

**First Quarter Financial Update  
2022/23**

Corporate Services – Policy Advisory Committee

12 October 2022

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# Part A

# Executive Summary & Overview



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

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

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

The headlines for Quarter 1 are as follows:

#### Part B: Revenue Budget – Q1 2022/23

- At the Quarter 1 stage, the Council has incurred net expenditure of £0.059m against a profiled budget of £1.488m, representing an underspend of £1.428m.
- For the services reporting directly to CS PAC, net expenditure of -£0.193m has been incurred against a profiled budget of £0.704m, representing an underspend of £0.897m.

#### Part C: Capital Budget – Q1 2022/23

- At the Quarter 1 stage, the Council has incurred overall expenditure of £2.688m against a budget allocation within the Capital Programme of £35.476m.
- Expenditure for services reporting directly to CS PAC of £0.084m has been incurred against the budget of £12.633m.

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

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

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

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

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

- The Council held short-term investments of £38.75m and had £9.0m in short term local authority borrowing as at 31<sup>st</sup> March 2022.
- Balances as at 30<sup>th</sup> June 2022 are £27.3m in short-term investments and £9m of borrowing.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for Quarter 1 2022/23 was £145,852. Rent arrears as at 30<sup>th</sup> June 2022 totaled £10,548.

# Part B

# First Quarter Revenue Budget 2022/23

## B1) Revenue Budget: Council

B1.1 At the Quarter 1 stage, the Council has incurred net expenditure of £0.059m against a profiled budget of £1.488m, representing an underspend of £1.428m.

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

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

Policy Advisory Committee	Full Year Budget £000	To 30 June 2022 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Corporate Services	13,026	704	-193	897	12,383	642
Planning and Infrastructure	-134	174	-230	404	-323	189
Communities, Housing & Environment	10,424	1,128	988	140	10,829	-406
Economic Regeneration & Leisure	-81	-518	-506	-12	305	-387
<b>Net Revenue Expenditure</b>	<b>23,234</b>	<b>1,488</b>	<b>59</b>	<b>1,428</b>	<b>23,196</b>	<b>39</b>

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

Priority	Full Year Budget £000	To 30 June 2022 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Safe, Clean and Green	7,168	1,916	1,748	168	6,980	188
Homes and Communities	1,168	-1,265	-1,250	-14	1,761	-593
Thriving Place	1,328	361	486	-125	1,704	-375
Embracing Growth and Enabling Infrastructure	-110	180	-243	423	-299	189
Central & Democratic	13,680	295	-682	977	13,049	631
<b>Net Revenue Expenditure</b>	<b>23,234</b>	<b>1,488</b>	<b>59</b>	<b>1,428</b>	<b>23,195</b>	<b>39</b>

**Table 3: Net Expenditure 2022/23 (@ 1<sup>st</sup> Quarter): Analysis by SUBJECTIVE SPEND**

Subjective	Full Year Budget £000	To 30 June 2022 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Employees	23,596	5,876	5,599	277	23,596	0
Premises	6,232	2,307	2,212	95	6,601	-370
Transport	662	149	110	39	662	0
Supplies & Services	14,672	2,887	2,828	58	15,361	-690
Agency	6,742	1,652	1,666	-14	6,742	0
Transfer Payments	37,820	7,312	6,110	1,202	37,820	0
Asset Rents	1,782	0	0	0	932	850
Income	-68,271	-18,695	-18,465	-230	-68,519	248
<b>Net Revenue Expenditure</b>	<b>23,234</b>	<b>1,488</b>	<b>59</b>	<b>1,428</b>	<b>23,195</b>	<b>39</b>

**Table 4: Net Expenditure 2022/23 (@ 1<sup>st</sup> Quarter): Analysis by LEAD MEMBER**

Lead Member for	Full Year Budget £000	To 30 June 2022 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Corporate Services	13,026	704	-193	897	12,383	642
Planning & Infrastructure	-134	174	-230	404	-323	189
Communications & Public Engagement	2,456	664	591	74	2,456	0
Environmental Services	6,256	1,725	1,646	79	6,068	188
Housing & Health	1,712	-1,262	-1,249	-13	2,305	-593
Leader of the Council	550	157	288	-131	787	-237
Leisure & Arts	-631	-675	-794	119	-481	-150
<b>Net Revenue Expenditure</b>	<b>23,234</b>	<b>1,488</b>	<b>59</b>	<b>1,428</b>	<b>23,195</b>	<b>39</b>



## B2) Revenue Budget: Corporate Services PAC

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

**Table 4: CS Revenue Budget: NET EXPENDITURE (@ 1<sup>st</sup> Quarter 2022/23)**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 June 2022 £000	Actual £000	Variance £000	Forecast 31 March 2022 £000	Forecast Variance 31 March 2022 £000
Maintenance of Closed Churchyards	11	3	0	3	11	0
Drainage	32	8	0	8	32	0
Street Naming & Numbering	-73	-18	-13	-5	-73	0
Sandling Road Site	29	7	42	-34	167	-138
Maidstone House - Landlord	197	49	-291	341	197	0
Civic Occasions	44	27	30	-2	44	0
Members Allowances	408	102	100	2	408	0
Members Facilities	18	4	1	3	18	0
Contingency	1,823	291	-1	292	1,823	0
Corporate Projects	50	13	0	13	50	0
Corporate Management	477	35	32	4	477	0
Unapportionable Central Overheads	1,488	355	328	27	1,413	75
Council Tax Collection	57	24	27	-3	57	0
Council Tax Collection - Non Pooled	-356	-51	-43	-8	-356	0
Council Tax Benefits Administration	-152	-152	-164	12	-152	0
NNDR Collection	2	1	3	-2	2	0
NNDR Collection - Non Pooled	-234	2	5	-3	-234	0
MBC- BID	1	-14	-16	3	1	0
Registration Of Electors	59	17	14	3	59	0
Elections	221	126	107	18	221	0
Emergency Centre	22	9	5	4	22	0
Medway Conservancy	128	64	64	-0	128	0
External Interest Payable	2,263	0	19	-19	1,413	850
Interest & Investment Income	-100	-25	-21	-4	-100	0
Palace Gatehouse	-8	-2	-5	3	-8	0
Archbishops Palace	-97	-24	-31	8	-97	0
Parkwood Industrial Estate	-287	-66	-60	-6	-287	0
Industrial Starter Units	-17	1	-5	6	-17	0
Parkwood Equilibrium Units	-77	-20	-27	7	-77	0
Sundry Corporate Properties	-237	-59	-15	-44	-92	-145
Phoenix Park Units	-216	-54	-62	8	-216	0
Granada House - Commercial	-93	-61	-69	8	-93	0
MPH Residential Properties	-732	-168	-165	-3	-732	0
Heronden Road Units	-148	-40	-40	0	-148	0
Boxmend Industrial Estate	-92	-23	-32	9	-92	0
Wren Industrial Estate	-120	-34	-36	1	-120	0
General Fund Residential Properties	-57	-14	-13	-1	-57	0
Pensions Fund Management	1,757	0	0	0	1,757	0
Non Service Related Government Grants	-4,216	-1,054	-1,054	0	-4,216	0
Rent Allowances	-115	-22	-172	150	-115	0
Non HRA Rent Rebates	-9	217	309	-92	-9	0
Discretionary Housing Payments	1	57	48	9	1	0
Housing Benefits Administration	-339	-88	-88	-0	-339	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 June 2022 £000	Actual £000	Variance £000	Forecast 31 March 2022 £000	Forecast Variance 31 March 2022 £000
Democratic Services Section	263	66	52	13	263	0
Mayoral & Civic Services Section	118	29	29	0	118	0
Chief Executive	189	47	47	-0	189	0
Head of Policy and Communications	121	30	43	-13	121	0
Revenues Section	568	242	247	-5	568	0
Registration Services Section	92	23	21	2	92	0
Benefits Section	507	209	205	4	507	0
Fraud Section	34	70	73	-3	34	0
Mid Kent Audit Partnership	212	59	9	51	212	0
Director of Finance & Business Improvement	148	37	36	1	148	0
Accountancy Section	823	225	164	61	823	0
Legal Services Section	628	157	172	-15	628	0
Director of Regeneration & Place	147	37	36	1	147	0
Procurement Section	113	-3	0	-3	113	0
Property & Projects Section	572	143	132	12	572	0
Corporate Support Section	283	71	65	6	283	0
Improvement Section	375	94	89	5	375	0
Executive Support Section	91	23	23	-0	91	0
Head of Commissioning and Business Improvement	123	31	9	23	123	0
Mid Kent ICT Services	574	143	129	15	574	0
GIS Section	122	31	30	1	122	0
Director of Mid Kent Services	48	-61	-51	-10	48	0
Mid Kent HR Services Section	404	101	84	17	404	0
MBC HR Services Section	101	21	33	-12	101	0
Head of Revenues & Benefits	77	41	25	17	77	0
Revenues & Benefits Business Support	101	22	30	-7	101	0
Dartford HR Services Section	-14	-3	-7	3	-14	0
IT Support for Revenues and Benefits	26	11	11	-0	26	0
Emergency Planning & Resilience	88	22	14	8	88	0
Salary Slippage	-286	-71	0	-71	-286	0
Town Hall	121	41	31	10	121	0
South Maidstone Depot	221	99	101	-2	221	0
The Link	120	111	29	82	120	0
Maidstone House	398	187	287	-100	398	0
Museum Buildings	253	91	80	11	253	0
I.T. Operational Services	624	166	171	-5	624	0
Central Telephones	16	4	2	2	16	0
Apprentices Programme	71	18	3	15	71	0
Internal Printing	-4	1	8	-6	-4	0
Debt Recovery Service	-14	50	-3	53	-14	0
Debt Recovery MBC Profit Share	-95	-24	-22	-2	-95	0
General Balances	-1,179	-1,179	-1,179	0	-1,179	0
Earmarked Balances	4,507	-132	-159	27	4,507	0
Appropriation Account	1,782	0	0	0	1,782	0
Pensions Fund Appropriation	-1,757	0	0	0	-1,757	0
<b>Total</b>	<b>13,026</b>	<b>704</b>	<b>-193</b>	<b>897</b>	<b>12,383</b>	<b>642</b>

B2.2 The table shows that, at the Quarter 1 stage, for the services reporting directly to CS PAC, net expenditure of -£0.193m has been incurred against the budget of £0.704m, representing an underspend of £0.897m.

### **B3) PRC Revenue Budget: Significant Variances**

B3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning. Variances will be reported to each of the Policy Advisory Committees on a quarterly basis throughout 2022/23.

B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 1.

**Table 5: CS PAC Variances (@ 1<sup>st</sup> Quarter 2022/23)**

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
<b>Corporate Services</b>	<b>£000</b>		
<b>Sandling Road Site</b> – Security costs for the site were not budgeted for when the Council took responsibility for the site. Possible sources of funding are being investigated.		-34	-138
<b>Maidstone House Floors 1-4</b> – Part of a budget strategy saving of £0.590m relating to the acquisition of Maidstone House will be allocated to this budget to deal with this variance.	340		0
<b>Contingency</b> – Additional funding was included in this budget as a contingency for increased inflation costs. It is likely that a large portion of this funding will be used to cover additional contract and utilities costs.	292		0
<b>Unapportionable Central Overheads</b> – Due to staff vacancies payments to the Kent County Council Pension Fund are lower than forecast.	27		75
<b>External Interest Payable</b> – A significant portion of this budget relates to the Minimum Revenue Provision the Council has to make to meet the costs of borrowing for the capital programme. The budget assumed that there would be a higher level of borrowing at this stage than there actually has been.		-18	850
<b>Sundry Corporate Properties</b> – This budget included a budget strategy saving of £0.148m relating the income from new property acquisitions. To date there have been no acquisitions.		-43	-145
<b>Rent Allowances &amp; Non-HRA Rent Rebates</b> - The variances on the cost centres are due to the rent allowances /rebates awarded and the income received from government. These are estimated costs until the year-end subsidy claim is submitted.	108		0
<b>The Link</b> - Part of a budget strategy saving of £0.590m relating to the acquisition of Maidstone House will be allocated to this budget to deal with this variance.	82		0
<b>Maidstone House</b> - Part of a budget strategy saving of £0.590m relating to the acquisition of Maidstone House will be allocated to this budget to deal with this variance. The current variance relates to higher than forecast electricity costs.		-108	0
<b>Debt Recovery Service</b> – Income levels are higher than forecast for the first quarter, but at this stage it is not assumed that they will continue at the same level.	53		0

## B4) Other Revenue Budgets: Significant Variances

B4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances.

**Table 6: Planning Services PAC Variances (@ 1<sup>st</sup> Quarter 2022/23)**

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
<b>Planning &amp; Infrastructure</b>	<b>£000</b>		
<b>PLANNING SERVICES</b>			
<b>Development Control Majors</b> – While income levels have been high during the 1 <sup>st</sup> quarter it is still not certain that these will be sustained over the remainder of the year. It is also proposed that this underspend will be utilised to fund some changes that are proposed within the Planning team.	118		0

### Local Plan Review

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

B4.2 The LPR process is therefore funded through an annual £200,000 revenue contribution, in addition to the existing service budget, with any remaining unspent balances at year end automatically rolled forward into the following financial year. The table below shows the available revenue resources currently allocated to fund LPR activities, and the spend as at 30<sup>th</sup> June 2022.

<b>Opening Balance 01/04/2022</b>	<b>Spending April - June 2022</b>	<b>Forecast Spending July - March 2023</b>	<b>Forecast Spending Balance 31/03/2023</b>
<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
1,461,727	42,737	1,420,073	-1,083

Table 6a, Local Plan Review budget (Q1, 2022/23)

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

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
<b>Planning &amp; Infrastructure</b>	£000		
<b>PARKING SERVICES</b>			
<b>Pay &amp; Display Car Parks</b> - The variance is created by increased income from Off-Street car parks. Occupancy levels have continued to improve. Long stay car park income is now slightly better than budget.	73		154

**Table 7: Communities, Housing & Environment PAC Variances (@ 1<sup>st</sup> Quarter 2022/23)**

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
<b>Communities, Housing &amp; Environment Committee</b>	£000		
<b>Parks &amp; Open Spaces</b> – The Grounds Maintenance team is being restructured and this underspend will be used to fund the costs of that.	37		0
<b>Crematorium</b> – Income is forecast to increase by 5% this year, and some of this additional income will be used to fund grounds maintenance works.	51		138
<b>Public Conveniences</b> - This cost centre was awarded a growth item, to fund the additional costs of the new toilets at Mote Park. The toilets are not yet open, so the additional budget is unspent. The toilets are expected to open in September.	29		50
<b>Household Waste Collection</b> - The variance of this cost centre is caused by the expected rise in the waste collection and recycling contract, which is expected to increase by more the 12% from 1st April. When confirmed the contract will be funded by the additional budget set aside in the contingency for this purpose.		-41	0
<b>Public Health Obesity</b> – The year-end forecast represents unused grant monies that will be carried forward to 2023/24 .	30		65
<b>Homeless Temporary Accommodation</b> - This is due to a surge in the need for temporary accommodation, and this is likely due to, but not limited to the rise in the cost of living at the moment. There are also issues with getting people out of temporary accommodation as soon as possible, and this has proved very difficult. The Housing team are currently looking at how the homefinder scheme can help boost access to more private letting.		-101	-659

**Table 8: Economic Regeneration & Leisure PAC Variances (@ 1<sup>st</sup> Quarter 2022/23)**

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
<b>Economic Regeneration &amp; Leisure Committee</b>	<b>£000</b>		
<b>Innovation Centre</b> – There may be financial pressures due to business rates now not being funded from any retained Enterprise Zone business rates going forward. For 22/23 there is around £100k of retained rates that can be used to reduce this year’s forecast and this will be reflected in future updates. Rent income has also been impacted slightly by a later go live date. Officers will continue to review the position and see if further funding can be identified.		-97	-220
<b>Lockmeadow</b> – At present the Council are paying the service charges for the food hall tenants. Due to increased utility costs the charges are now higher than had originally been anticipated.		-26	-150

**B5) Virements**

- B5.1 In accordance with the Council’s commitment to transparency and recognised good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the CS PAC on a quarterly basis.
- B5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.
- B5.3 The virements made in Quarter 1 are presented in Table 9 below.

**Table 9: Virements (@ 1<sup>st</sup> Quarter 2022/23)**

Reason	From	To	Value £	Type
Funding for Welfare Officer post from Recovery & Renewal Reserve	Earmarked Reserves	Revenues Section	31,850	Temporary
Staff honorarium	Community Halls	Property & Projects Section	2,590	Temporary
Works to Granada House	Contingency	MPH Residential Properties	140,310	Temporary
Funding for staffing costs	Contingency	Customer Services Section	32,790	Temporary
Funding for Assistant Economic Development Officer post from Business Rates Growth Reserve	Earmarked Reserves	Economic Development Section	36,160	Temporary
First payment for website contract from Business Rates Growth Reserve	Earmarked Reserves	Economic Development - Promotion & Marketing	4,420	Temporary
Jubilee Mayor's Tea Party costs from Business Rates Growth Reserve	Earmarked Reserves	Economic Development - Promotion & Marketing	3,330	Temporary
Quarterly subscription for football activity costs from Business Rates Growth Reserve	Earmarked Reserves	Economic Development - Promotion & Marketing	3,000	Temporary
Funding for Enforcement Officer post from Recovery & Renewal Reserve	Earmarked Reserves	Development Management Section	6,920	Temporary
Funding for Planning Officer post from Recovery & Renewal Reserve	Earmarked Reserves	Development Management Section	7,560	Temporary
Funding for Temporary Heritage, Landscape & Design Officer post from Recovery & Renewal Reserve	Earmarked Reserves	Heritage, Landscape & Design Section	12,480	Temporary
Reduce rental income budgets	Contingency	MPH Residential Properties	28,620	Permanent
Costs of refuse collection at Mote Park	Mote Park Pay & Display Car Park	Mote Park	10,000	Permanent
Increase in costs of Communities & Strategic Partnership Manager post	Health Improvement Programme	Community Partnerships & Resilience Section	4,340	Permanent
			<b>324,370</b>	



# Part C

# First Quarter Capital Budget 2022/23

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

- C1.1 The overall five-year Capital Programme for 2022/23 to 2026/27 was approved by the Council on 23<sup>rd</sup> February 2022. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding continued to be available from the New Homes Bonus (NHB) in 2022/23.
- C1.2 The 2022/23 element of the Capital Programme (including unused resources brought forward from 2021/22) has a budget of £35.476m. At the Quarter 1 stage, capital expenditure of £2.688m had been incurred, with budget remaining of £32.788m.

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

- C2.1 Progress towards the delivery of the 2022/23 CS PAC element of the Capital Programme at the Quarter 1 stage is presented in Table 10 below.
- C2.2 At the Quarter 1 stage, expenditure of £0.084m has been incurred against a budget of £12.633m million for CS PAC. This leaves a remaining budget of £12.549m.

**Table 10: Capital Expenditure (@ 1<sup>st</sup> Quarter 2022/23)**

Capital Programme Heading	Adjusted Estimate 2022/23 £000	Actual to June 2022 £000	Budget Remaining £000	Q2 Profile £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2023/24 £000
<b>Communities, Housing &amp; Environment</b>								
Housing - Disabled Facilities Grants Funding	1,640	93	1,547	90	210	210	603	1,037
Temporary Accommodation	4,330	10	4,320	285	1,352	1,370	3,017	1,313
Springfield Mill - Phase 2	731	735	-4				735	-4
Private Rented Sector Housing Programme - Scheme B - Maidstone East	688	25	662	74	172	189	460	227
Private Rented Sector Housing Programme - Scheme C - Heather House & Pavilion Building	99	5	94			94	99	-0
Private Rented Sector Housing Programme - Scheme D - King Street	74		74					74
Private Rented Sector Housing Programme - Indicative Schemes	2,323	356	1,967	1,601	63	136	2,155	168
1,000 Homes Affordable Housing Programme - Indicative Schemes	4,305		4,305	1,601	2,786	82	4,469	-164
1,000 Homes Affordable Housing Programme - Maidstone East	1,330		1,330					1,330
1,000 Homes Affordable Housing Programme - King Street	44	29	15				29	15
Market Sale Housing Programme - Heather House & Pavilion Building	515		515			515	515	
Acquisitions Officer - Social Housing Delivery P/ship	160	20	140	45	45	50	160	0
Granada House Refurbishment Works	950	24	926	8		300	332	618
Street Scene Investment	70		70	50	20		70	-0
Flood Action Plan	430		430			100	100	330
Electric Operational Vehicles	84		84		84		84	
Vehicle Telematics & Camera Systems	22		22	22			22	
Rent & Housing Management IT System	11	13	-2				13	-2
Installation of Public Water Fountains	15		15			15	15	
Crematorium & Cemetery Development Plan	137	124	12	13			137	-0
Continued Improvements to Play Areas	126		126	50	50	26	126	-0
Parks Improvements	152	10	142	75	35	32	152	0
Gypsy & Traveller Sites Refurbishment	1,421	424	997	500	497		1,421	-0
Waste Crime Team - Additional Resources	25		25	25			25	
Section 106 funded works - Open Spaces	400	38	362	175	100	87	400	0
<b>Total</b>	<b>20,080</b>	<b>1,906</b>	<b>18,174</b>	<b>4,614</b>	<b>5,413</b>	<b>3,206</b>	<b>15,139</b>	<b>4,941</b>

Capital Programme Heading	Adjusted Estimate 2022/23 £000	Actual to June 2022 £000	Budget Remainin g £000	Q2 Profile £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditu re £000	Projected Slippage to 2023/24 £000
<b>Economic Regeneration &amp; Leisure</b>								
Mote Park Visitor Centre	1,307	694	613	500	263		1,457	-150
Mote Park Lake - Dam Works	486	4	482	50	50	40	144	342
Museum Development Plan	389		389	23	10	18	50	339
Leisure Provision	100		100	20	40	40	100	
Cobtree Golf Course New Clubhouse	4		4			4	4	0
Tennis Courts Upgrade	20		20	20			20	
Riverside Walk Works	250		250					250
<b>Total</b>	<b>2,556</b>	<b>698</b>	<b>1,859</b>	<b>613</b>	<b>363</b>	<b>102</b>	<b>1,775</b>	<b>782</b>
<b>Corporate Services</b>								
Corporate Property Acquisitions	3,181		3,181	1,000	1,000	1,181	3,181	
Kent Medical Campus - Innovation Centre	341	5	336	50	200	86	341	-0
Lockmeadow Ongoing Investment	203	4	200	100	50	50	203	0
Garden Community	1,633	8	1,625	250	250	250	758	875
Infrastructure Delivery	1,000		1,000					1,000
Asset Management / Corporate Property	1,161	27	1,134	250	250	250	777	384
Other Property Works	980		980	100	440	440	980	
Biodiversity & Climate Change	1,478		1,478		144	103	247	1,231
Feasibility Studies	122	18	104	40	35	29	122	0
Digital Projects	25		25			25	25	
Software / PC Replacement	336	21	315	110	110	95	336	-0
Maidstone House Works	1,000	0	1,000	250		580	830	170
Automation Projects	200		200	50	75	75	200	
New Ways of Working - Make the Office Fit for Purpose	40		40	40			40	
Archbishop's Palace	400		400	25	10	10	45	355
Fleet Vehicle Replacement Programme	533		533	250	150	133	533	-0
<b>Total</b>	<b>12,633</b>	<b>84</b>	<b>12,549</b>	<b>2,515</b>	<b>2,714</b>	<b>3,307</b>	<b>8,619</b>	<b>4,014</b>
<b>Planning &amp; Infrastructure</b>								
Bridges Gyratory Scheme	206		206	10	10	10	30	176
<b>Total</b>	<b>206</b>		<b>206</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>30</b>	<b>176</b>
<b>TOTAL</b>	<b>35,476</b>	<b>2,688</b>	<b>32,788</b>	<b>7,751</b>	<b>8,500</b>	<b>6,624</b>	<b>25,563</b>	<b>9,912</b>

### **C3) Capital Budget Variances (@ 1<sup>st</sup> Quarter 2022/23)**

#### **Corporate Services PAC**

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

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

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

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

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

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

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

Temporary Accommodation - This is the funding for the latest phase of property acquisitions to provide accommodation for temporarily homeless families and persons. There have been no acquisitions to date. It is hoped to acquire more properties this year, but it is proving difficult to obtain properties at reasonable valuations given the current overheated housing market.

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

The current market conditions to identify and acquire suitable sites that also meet our required financial hurdles is proving challenging. Land prices remain high and are still rising due to a perceived (by vendors) link to rising house prices, which is challenging on its own, but also, rapidly rising construction prices are eroding the possible returns further from those same sites. That said a likely pipeline of schemes to deliver the programme has largely been identified, but the process of negotiating the purchase of the sites at a reasonable level, and in accordance with the prevailing RIC Red Book Valuations, needs to be undertaken in a careful and considered manner.

Granada House Refurbishment Works – The procurement process for the works is now complete and it is anticipated that works will commence in January 2023 and will take 8 months to complete. The unused funding will be carried forward into 2023/24. The costs of the works are likely to exceed the approved budget of £2.0m, so further funding will need to be identified as part of the development of the capital programme for 2023/24 onwards.

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

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

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

Mote Park Lake Dam Works – This project is substantially complete with the only costs remaining being the retention payment due next year of £13,000.

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

# Part D

# First Quarter Local Tax Collection 2022/23



## D1) Collection Fund

# Part E

D1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.

D1.3 There are statutory accounting arrangements in place which minimise the in-year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future

## Reserves & Balances 2022/23

**Table 11: Local Tax Collection Rates (Q1 2022/23)**

Description	Target Q1 2022/23	Actual Q1 2022/23
Council Tax	27.48%	28.20%
Business Rates	30.97%	35.80%

D2.2 The amount of Council Tax and Business Rates collected is marginally higher than the quarter 1 target. This will be closely monitored to understand the impacts of the UK financial environment on residents and businesses.

## D3) Kent Business Rates Pool

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

D3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. Business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. the impact of the removal of expanded reliefs to businesses affected by Covid-19, and the longer term impacts on local, national and global economies.



## E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2022 was £34.8 million, including £8.4 million set aside to fund future collection fund deficits. The makeup of the balance, and the forecast movements during 2022/23 are presented in Table 13 below.

E1.2 The closing balance enables a minimum general fund balance of £4.0 million to be maintained, as agreed by full Council in February 2022.

**Table 13: Reserves & Balances Quarter 1 2022/23**

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

*Table 14: General Fund and Earmarked Balances at Q1 2022/23*

The Committee is asked to note that a recommendation will be made to the Executive to use £25,000 of the unallocated balance to fund the costs of drafting an updated Constitution.

# Part F

## Treasury Management 2022/23

## F1) Introduction

The Council has adopted and incorporated into its Financial Regulations, the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code).

The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 23<sup>rd</sup> February 2022, the Council approved a Treasury Management Strategy for 2022/23 that was based on this code. The strategy requires that Policy & Resources Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

## F2) Economic Headlines

During the Quarter ended 30<sup>th</sup> June 2022, the Council's Advisors, Link Asset Services, reported:

- Following the 0.1% m/m fall in GDP in March and the 0.3% m/m contraction in April, the economy is now moving towards a recession (two quarters of falling output in a row).
- CPI inflation rose from 9.0% in April to a new 40-year high of 9.1% in May and it is not yet close to its peak. The increase in CPI inflation in May was mainly due to a further leap in food price inflation from 6.7% to a 13-year high of 8.5%. The further rise in core producer price inflation, from 13.9% to 14.8%, suggests that core goods CPI inflation will probably rise to 14% before long. We think that will take CPI inflation to a peak of around 10.5% in October.
- The MPC has now increased interest rates five times in as many meetings and raised rates to their highest level since the Global Financial Crisis. We think the MPC will raise rates from 1.25% now to a peak of 2.75% next year.
- Gilt yields have been caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively.

## F3) Interest Rates

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

**Table 14: Interest Rate Forecast**

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
<b>BANK RATE</b>	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

**BANK RATE**

- The CPI measure of inflation is now forecast to rise further and the MPC will be keen to stifle the prospect of average earnings data (6.8% y/y currently including bonuses) providing further upside risk to inflationary factors that are primarily being driven by supply-side shortages.
- When Bank Rate reached 1% in May, the MPC indicated (no earlier than August) that it will also consider the extent to which it implements Quantitative Tightening (QT), primarily the selling of its gilt holdings. However, they are likely to take any such decision cautiously as they are already not refinancing maturing debt.
- Once Bank Rate reaches 1%, the MPC will need to consider the extent to which it implements Quantitative Tightening (QT), primarily the selling of its gilt holdings, although they are likely to take it cautiously as they are already not refinancing maturing debt.
- Notwithstanding the MPC's clear desire to increase Bank Rate throughout 2022, negative real earnings, the 54% hike in the Ofgem energy price cap from April (to be followed by a potential 40%+ further increase from October), at the same time as employees (and employers) have incurred a 1.25% Health & Social Care Levy, growing commodity and food inflation plus council tax rises - all these factors will hit households' finances hard. However, lower income families will be hit disproportionately hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies, but the on-going conflict between Russia and Ukraine, including the manner in which the West and NATO respond through sanctions and/or military intervention. Currently, oil, gas, wheat and other mainstream commodities have risen significantly in price and central banks will have to balance whether they prioritise economic growth or try to counter supply-side shock induced inflation.
- On the positive side, consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income before these increases hit and have few financial reserves.

## PWLB RATES

- The yield curve has steepened considerably through the quarter and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 2.75% to 3.75%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook (although we thought that in May and markets went much further than expected in respect of the gilt market sell-off).
- It is difficult to say currently what effect the Bank of England starting to sell gilts will have on gilt yields now that Bank Rate has gone to above 1%. Nothing will be decided before August, however, but the Bank is likely to act cautiously as it has already started on not refinancing maturing debt. A pure roll-off of the peak £875bn gilt portfolio by not refinancing bonds as they mature, would see holdings fall to about £415bn by 2031, which would be about equal to the Bank's pre-pandemic holding.
- Increases in US treasury yields over the next few months could add further upside pressure on gilt yields as they have done since the turn of the year.

## F4) Council Investments

The council held investments totaling £38.75m at the start of the year which has reduced to £27.3m on 30<sup>th</sup> June 2022. Investment levels have reduced due to repayments of grants to Central Government and precept payments to Parish Council's in April 2022.

A full list of investments held at this time is shown at Table 15 below. All investments are held in either short term notice accounts or money market funds, to be readily available to fund the Council's liabilities, including the capital programme.

**Table 15: Short-Term Investments (1<sup>st</sup> Quarter 2022/23)**

Counterparty	Type of	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Goldman Sachs International Bank	Call account	2,000,000			0.23%	100 Days	£5,000,000
Lloyds Bank Plc	Call account	1,000,000			0.15%	6 Months	£5,000,000
Santander Bank Plc	Call account	5,000,000			0.70%	6 Months	£5,000,000
Goldman Sachs Asset Management	Money Market Fund	8,300,000			1.13%		£10,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	3,000,000	31/01/2022	29/07/2022	0.62%	6 Months	£5,000,000
Goldman Sachs International Bank	Fixed Term Deposit	3,000,000	14/04/2022	14/10/2022	1.48%	100 Days	£5,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	2,000,000	26/04/2022	26/10/2022	1.42%	6 Months	£5,000,000
National Bank of Kuwait London	Fixed Term Deposit	3,000,000	06/05/2022	07/11/2022	1.72%	6 Months	£5,000,000
<b>Total Investments</b>		<b>27,300,000</b>					

#### F4) Council Borrowing

The Council held external borrowing amounting to £9m on 31<sup>st</sup> March 2022 and the balance is still £9m at the end of June. A breakdown is shown in Table 15 below

**Table 16: Council Borrowing (1<sup>st</sup> Quarter 2022/23)**

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Middlesbrough Teeside Pension Fund	Local Authority	4,000,000	20/08/2021	19/08/2022	0.08%
PWLB	Government	2,000,000	11/11/2021	11/11/2071	1.73%
PWLB	Government	3,000,000	30/12/2021	30/12/2071	1.56%
		9,000,000			

# Part G

## Maidstone Property Holdings 2022/23



## **G1) Maidstone Property Holdings Ltd. (MPH)**

- G1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a vehicle for letting residential properties on assured short-hold tenancies.
- G1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (previously to the Policy and Resources Committee, now to this Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.
- G1.3 The MPH financial year-end is 31<sup>st</sup> March, in order to align with the Council's financial reporting period. The external audit of the 2021/22 accounts is currently in progress.

## **G2) MPH Headlines**

- G2.1 During 2021/22 management of residential accommodation has transferred from an external agent to the Council's in-house accommodation team. MPH also took on the lease of new flats at Tower Hill (Brunswick Street), Tylers Place (Union Street) Springfield Place and Springfield Mill.
- G2.2 Net rental income up to the end of the first quarter of 2022/23 totals £145,852 (2021/22 £517,666) This represents rent collected, less running costs, maintenance costs and recharges for staff time. As at 30<sup>th</sup> June 2022, rent arrears were estimated at £10,548.
- G2.3 The Council receives income from the company through charges made for services provided, and the property lease. After these charges and other expenses, it is expected that the company will achieve a breakeven position for 2022/23.
- G2.4 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.