic Plan

- 3.4 Creating a new Strategic Plan would have a substantially greater impact on resources. The timetable proposed would need to be revisited and this could have an impact on work elsewhere as this would take substantially more time and involvement from the Policy Advisory Committees, Cabinet and Senior Officers. It should also be noted that the Council has an all out election in 2024, that may prove to be an opportune time to review or create a new strategic plan with a four-year term of office commencing for all councillors.

Amend or create a new timetable for a new strategic plan

- 3.5 The corporate planning timetable proposed includes the development of the MTFs which is also included on a paper on this agenda.

Refresh the Strategic Plan

- 3.6 Councillors may identify that the current plan needs refreshing, a refresh of the Strategic Plan could include:
- Review and amendment of areas of focus for 2024/29
 - Refresh of any contextual information in the document such as statistics
 - New foreword.

The timetable would need to be revised to reflect the involvement of Policy Advisory Committees and the Cabinet with amendments being added to September's meetings.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 As the plan was refreshed in 2022/23 it is recommended that option 3.1 is approved.
-

5. RISK

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The purpose of this report is to consult Corporate Services Policy Advisory Committee on the approach to corporate planning. The timetable includes consultation with residents on the budget and with Councillors through Policy Advisory Committees and the Overview and Scrutiny Committee.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The timetable identifies the next steps in the process.
-

8. REPORT APPENDICES

None

9. BACKGROUND PAPERS

None

**CORPORATE SERVICES
POLICY ADVISORY COMMITTEE**

12 July 2023

**Medium Term Financial Strategy 2024/25-2028/29 –
Initial Scoping and Assumptions**

Final Decision-Maker	Council
Lead Head of Service	Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Director of Finance, Resources and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report sets out the background to be considered in updating the Medium Term Financial Strategy (MTFS) and rolling it forward to cover the five-year period 2024/25 to 2028/29. It describes the issues and risks involved, starting with the Council’s current financial position, and sets out the key assumptions to be made in determining the strategy. The report concludes by setting out the subsequent steps involved in developing an updated MTFS and agreeing budget proposals for 2024/25.

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

That the Cabinet is recommended to:

1. Note the issues and risks associated with updating the Medium Term Financial Strategy.
2. Approve the assumptions described in this report for planning purposes and to establish the remit for detailed budget development, in particular the assumptions set out in paragraphs 2.21 (Council Tax increases), 2.30 (Fees and Charges) and 2.40 (Housing Investment Fund).
3. Approve the proposed approach outlined to development of an updated Medium Term Financial Strategy for 2024/25 – 2028/29 and a budget for 2024/25.

Timetable

Meeting	Date
Corporate Services Policy Advisory Committee	12 July 2023
Cabinet	26 July 2023
All Policy Advisory Committees	September 2023
Overview & Scrutiny Committee	19 September 2023
Cabinet	20 September 2023

Medium Term Financial Strategy 2024/25-2028/29 – Initial Scoping and Assumptions

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	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
Cross Cutting Objectives	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
Risk Management	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
Financial	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 gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
Staffing	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
Legal	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.	Senior Legal Advisor
Information Governance	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
Equalities	The MFTS 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	Equalities and Communities Officer

	assessment will be undertaken. Should an impact be identified appropriate mitigations will be identified.	
Public Health	The resources to achieve the Council’s objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Crime and Disorder	The resources to achieve the Council’s objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council’s objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Biodiversity and Climate Change	<p>Sufficient resources to begin decarbonising MBC buildings have been allocated for 23-24 financial year, with officers seeking to bid for the Public Sector Decarbonisation Scheme funding to support MBC achieve Net Zero.</p> <p>The resources to achieve the Council’s Net Zero commitment by 2030 for its own operations have been estimated as part of the Biodiversity and Climate Change Action Plan Update and will need further investigation and integration into the Long Term Financial Strategy.</p>	Biodiversity and Climate Change Manager

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 2023/24 to 2027/28 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 2024/25 at the Council meeting on 21 February 2024. This report is the first step towards achieving that objective.

Current Financial Position

- 2.3 A key element in developing the Medium Term Financial Strategy is a consideration of Maidstone’s current financial position. This section sets out

the current revenue spending position, given the final outturn for the 2022/23 financial year and the agreed budget for 2023/24.

- 2.4 The outturn for 2022/23 was an underspend of £212,000 (0.9%) against the budget. Overspends, most significantly on temporary accommodation for homeless families, were more than offset by underspends elsewhere, arising mainly from better than budget performance on income generation and from staff vacancies. See table below.

Service	Budget £000	Actual £000	Variance £000
Economic Development	620	720	-100
Planning	2,112	2,444	-332
Parking	-1,410	-1,865	455
Mid Kent Services	3,306	3,456	-150
Corporate Services (excl MKS)	7,589	6,814	775
Housing & Health	2,726	3,711	-985
Environmental Services	6,874	6,364	510
Communities, Leisure & Arts	1,414	1,375	39
Total	23,231	23,019	212

Table 1: 2022/23 Revenue Outturn

- 2.5 The capital programme underspent by a large margin. The main reason was a lack of acquisition opportunities at suitable prices in both residential property (for the temporary accommodation purchase and repair programme) and commercial property. The underspends will be rolled forward and added to the budget for 2023/24.

	Budget £000	Actual £000	Variance £000
Affordable Housing	8,260	4,961	3,299
Private Rented Sector	3,041	2,391	650
Temporary Accommodation	4,330	451	3,879
Disabled Facilities	1,640	1,228	412
Housing - Other	1,721	1,328	393
Environment	1,599	921	678
Communities, Leisure & Arts	2,166	2,347	-181
Planning & Infrastructure	341	268	73
Corporate Services	9,535	2,440	7,095
Total	32,633	16,335	16,298

Table 2: 2022/23 Capital Outturn

- 2.6 The conclusions to be drawn from the performance of the Council on revenue and capital in 2022/23 can be summarised as follows.

- The Council is effective in managing financial performance. This is underpinned by regular quarterly meetings at which Heads of Service are

held to account for performance against budget and reporting of quarterly financial performance to Policy Advisory Committees and the Executive.

- There continue to be budget risks, particularly around temporary accommodation. An additional £600,000 has been built into the budget for temporary accommodation for 2024/25, but this may still not be adequate given the level of demand.
- Capital programme slippage avoids financing costs, but equally will lead to a delay in the investment returns anticipated from future capital expenditure.

Issues for future financial projections

- 2.7 CPI inflation is currently (May 2023) running at 8.7%. Whilst the Bank of England's core projection is for a reduction to the target level of 2% by the end of 2024 (see figure below), its projections have consistently been over-optimistic and there is a high likelihood that inflation will remain around 5% for some years to come.

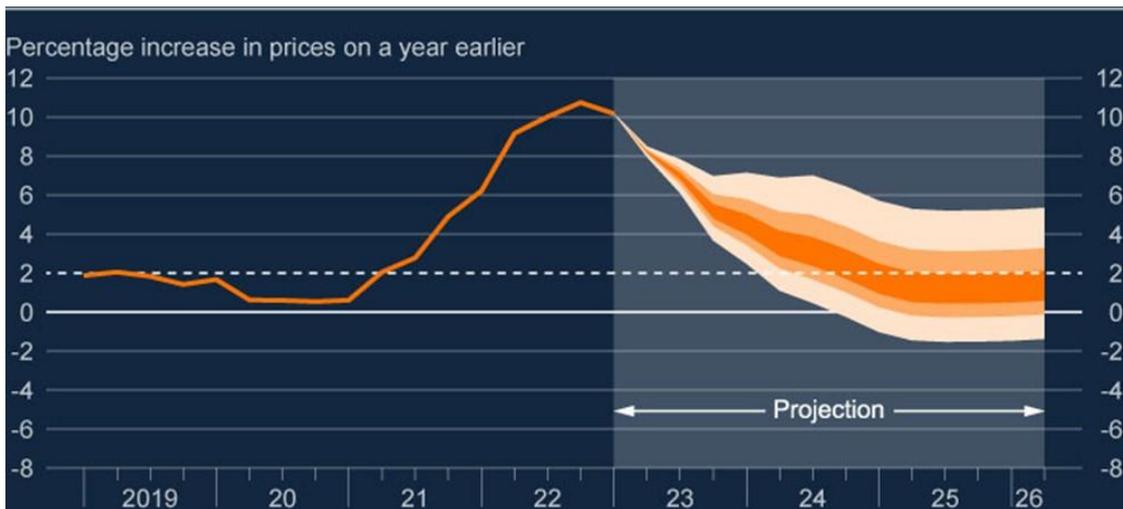


Figure 1: CPI inflation projection

Source: Bank of England Monetary Policy Report, May 2023

- 2.8 The implications for the Council are very significant, given the constraints on its capacity to increase revenues to offset increases in prices. See figure below, which shows Council revenues as compared with the cost of services.

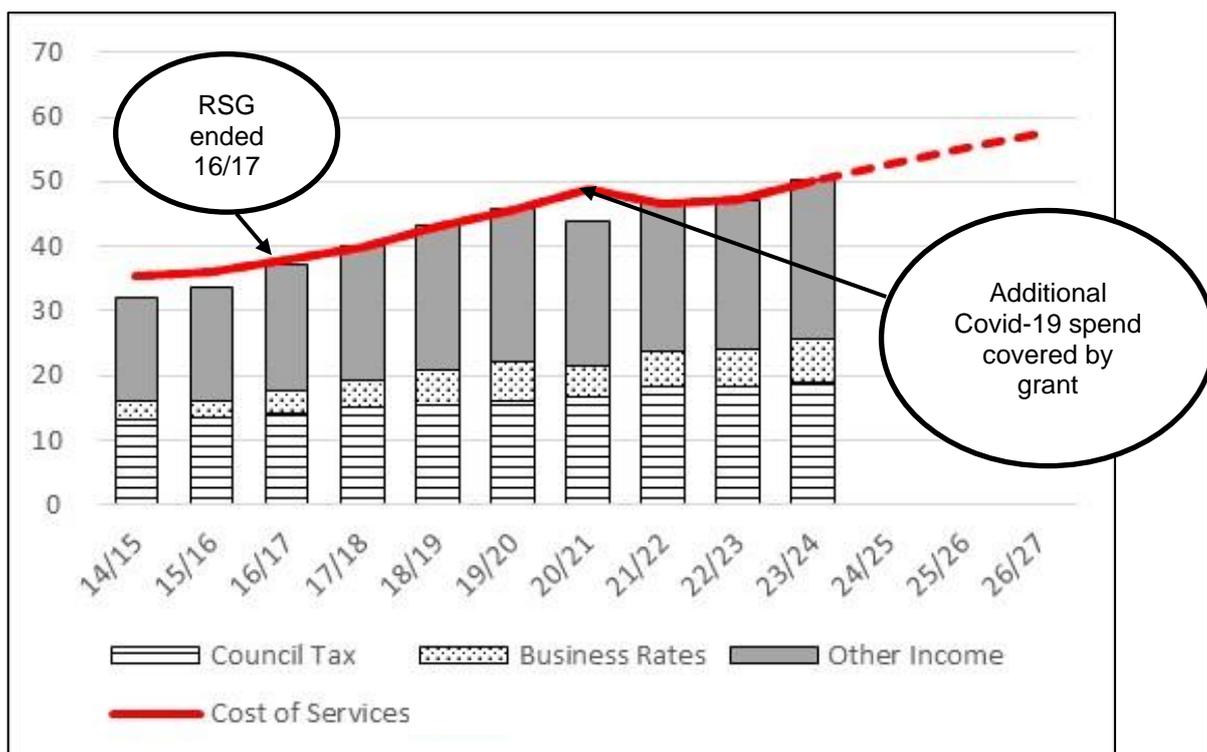


Figure 2: Revenue Funding Trends

- 2.9 Maidstone Borough Council is largely self-sufficient financially: as shown in the figure above, locally generated sources of income (Council Tax, Business Rates and Other Income) cover most of the Council’s cost of services. Direct unringfenced government support in the form of the Revenue Support Grant ended in 2016/17, although additional support was provided by government subsequently to assist with additional Covid-19 spend.
- 2.10 The local authority funding framework set by government remains a crucial determinant of the Council’s future financial position. This is primarily because (a) central government restricts the amount by which Council Tax can be increased and (b) it determines the share of business rates that can be retained locally. The Council is therefore severely constrained in its capacity to increase revenues in response to increased costs.
- 2.11 At this stage we do not have any clarity about the Council Tax referendum limit, the Business Rates baseline and any other grants such as New Homes Bonus for 2024/25. The usual pattern whereby the local government finance settlement is announced just before Christmas suggests that we will not have any definitive figures until late December. However, for planning purposes and to advance the budget setting process it is essential to make prudent assumptions about likely government announcements. Details of key assumptions are set out in paragraphs 2.15 - 2.32 below.

Scenario Planning

- 2.12 As Maidstone’s financial position is so dependent on government policy and on broader economic factors such as inflation, neither of which can be predicted with any certainty, it is appropriate to model the impact of different scenarios on the Council. Following a similar approach to that

adopted when developing the current 2023/24 – 2027/28 Medium Term Financial Strategy, the following four scenarios can be sketched out.

Scenario 1: Inflation falls, limited funding flexibility

The rate of price inflation falls in line with BoE forecasts, but government maintains existing constraints on local government finances in order to reduce debt and create capacity for tax cuts.

Scenario 2: Inflation falls, some funding flexibility

Inflation falls in line with BoE forecasts, and government adopts more accommodative local government finance settlements to help councils address demand pressures.

Scenario 3: Inflation remains elevated, some funding flexibility

Inflation only reaches the target level of 2% at the end of the MTFS planning period. Owing to the continued high level of inflation, government relaxes constraints on local government finances to allow council services to be protected.

Scenario 4: Inflation remains elevated, limited funding flexibility

Inflation only reaches the target level of 2% at the end of the MTFS planning period, but government maintains the existing level of constraints on local government finances.

Scenario 4 is the most challenging of those sketched out above, as it represents a combination of continued high inflation and tight constraints on the Council's revenue raising capacity. For planning purposes, we consider it prudent at this stage to adopt Scenario 4. However, the other scenarios will be modelled and the implications considered when developing the detailed Medium Term Financial Strategy.

Strategic Revenue Projection

2.13 In drawing up financial projections, assumptions need to be made about what future scenarios might mean. The key dimensions are:

- (a) the Council Tax base;
- (b) the level of Council Tax;
- (c) retained Business Rates, which in turn depends on overall business rates and government policy on distributing Business Rates income;
- (d) other local income, eg fees and charges;
- (e) 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

- 2.14 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.
- 2.15 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.

- 2.16 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.
- 2.17 Future growth assumptions for each scenario are set out below.

Council Tax base growth assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	1.5%	1.5%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	1.5%	1.5%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	1.5%	1.0%	1.0%	1.0%	1.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	1.5%	1.0%	1.0%	1.0%	1.0%

Level of Council Tax

- 2.18 The level of council tax increase for 2024/25 is a decision that will be made by Council based on a recommendation made by the Cabinet. 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 2023/24, the limit was 3%. 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.

2.19 Given that CPI inflation was 8.7% for the year to May 2023, it is hard to see the referendum limit being reduced from the current level of 3%. A prudent assumption (Scenario 4) would therefore be that the referendum limit will be 3% in 2024/25, but after the General Election that is due to take place by January 2025, the government will seek to bear down on inflation by restricting the limit to 2%, being the target level of inflation¹.

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

Council Tax increase assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	3.0%	2.0%	2.0%	2.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%

2.21 **Regardless of the actual level of the Council Tax referendum limit, owing to the expected inflationary growth in the cost of services, it is proposed that a key MTFs assumption is that Council Tax increases are maximised within the constraints of the referendum limit.**

Retained business rates

2.22 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 through a system of tariffs and top-ups.

¹ The Leader of the Labour Party announced in March 2023 that a Labour government would freeze Council Tax in 2024/25, using the proceeds of a windfall tax on oil and gas companies. Presumably this means that central government would reimburse local authorities with an amount equivalent to that by which they would have increased tax locally.

Table 4: Baseline Business Rates Income 2023/24

	£000	%
Baseline Business Rates income	62,333	100
Government share	-31,166	-50
Kent County Council / Kent Fire & Rescue Authority	-6,233	-10
Government tariff	-21,551	-35
Baseline Business Rates income retained by MBC	3,382	-5

To the extent that business rates income exceeds the baseline, this growth element is retained locally, subject to a levy payable to central government by tariff authorities like Maidstone.

- 2.23 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 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).
- 2.24 Business rates pool income is allocated, in accordance with the Pool Memorandum of Understanding between Kent authorities, as follows.

Maidstone Borough Council – used for specific projects that form part of the Economic Development strategy. £250,000 of this amount is top-sliced in the budget for ED salaries and spatial planning.	30%
Growth Fund – In Maidstone this is split 50:50 between MBC and Kent County Council for the regeneration of the Town Centre and is deployed at Maidstone East and Sessions House / Invicta House respectively.	30%
Kent County Council	30%
Contingency - To compensate Kent local authorities who do not benefit directly from pool membership (eg because their business rates growth is lower than the baseline)	10%

- 2.25 There are a number of factors affecting the future pattern of business rates income:
- Government uses the share of business rates that local authorities are allowed to retain as a mechanism for directing resources towards the areas of perceived need (hence Maidstone, as a relatively prosperous area, only retaining 5% of baseline business rates). This resource allocation has remained broadly unchanged since 2014, when the current local government funding system was introduced, but a 'fair funding review', which will update the resource allocation, has been mooted for several years. In practice it is now unlikely to be implemented before 2026/27.
 - The government share of business rates and the tariff (see Table 4 above) are fixed £ amounts, based on a predetermined business rates baseline. This has benefited the Council over the past ten years, as the rate of business rates growth has been greater locally than general price

inflation, and the Council has benefited from this excess growth. However, the reverse could be the case if there is a downturn in total business rates income.

- As part of any change to the funding system, the business rates baseline is expected to be adjusted. This will give a higher baseline for the Council, with the result that the accumulated business rates growth of the past ten years, which (subject to the levy) is currently retained locally, would be lost.

2.26 These factors are generally likely to have an adverse impact on business rates income. However, the government has indicated that changes such as implementation of the fair funding review and a revision of the baseline would be implemented over a period of time, dampening any immediate adverse impact.

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

Business rates growth assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	-2.0%	-2.0%	-2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	0.0%	0.0%	0.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	3.0%	0.0%	0.0%	0.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	5.0%	2.0%	-2.0%	-2.0%	-2.0%

Other income

2.28 Other income, in aggregate, is now a major contributor to the Council’s total revenue budget. The main components of other income are set out below:

Table 5: Projected Other Income 2023/24

	£ million
Fees and charges	10.5
Property rental income	7.1
Shared services trading income	3.7
Other income	2.8
TOTAL	24.1

The Council has a policy that guides officers and councillors to set the appropriate level of fees and charges based on demand, affordability and external factors. Given the current inflationary environment, it is important to target an appropriate overall increase in the amount of fees and charges to mitigate the expected increase in the Council’s input costs. The alternative would be for the Council to have to make further savings, potentially reducing the level of services that it provides to residents.

- 2.29 Note that some fees and charges are set by central government and are not necessarily increased annually. Property rentals may only change at the point of periodic rent reviews.
- 2.30 Future growth assumptions for each scenario are set out below. These correspond to the inflation level projected for the respective scenarios, on the basis that it is reasonable to expect income to increase in line with expenditure. **It is proposed that a key MTFS assumption is that overall income from fees and charges increases in line with expected increases in the Council's cost of services.**

Other income growth assumptions					
	24/25	25/26	26/27	27/28	28/29
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%

Cost of services

- 2.31 The cost of services is subject to inflation. Service cost increases tend to lag behind published inflation indices, but they are likely to follow the same pattern. Salaries account for around 50% of total input costs, and 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.
- 2.32 As described above, there is considerable doubt about whether inflation will fall as quickly as official forecasts suggest. Accordingly, the preferred scenario 4 adopts a more prudent approach than simply following the Bank of England forecast.

Cost of services growth assumptions					
	23/24	24/25	25/26	26/27	27/28
Scenario 1 – Inflation falls, limited funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 2 – Inflation falls, some funding flexibility	3.0%	2.0%	2.0%	2.0%	2.0%
Scenario 3 – Inflation remains elevated, some funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%
Scenario 4 – Inflation remains elevated, limited funding flexibility	5.0%	5.0%	4.0%	3.0%	2.0%

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.

Capital Programme

2.33 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, in particular the 1,000 Affordable Homes programme, can be realised. The capital programme has an impact on revenue, because of the cost of borrowing and the annual charge (Minimum Revenue Provision – MRP) that the Council is required to make to set aside sufficient money to fund the repayment of borrowing.

2.34 The profile of the current five year capital programme is as follows.

Table 6: Capital Programme 2023/24 – 2027/28

	23/24	24/25	25/26	26/27	27/28	Total
	£000	£000	£000	£000	£000	£000
Affordable Housing	6,123	20,080	22,825	25,487	22,442	96,958
Social Housing Grant	-5,790	-3,120	-1,290	-8,250	-6,060	-24,510
Private Rented Sector	3,090	6,765	6,832	9,578	6,861	33,125
Temporary Accommodation	12,000	12,000	8,000	0	0	32,000
Disabled Facilities	800	800	800	800	800	4,000
Housing – Other	675	1,325	974	543	100	3,616
Environment	6,970	880	730	580	590	9,750
Communities, Leisure & Arts	4,329	3,700	3,350	1,000	1,000	13,379
Planning & Infrastructure	206	0	0	0	0	206
Corporate Services	10,514	7,280	5,423	5,249	4,903	33,369
Total	38,917	49,710	47,644	34,986	30,636	201,893

2.35 As the level of investment increases, the revenue cost of borrowing increases. Ultimately this is offset by income, to the extent that capital schemes generate income, eg in the form of housing rents. However, there is a period during which capital schemes need to be funded before they start to generate income.

2.36 There are a number of risks associated with the capital programme which potentially will impact the revenue account, to the extent that capital expenditure is abortive or leads to the write-down of capital investments:

- Construction price

- Contractor failure / liquidation
 - Availability / cost of finance (currently the Council has arranged £80 million of funding, but the availability and cost of finance when this is exhausted is not known).
- 2.37 Finally, there is a specific requirement in relation to the Affordable Housing programme to provide the necessary subsidy for tenants. The requirement for a subsidy arises because affordable housing (ie housing to be let at a rent of no more than 80% of the Local Housing Allowance) does not achieve the normal rate of return that is required on Council investments to satisfy the prudential borrowing rules.
- 2.38 In order to avoid the Council facing an ongoing revenue burden from subsidising affordable housing tenants, and to avoid setting deficit budgets in the Housing Revenue Account (HRA) when it is established, it is assumed that a capital sum of around £50,000 per unit must be set aside as a lump sum subsidy for each unit of affordable housing. Note that there are strict rules about the HRA ringfence, above all the fact that the HRA cannot set a deficit budget. The lump sum must be set aside **before** housing units are transferred into the HRA. Otherwise, the HRA would run a deficit for every unit of housing transferred in, because of the excessive cost of funding housing stock that is transferred into it.
- 2.39 If the target of 1,000 affordable homes is to be achieved over a ten year period, the Council needs to set aside funds now to provide the necessary subsidy. An opportunity to provide this subsidy, without impacting core revenue spending, is available thanks to the government's continued deployment of one-off resources each year to local authorities in the form of New Homes Bonus and Services Grant. In 2022/23, an initial tranche of £3.2 million was earmarked from New Homes Bonus and transferred to a Housing Investment Fund. Although there is no assurance that such grants will continue to be available into the future, if the Council is to provide affordable homes as part of its capital programme, it needs to maximise the amount of one off resources, eg New Homes Bonus and Services Grant, that are transferred into the Housing Investment Fund. Note that there is a risk that New Homes Bonus will reduce in future, as housing growth falls.
- 2.40 **It is proposed that a key MTFs assumption is that one-off resources such as New Homes Bonus and Services Grant are earmarked for the Housing Investment Fund.**

Reserves

- 2.41 The Council maintains reserves as a safety net to allow for unforeseen circumstances. There is no statutory definition of the minimum level of reserves: the amount required is a matter of judgement. However, the Council has agreed to set £4 million as the minimum General Fund balance.
- 2.42 In addition to uncommitted General Fund balances, the Council holds reserves that are earmarked for specific purposes. Full details of reserves held are set out below:

Table 7: General Fund balances as at 31 March 2023

	31.3.22 £000	31.3.23 £000
Earmarked Reserves		
Spatial Planning	0	559
Housing Investment Fund	0	3,216
Neighbourhood Plans	97	77
Planning Appeals	286	229
Civil Parking Enforcement	400	370
Future Capital Expenditure	2,426	2,455
Future Funding Pressures	969	2,269
Housing Prevention & Temporary Accommodation	1,279	1,124
Business Rates Earmarked Balances	3,681	3,529
Funding for future collection fund deficits	10,284	0
Commercial Risk Reserve	500	500
Invest to Save Reserve	500	500
Recovery and Renewal Reserve	778	575
Renewable Energy	119	188
Enterprise Zone	4	0
Major Works Sinking Fund	0	213
Resources carried forward from 2021/22 to 2022/23	1,184	0
Resources carried forward from 2022/23 to 2023/24	0	200
Sub-total Earmarked Reserves	22,508	16,005
Unallocated Balances	11,362	11,386
Total General Fund balances	33,870	27,390
Total General Fund balances excluding Collection Fund deficits	23,586	27,390

2.43 The unallocated balances exceed the £4 million minimum. They are equivalent to around 20% of the gross revenue budget, which is comfortably in excess of the 10% benchmark that is sometimes cited as a reasonable level. It can therefore be seen that the level of reserves is adequate without being excessive.

Revenue Projections

2.44 Strategic revenue projections for scenario 4 are summarised in table 8 below. 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.

Table 8: MTFS Revenue Projections 2024/25-2028/29

	24/25	25/26	26/27	27/28	28/29
	£m	£m	£m	£m	£m
Scenario 4					
Total Resources	53.7	54.7	56.4	58.5	60.2
Predicted Expenditure	55.3	59.2	61.0	61.9	62.7
Budget Gap	1.6	4.5	4.6	3.4	2.5
Existing Planned Savings	0.7	0.0	0.2	0.1	0.1
Savings Required	0.9	4.5	4.4	3.3	2.4

2.45 Note that all these assumptions assume that Council Tax income is increased by the maximum possible given the referendum limit, and fees and charges are increased in line with inflation. In all cases, the budget gap would be greater if these measures were not taken.

	£000
'Do nothing' budget gap	2,023
Increase Council Tax by 3%	-573
Increase Other Income by 5%	-525
Budget gap per Strategic Revenue Projection	<u>925</u>

2.46 It is proposed that within the Medium Term Financial Strategy it is assumed that Council Tax is increased by the maximum possible, which in Scenario 4 is 3%; and that in order to deliver a 5% increase in other income, fees and charges are increased appropriately. To the extent that individual categories of fees and charges are not increased by this amount, compensating additional increases will be found elsewhere.

2.47 In seeking areas where there may be potential for making savings, it is worth comparing the Council's most recent spending data with those of its peers – the other district Councils of Kent. This is not to imply that this Council is over-spending or under-spending in particular areas. Rather, it is intended to put our allocation of expenditure against the different priorities in context.

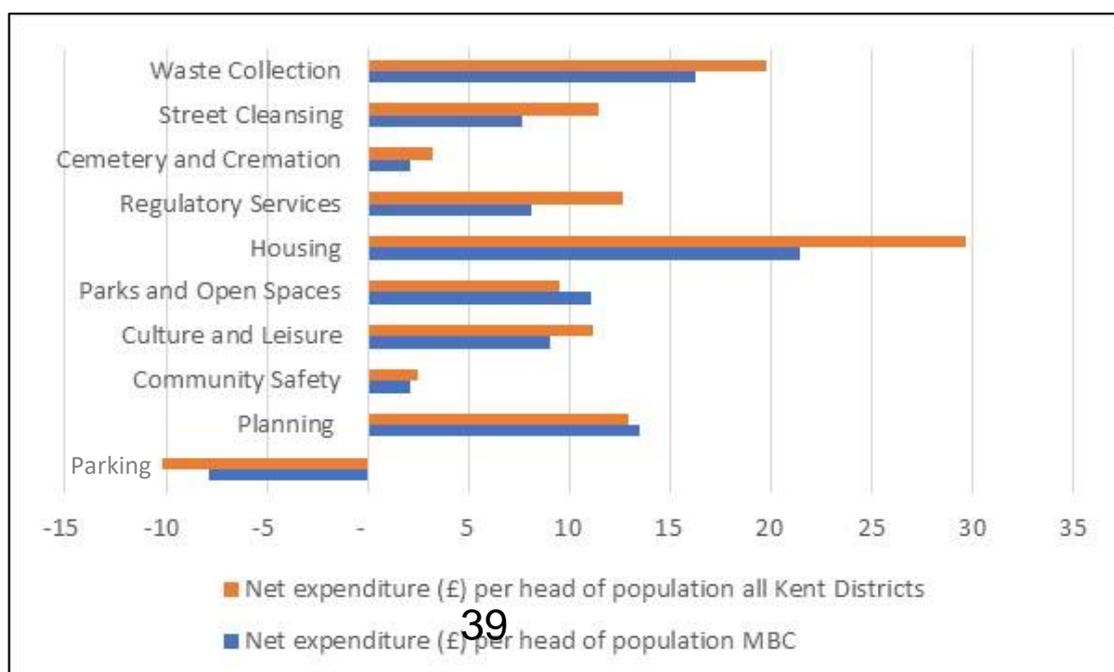


Figure 3: Expenditure per head of population

Source: Local Authority 2021/22 Revenue Outturn returns

2.48 From this it can be seen that MBC spends more than its peers on:

- Parks and Open Spaces
- Planning and Development
- Parking (ie income is lower than average).

2.49 The next stage in development of the Medium Term Financial Strategy will be to identify savings that will address the budget gap. It is envisaged that the outcome of this review will be a set of growth and savings proposals that can be put forward to members and incorporated in an updated Medium Term Financial Strategy.

3. AVAILABLE OPTIONS

3.1 The approach outlined to development of an updated Medium Term Financial Strategy for 2024/25 – 2028/29 and a budget for 2024/25 is agreed.

3.2 A number of factors that influence the annual budget and the MTFS are not yet known. However, the disadvantage of this approach is that it could take some time for full information to emerge, and in the meantime the Council needs to take steps to set a budget for the coming year.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The preferred option is to proceed with development of an updated MTFS. Whilst there is a considerable amount of uncertainty about the future, this can be addressed through careful consideration of the risks and by building flexibility into our financial plans.

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 due to take place shortly and the results will be reported to the Policy Advisory Committees and the Cabinet in the Autumn. Individual Policy Advisory Committees will be consulted on the details of the MTFS proposals as they affect the respective Committee portfolios.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 An outline timetable for developing the Medium Term Financial Strategy and budget for 2024/25 is set out below.

Date	Meeting	Action
26 July 2023	Executive	Agree approach to development of updated MTFS and key assumptions
July – August		Officers develop detailed budget proposals for 2024/25, informal consultation takes place with Policy Advisory Committees
September 2023	All Policy Advisory Committees	Consider 24/25 budget proposals and draft MTFS
19 September 2023	Overview & Scrutiny Committee	Agree 24/25 budget proposals and draft MTFS
20 September 2023	Cabinet	Agree 24/25 budget proposals and draft MTFS
December 2023		Provisional Local Government Finance Settlement published
5 February 2024	Corporate Services Policy Advisory Committee	Consider final budget proposals and MTFS
7 February 2024	Corporate Services Policy Advisory Committee	Agree final budget proposals and MTFS for recommendation to Council
21 February 2023	Council	Approve 24/25 budget

8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.

**CORPORATE SERVICES POLICY
ADVISORY COMMITTEE**

12 July 2023

Archbishop’s Palace – Next Steps

Timetable	
Meeting	Date
Corporate Services PAC	12 July 2023
Cabinet	26 July 2023

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Cabinet
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Deborah Turner, Corporate Property
Classification	Public report with private appendix The information contained within Appendices 1 and 2 is considered exempt under the following paragraph of part I of schedule 12A to the Local Government Act 1972:- 3 = Information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected	High Street

Executive Summary

An extensive process of member and public consultation has been carried out about future use of the Archbishop’s Palace. Following expiry of our former preferred development partner’s exclusivity period, and vacation of the building by Kent County Council, it is appropriate to consider the next steps.

The report recommends that plans are developed for use of the Palace as a wedding and events venue. This is likely to be a viable option in financial terms and would meet the Council's objectives for future use of the Palace. It would also be consistent with the emerging Town Centre Strategy.

Purpose of Report

Recommendation to Cabinet.

This report makes the following recommendation to the Corporate Services Policy Advisory Committee.

That the Cabinet is recommended to:

1. To agree option 2 as set out in this report, namely to develop plans for use of the Palace as a wedding and events venue.
2. To delegate authority to the Director of Finance, Resources and Business Improvement to select and appoint professional advisers to develop the plans, enter into contracts for applicable services as necessary, and to invite offers from potential operators for a conditional agreement for lease.
3. To delegate authority to the Head of Legal Services to negotiate and complete all necessary legal formalities arising from the purchase of services and invitation for offers as set out above.

ARCHBISHOP'S PALACE – NEXT STEPS

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p><i>The four Strategic Plan objectives are:</i></p> <ul style="list-style-type: none"> • <i>Embracing Growth and Enabling Infrastructure</i> • <i>Safe, Clean and Green</i> • <i>Homes and Communities</i> • <i>A Thriving Place</i> <p>The project described in this report supports the Council's Strategic Plan objectives, most notably A Thriving Place.</p>	Director of Finance, Resources & Business Improvement
Cross Cutting Objectives	<p><i>The four cross-cutting objectives are:</i></p> <ul style="list-style-type: none"> • <i>Heritage is Respected</i> • <i>Health Inequalities are Addressed and Reduced</i> • <i>Deprivation is reduced and Social Mobility is Improved</i> • <i>Biodiversity and Environmental Sustainability is respected</i> <p>The report recommendations support the achievements of the cross-cutting objectives by respecting the heritage of the existing building with sensitive design and addressing environmental sustainability by upgrade works to improve the use and condition of the building.</p>	Director of Finance, Resources & Business Improvement
Risk Management	Already covered in the risk section.	Director of Finance, Resources & Business Improvement
Financial	Running costs of the building are currently approximately £250k per annum. These have until recently been met by the tenant, who additionally paid the Council £100k per annum. Accordingly, there is a net shortfall of £350k per annum against ongoing budgets whilst the building remains in its present state.	Director of Finance, Resources & Business Improvement

Staffing	We may need access to extra external expertise to deliver the recommendations.	Director of Finance, Resources & Business Improvement
Legal	Acting on the recommendations is within the Council's powers as set out in local authority legislation (including the general power of competence under the Localism Act 2011) and the Council's Constitution.	Interim Team Leader (Contentious and Corporate Governance)
Information Governance	No implications.	Director of Finance, Resources & Business Improvement
Equalities	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
Public Health	No implications.	Director of Finance, Resources & Business Improvement
Crime and Disorder	No implications.	Director of Finance, Resources & Business Improvement
Procurement	The Council will follow its usual procurement processes in selecting professional advisers and a contractor for works at the site.	Director of Finance, Resources & Business Improvement
Biodiversity and Climate Change	Any new use/lease of the Archbishop's Palace would need to be consistent with the Biodiversity and Climate Change Action Plan.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

Background

- 2.1 The Archbishop's Palace is a landmark building of unique significance for the borough and the town of Maidstone. Until recently, it was let to Kent County Council (KCC) for use as a Registry Office and Coroners Court.

Knowing that KCC were due to vacate, an extensive process of member and public consultation has been carried out about its future use, starting in early 2020. The following objectives were set for any future use:

- Respect the historical fabric of the buildings
- Bring the building promptly back into active use
- Any proposed use should be economically viable
- Develop linkages to the property with the surrounding area, particularly the River Medway, Lockmeadow and the Town Centre.

2.2 The steps in this process may be summarised as follows.

February 2020	Options for future use of Palace were considered at an open meeting for councillors on 20 th February.
July 2021	A feasibility study was presented to Policy and Resources Committee. This considered a wide range of different potential uses, with the following short list drawn up as meriting detailed review: <ol style="list-style-type: none"> 1. Co-Working and/or Serviced Offices 2. Training and Seminar Centre 3. Wedding and Seminar Venue 4. Boutique Hotel 5. Commercial Mixed Use (ie combination of 1 and 2) 6. Mixed Use Culture and Weddings <p>Agreement was reached to seek a preferred partner, through an open procurement process, for development of further proposals.</p>
October 2021	Council undertook public consultation. This attracted considerable interest, with over 2,000 individual responses. The top three options for respondents were a wedding and seminar venue, mixed use culture and weddings, and a boutique hotel.
March 2022	Policy and Resources Committee selected a preferred partner. This was Balfour Hospitality, who proposed to develop the Palace as a boutique hotel.
March 2023	KCC vacated the premises and the building was taken over on a temporary basis by Parking Services.
April 2023	The preferred partner exclusivity period expired. Balfour Hospitality, as promoter of the boutique hotel concept, concluded that it would not be commercially viable, given the scale of investment required.

2.3 The Council remains committed to seeking an appropriate use for the Archbishop’s Palace. Although its chosen partner was not in the end able to produce suitable proposals, an extensive body of information about the Palace and its potential has now been accumulated, and the feasibility of

different potential options for the future have been thoroughly researched, allowing an informed decision to be made about the next steps.

- 2.4 The Palace's current use as a service location ensures that the building is occupied, but it does not generate any income, and the council must now incur the costs of occupancy, previously borne by KCC. These comprise principally business rates and repairs and maintenance costs. The total marginal cost now incurred amounts to approximately £350,000 – being £100,000 of annual rent foregone and approximately £250,000 of running costs.
- 2.5 A further factor in consideration of the next steps is that, as a new Town Centre Strategy emerges, the heritage quarter of which the Archbishop's Palace forms a key component will become a vital part of the Council's plans for the future. Any future use of the Palace will need to form an integral part of the whole offer presented by the Town Centre to residents and visitors.

Market Testing

- 2.6 The Council has now undertaken further market testing, going back to the options originally considered by members in July 2021. Based on discussions with leading local participants in the market, this indicates strong interest in commercial use of the Palace as a wedding and events venue. This would be less capital intensive than the 'boutique hotel' concept and it will be seen that it is supported by a strong business case.
- 2.7 The Archbishop's Palace is already well-known as a wedding venue through its use as a Registry Office. Heritage venues are very popular for weddings and special events, as they provide a suitably attractive setting for big occasions. This is reflected in the strong interest that we have found amongst established businesses in the market.
- 2.8 It is proposed to seek a specialist operator who already has experience of this market. Although an in-house operation was considered by Members when selecting our preferred partner in March 2022, the Council does not have the requisite business knowledge in-house to run the Palace as a wedding and event venue.
- 2.9 The Palace would not require major alterations to accommodate use as a wedding venue. This is a key benefit, given its Grade 1 listing and the accompanying constraints on any changes.
- 2.10 An operator's main requirement would be a commercial kitchen, to allow large scale catering. As part of our previous partner's planning, an outline concept for providing a commercial kitchen on the ground floor of the Palace has already been developed and broad cost indications obtained. Detailed plans now need to be drawn up.
- 2.11 Wedding and event organisers are specialists, and (unlike our previous partner) could not be expected to have the project management skills to fit out the Palace. This work therefore more appropriately falls to the Council, as the property owner, to carry out. The fit-out would be

provided by the Council as landlord, using our financial resources, and commissioning architects and contractors as appropriate. The specification would be generic, such that we would not be committed to any one operator, and to ensure an enhancement in the value of the Palace from carrying out these works.

- 2.12 Having carried out initial fit-out works as landlord, the Palace would be let on a commercial lease, with the tenant taking on full responsibility for business rates and repairs and maintenance. These costs, currently borne by the Council, would therefore be passed on to the tenant.
- 2.13 Market testing has indicated that the rental cost of suitable venues is broadly aligned with office rental values. This allows an estimate of return on investment to be drawn up. Details are set out in the Part 2 Appendix. These show a strong investment return and a positive net present value. Modelling has also been carried out on an alternative, more pessimistic scenario. This still generates a positive net present value and a return in excess of the Council's capital strategy hurdle rate.
- 2.14 Public consultation highlighted the value that residents place on access to the Palace and its grounds. This has been reiterated as part of our market testing with potential operators. The organisations with whom we have engaged recognise that use of a heritage asset like the Palace is bound to be accompanied by a requirement for public access. It is customary for the arrangements to be reflected in a formal agreement with the operator and there are many established models on which we would draw, in order to ensure that local aspirations for public access are met.

Next Steps

- 2.15 This report proposes that the Council instruct architects to produce a design concept and to liaise with Historic England and MBC planners to obtain the necessary consents. Alongside this work, we would engage with the market and invite potential operators to submit offers for an agreement to lease the Palace as a wedding and event venue. A further report will be brought to the Policy Advisory Committee and to Cabinet in Autumn 2023 with a recommendation as to the preferred operator, the lease terms, and the capital investment to be incurred.
- 2.16 Work is under way on a new Town Centre Strategy, which would set out a vision for the Council for the period to 2050. This is likely to take advantage of the rich heritage of the quarter in which the Palace is located. The proposed use of the Palace as a wedding and events venue would reflect this, by showcasing the building and ensuring that it remains in active use. As the Strategy develops, it will be important to ensure that plans for the Palace, and in particular any agreement to lease the Palace to a third party, are consistent with its objectives.

3. AVAILABLE OPTIONS

3.1 Option 1: Do nothing

The Council would continue to incur significant annual costs in maintaining the Palace. There would be an opportunity cost, both in financial terms and in failing to allow potential users to benefit from this prime Council asset.

3.2 Option 2: Develop plans for use of the Palace as a wedding and events venue

This option has been described above. Market testing has established that it would be a viable option in financial terms, and it would meet the objectives set by members for future use of the Palace.

3.3 Option 3: Develop alternative plans for use of the Palace

a. Co-working and Serviced Office Space

This option was considered as part of the feasibility study presented to Members in 2021. It would require some internal work to the building, to enable good quality communications links and to provide secure and safe partitioning between offices. If used for this purpose, the Palace would be competing in what is already an active market in Maidstone Town Centre, with potential disadvantages compared with the competition in not being able to provide modern accommodation or extensive parking facilities.

b. Training and Seminar Centre

This option was considered as part of the feasibility study presented to Members in 2021. Like option 3a above, it would require internal work to the building. However, it is not clear that there would be sufficient demand in the market to make this use viable.

c. Mixed Use Culture and Weddings

Members requested that this option be considered in 2021. Whilst they acknowledged the potential of the Palace as a venue for weddings, some members wanted to see a café, an arts space, and exhibition and gallery spaces, which would enable interpretation of the building, to give the widest public access. Such uses would have limited revenue generating potential and would limit the potential of the Palace as a wedding and event venue, by taking up dates in the calendar and/or space at the Palace that would otherwise have commercial potential. Accordingly, this option is unlikely to be economically viable.

d. Boutique Hotel

This option was considered extensively by our preferred partner in 2022/23. It relies on a minimum number of bedrooms to be offered to establish a viable hotel business. The existing building could not accommodate the required number of rooms, whilst at the same time providing space for dining and events. It became clear during the course of our partner's

research that the financial and conservation challenges of new building in the grounds of the Palace were very significant. This position is unlikely to change in the foreseeable future.

e. Residential conversion

This option was not considered as part of the original feasibility study, but has been included here for the sake of completeness. The option would face a number of very significant practical obstacles. Residential property values in central Maidstone make the financial return much less attractive than option 2 above. There would be potentially insuperable challenges from a conservation viewpoint, given the Palace's Grade 1 listing, in installing the necessary partitioning, ventilation and other services needed to create units of residential accommodation. Finally, it would be very difficult to reconcile members' and residents' aspirations for public access with private residential accommodation.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is option 2, Develop plans for use of the Palace as a wedding and events venue. It is likely to be a viable option in financial terms, and it would meet the Council's objectives for future use of the Palace.

5. RISK

- 5.1 There are a number of risks associated with this proposal.

Project risk – Delivering the required improvements to the Palace to accommodate a new tenant will bring all the usual risks associated with construction projects. These will be mitigated as much as possible by use of experienced and qualified contractors and application of strong project management disciplines.

Commercial risk – The proposed future use of the Palace depends on the commercial success of the operator, which in turn depends on the overall health of the local economy.

Site specific risks – The palace is a historic and sensitive site. Carrying out any work at the site therefore brings a heightened degree of risk. These will be mitigated so far as possible by working with contractors and partners who have relevant experience and can be expected to anticipate and respect the specific issues involved. The Council's conservation specialists have been consulted during the course of the project to date and will continue to be involved.

- 5.2 The above risks, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 As described above, a comprehensive public consultation exercise was held in 2021 about the future of the Palace. It is considered that the findings from this remain relevant and they have helped to determine the recommended way forward.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The proposed next steps are set out below.

2023	Action to be undertaken
By end July	Council appoint Architect to produce illustrative design concepts and scope of essential works and suggested operator specified works
August	Appointed Architect to commence discussions with Historic England (Listed Building Consent) and Planners (Change of Use and Planning Consent) for necessary consents
September	Formal Supplier Engagement to consult as to commercial Lease Terms and determine specific operator building requirements. Options to be offered : Palace only; Palace and Gatehouse; Palace, Gatehouse and Dungeon.
October	Council to seek Planning Pre App advice and prepare Heads of Terms (HoTs) for the lease and costed scope of works. HoTs to include payment of commercial rent and public access arrangements
Oct/Nov	Invite Best Offers from Operators for a Conditional Agreement for Lease based on the approved HoTs and agreed scope of works
By end November	Cabinet select Operator and agree terms
By end December	Council enter into the Conditional Agreement for Lease with the preferred operator and submit Planning and Listed Building Consent
2024	Action to be undertaken
March	Council obtain Planning and all other necessary consents and commence the agreed improvement works to the building.

By end July	Building work completed, Lease signed and completed
August	Venue opens to host Weddings and Events

8. REPORT APPENDICES

Exempt Appendix – Financial Modelling

9. BACKGROUND PAPERS

None.

Agenda Item 14

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted