

NARRATIVE REPORT

2022/2023

Overview

The year ending 31 March 2023 saw Maidstone Borough Council's income continuing to recover from the effects of the Covid-19 pandemic. However, service expenditure reflected particular pressure from the rapid increase in homelessness, with the cost of providing temporary accommodation running well ahead of budget. Strong financial controls enabled the Council to remain within budget overall.

The impact of rising prices was absorbed during the year, but this will be a significant risk in future, particularly as the Council is severely constrained in its capacity to increase revenues in response to increased costs because of the Council Tax referendum limit.

The Council maintains an adequate but not excessive level of reserves and had borrowing of just £10 million as at 31 March 2023. There is therefore capacity for further borrowing to fund the Council's capital programme, in particular the 1,000 Affordable Homes programme.

This narrative report summarises the Council's financial position as follows:

- Key facts about Maidstone
- Background information about Maidstone and the Council
- Maidstone's Strategic Plan and Medium Term Financial Strategy
- Key achievements in 2022/23
- Performance against key indicators
- Summary of financial performance
- Risk management
- Future plans





Key Facts about Maidstone

POPULATION OF MAIDSTONE BOROUGH

2022	180,300
2021	176,600

UNEMPLOYMENT IN BOROUGH

2022	2.8%
2021	3.6%

NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH

2022	8,320
2021	7,995

BUSINESS RATES GENERATED

2022/23	£54.6 million*
2021/22	£43.5 million*

*net of Covid-19 Business Rates relief

WEEKLY PAY FOR A FULL-TIME WORKER

2022	£615.10
2021	£631.40

COUNCIL GROSS REVENUE

2022/23	£94.5 million
2021/22	£105.4 million

COUNCIL REVENUE GENERATED LOCALLY (Excluding Covid-19 Grants)

2022/23	91.8%
2021/22	93.5%

COUNCIL SURPLUS AGAINST BUDGET

2022/23	0.9%
2021/22	2.4%

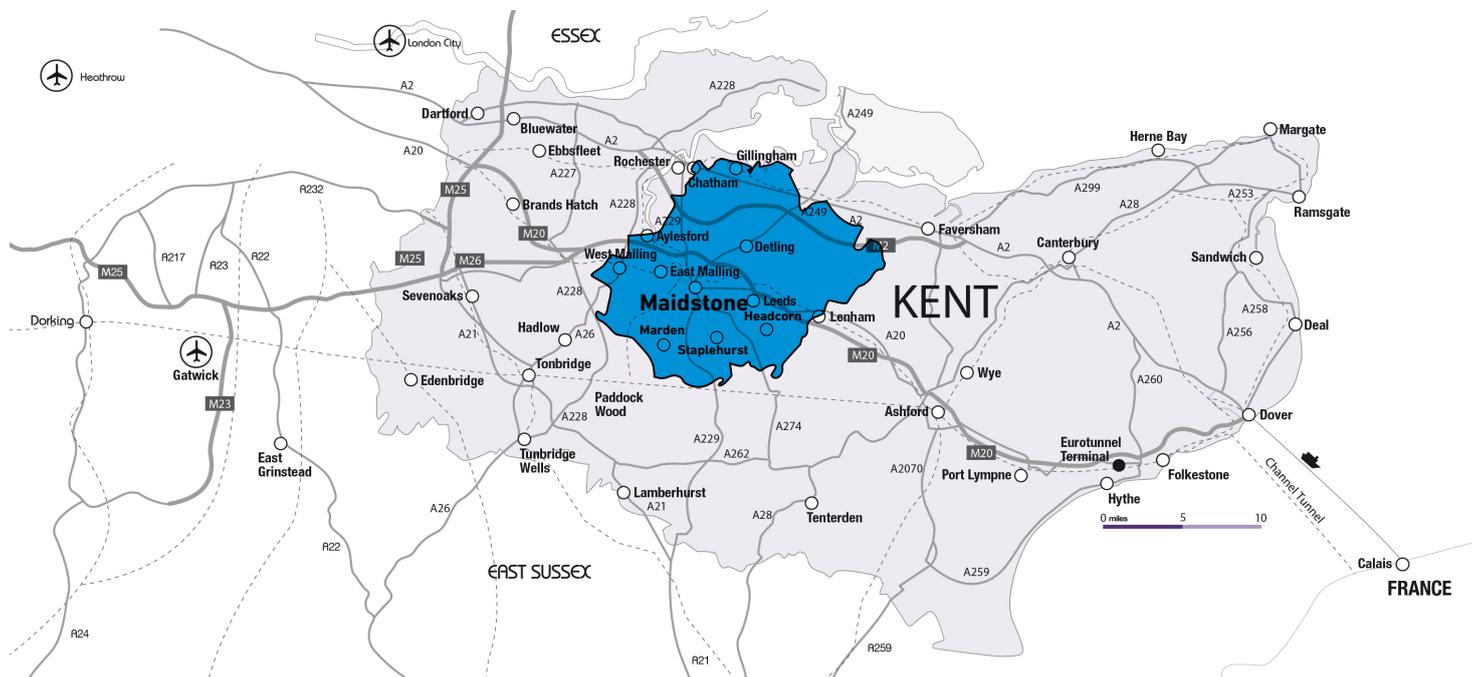
COUNCIL INVESTMENT IN LONG TERM ASSETS

2022/23	£193.6 million
2021/22	£185.3 million

COUNCIL'S USABLE RESERVES (excludes funding of Collection Fund deficit)

2022/23	£23.7 million
2021/22	£23.6 million

About Maidstone



Maidstone is the largest borough council district in Kent, with 175,800 residents recorded in the 2021 census. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area there are local service centres such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham and many smaller villages.

Maidstone has the largest economy of any Kent borough, generating an estimated £4 billion Gross Value Added per annum. The borough has around 8,000 businesses covering a diverse range of sectors including life sciences, healthcare, ICT, construction and civil engineering, professional and business services, agriculture and horticulture, and education.

The M20 from London to the Kent coast runs through the borough, providing good transport links and the opportunity for further business growth.

The town of Maidstone is surrounded by a rural area that stretches from the Kent Downs Area of Outstanding Natural Beauty in the North to the Weald in the South. The borough has a rich historical heritage, with 2,000 listed buildings and 28 scheduled ancient monuments. The River Medway flows through the borough and the town centre and, together with its tributaries, is one of the borough's prime assets. All these natural and physical advantages help the borough attract around four million visitors each year.



About the Council

The Council is accountable to local residents through its 55 councillors.

Following the latest borough elections in May 2023, the political composition of the Council is:

Conservative	25
Liberal Democrat	12
Independent Group	6
Green Independent Alliance	6
Labour	4
Fant & Oakwood Independents	2

The Council operates a Cabinet system, with decisions being made by six Cabinet members, appointed by the Leader of the Council. The Council elects a Leader each year; the current Leader is Councillor David Burton (Conservative).

The day-to-day management of the council and its services is carried out by the Corporate Leadership Team, headed by Alison Broom, Chief Executive.

The Council employed 527 people (490 full time equivalent) at 31 March 2023, based at the Council's administrative offices in Maidstone House, King Street, and at service locations including the Council's depot at Bircholt Road, Parkwood.

Maidstone's Strategic Plan & Medium Term Financial Strategy

The Council adopted a Strategic Plan in December 2018, setting out its aspirations through to 2045. The vision set out in the Plan is for Maidstone to be a vibrant, prosperous, urban and rural community at the heart of Kent, where everyone can realise their potential. The Strategic Plan sets out four priorities: embracing growth and enabling infrastructure; making Maidstone safe, clean and green; providing homes and supporting communities; and making the borough a thriving place. Achievements in 2022/23 against these priorities and key performance indicators are set out in the following section.

Areas of focus within the overall Strategic Plan are refreshed annually. These are consistent with the vision and the four priorities, and respond to the current national and local environment including recovery from the Covid-19 pandemic, increased housing need, financial insecurity and the climate crisis.

A Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its strategic plan over the next five years and is updated annually. Recognising that there is a high degree of uncertainty about the medium term outlook, financial projections are prepared under a range of different scenarios. The scenario adopted for the purpose of detailed financial planning assumes continued high inflation, leading to fiscal tightening and

continued restraints on local government spending. The MTFS is linked to the Council's Capital Strategy, which sets out how the capital programme will meet the Council's strategic priorities, whilst remaining affordable and sustainable.

In drawing up a budget for 2022/23, the Council anticipated the likely rise in the rate of inflation by establishing an in-year corporate contingency budget of £1.3 million. In the event, this contingency has not been required. The impact of inflation has in some cases been delayed, and to the extent that there have been overspends, eg on energy costs, these have been offset by savings elsewhere. The contingency will therefore be rolled forward to 2023/24.

When setting the budget for 2022/23, the Council allocated £3.2 million of New Homes Bonus receipts for the Housing Investment Fund, to be used to fund the subsidy required for the Affordable Housing programme. The 2023/24 budget anticipates a further contribution of £4.0 million to the Housing Investment Fund.

The Council's balance sheet position remains strong, with £11 million of unallocated General Fund reserves at the end of 2022/2023.

Key achievements

EMBRACING GROWTH AND ENABLING INFRASTRUCTURE



● Heathlands Garden Community

This project has continued to advance. The new community will deliver 5,000 new homes, 5,000 jobs, and an array of new community infrastructure to include a new railway station, three district centres, three schools, a town park, and a county park. The Council is delivering the project through a joint venture with Homes England and has been jointly promoting Heathlands through the Council's own Local Plan Review. Heathlands remains a draft allocation within the new plan and was positively received at the first stage Local Plan Review Hearings in the Autumn of 2022. The Council will continue to work with Homes England to secure the allocation and then planning permission. Once these milestones are met, Homes England will undertake the master-developer role, and the Council will focus upon the long-term management and stewardship of the new community.

● Maidstone Innovation Centre

The Maidstone Innovation Centre is an award-winning building designed by Bond Bryan architects. Since its official opening ceremony in March 2022, it has established itself as a hub for MedTech, Life Science and Healthcare. Maidstone Innovation Centre strives to create an ecosystem that increases the output of high-tech health innovations. The buildings offer flexible spaces and memberships. The centre currently supports 22 businesses and 135 jobs, working to revolutionise healthcare through activities such as medical device manufacturing and diagnostics. In total, 61 businesses have completed the Centre's wraparound business support programme, which has led to 4 businesses taking up workspace within the centre. The Innovation Centre works in partnership with universities, colleges, NHS, funders, investors and commercial businesses. It organises several networking events to develop the community of businesses, sharing knowledge and creating collaboration.

HOMES AND COMMUNITIES



● 1,000 Affordable Homes Programme

The Council has established a goal to build 1,000 Affordable Homes over the coming years. This decision was made in January 2022 and since then a new team has been created to deliver on this ambition. A number of individual housing projects are now under way. The Council has in the past year completed land assembly at the Maidstone East (former Royal Sorting Office), Springfield Library and Britannia House sites which together have the potential to provide circa 365 residential plots. Furthermore, the Council has acquired four affordable rented homes from a developer. The Council also secured planning permission to build 11 new homes on an existing land asset that it owns, the former Royal British Legion site in Parkwood, for which a construction contract is soon to be let as part of a broader regeneration project that will also deliver a brand-new community centre.

SAFE, CLEAN AND GREEN



● Mote Park

The Mote Park Café, Visitor Centre, and Estate Services Building were all completed in the Autumn 2022 by the Council's contractor BBS. These buildings represent a further £3 million of investment by the Council in the community infrastructure within the borough's most prominent park. The Café and Visitor Centre facilities are of an exemplar design quality which was imperative given the Grade II Listed status of the Park. The visitor centre provides learning opportunities for all, most notably for younger students visiting from local schools. There are also new public toilets, to include a "Changing Places" facility too, and the café is being operated successfully by a private sector partner. The new buildings have achieved the Building Research Establishment Environmental Assessment Method (BREEAM) Very Good rating, which is consistent with the Council's ambitions in respect of climate change and biodiversity.



● **New Museum Gallery**

Work is under way to install a new Gallery in the vacant West Space (formerly a café) at Maidstone Museum. The Gallery will use the Museum's wealth of archaeological material to tell the story of Maidstone from the earliest inhabitants to 1600 AD. The gallery will show visitors how the borough and its surroundings grew, developed and provided homes for people. It will introduce them to individuals representing different eras and different facets of life in our early history through use of artefacts improving the way they are displayed and interpreted with printed text as well as video footage, digital presentations and sound to create an environment which takes visitors to heart of the story. The Council is working in collaboration with external supporters including the Maidstone Museums Foundation, the William & Edith Oldham Charitable Trust and the Kent Archaeological Society.

● **UK Shared Prosperity Fund**

In December 2022 the government confirmed our local investment plan. We have taken a proactive approach and started delivering projects from August 2022 to ensure the year's allocation could be spent. The majority of the UKSPF projects in year 1 have been focussed on the Town Centre, in response to the pandemic, with a particular focus on pride in place through events such as the Magic of Christmas trail and parade. We also introduced a creative community fund to support the voluntary and community sector to put on events and activities. This was oversubscribed and 18 events/projects were supported. Preparation and planning for year 2 projects started in early 2023. A number of the projects are a continuation of year 1 projects. Highlights for year two include a Literacy festival, an Iggy Sculpture Trail throughout the Town Centre and a green volunteering project with the charity Involve to improve pockets of green space in our town centre.



Key performance indicators

Key Performance Indicators are set for each Council priority in consultation with the relevant Service Committee. Performance against targets is set out below.

PRIORITY: A Thriving Place

Performance Indicator	Service	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Customer satisfaction with the Hazlitt	Leisure	100%	75%		-
Percentage of vacant retail units in the town centre	Economic Development	16.3%	11%		
Number of visits per month to Visit-Maidstone.com	Economic Development	493,340	240,000		
Footfall in the Town Centre	Economic Development	3,553,707	4,128,349		
Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]	Economic Development	2.9%			
Number of students benefitting from the museums educational service	Museum	14,239	16,000		
Footfall at the Museum and Visitors Information Centre	Museum	6,258	12,000		
Number of users at the Leisure Centre	Leisure	248,850	805,257		
Business Rates income from the Town Centre	Economic Development	£23,554,806			
Total value of business rateable properties	Economic Development	£149,209,476			

PRIORITY: Clean, Safe & Green

Performance Indicator	Service	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Percentage of unauthorised encampments on Council owned land removed within 5 working days	Community Protection	50%	100%		
The percentage of relevant land and highways that is assessed as having acceptable levels of litter	Waste Crime Team	97.65%	98%		
The percentage of relevant land and highways that is assessed as having acceptable levels of detritus	Waste Crime Team	94.45%	95%		
Percentage of fly tips with evidential value resulting in enforcement action	Waste Crime Team	101.4%	89%		
Maintenance per Hectare Spent on Parks and open Spaces	Parks & Open Spaces	£5,222			
Number of Green Flag Parks	Parks & Open Spaces	4	4		-
Actual Spend of Section 106 money	Parks & Open Spaces	£160,854			
Percentage of household waste sent for reuse, recycling and composting	Waste & Recycling	49.72%	53%		
Contamination: Tonnage per month rejected	Waste & Recycling	1708.52	1,150.00		
Percentage of fly tips assessed within 2 working days	Street Cleansing	78.84%	94%		

PRIORITY: Homes & Communities

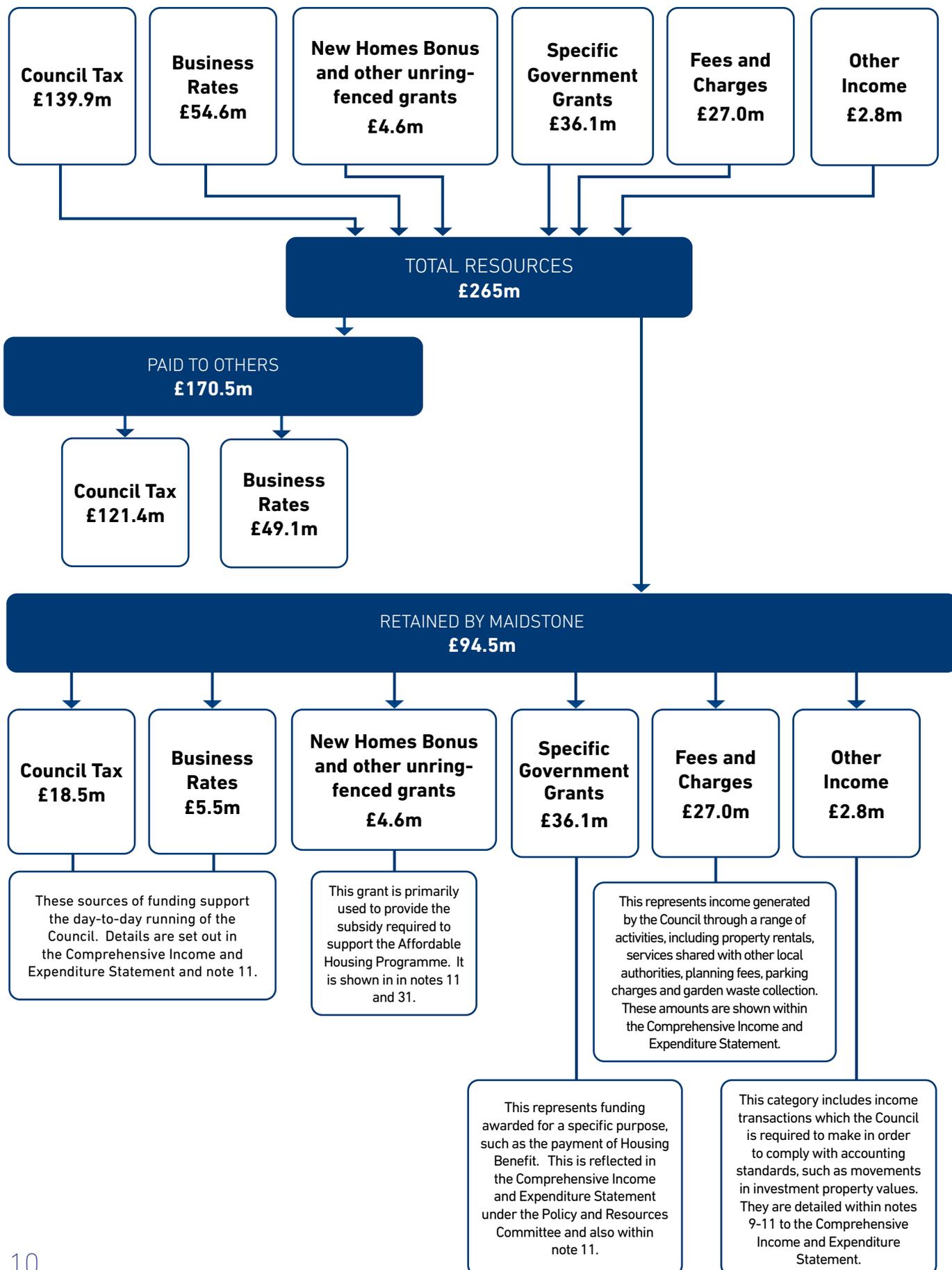
Performance Indicator	Service	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Number of completed housing assistances	Housing & Health	356			
Number of houses of multiple occupation brought to compliance by private rented sector licensing	Housing & Health	TBC	TBC	TBC	TBC
Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00)	Housing & Health	839			
Number of households living in nightly paid temporary accommodation last night of the month	Housing & Health	429			
Number of households housed through the housing register	Housing & Health	553	450		
Percentage of successful Prevention Duty outcomes	Housing & Health	70.01%	60%		
Number of households prevented or relieved from becoming homeless	Housing & Health	492	450		
Percentage of successful Relief Duty outcomes	Housing & Health	43.06%	60%		
Percentage of gas safety certificates in place on all residential properties	Housing & Health	99.64%	100%		
Percentage of all electrical safety certificates on all residential properties	Housing & Health	100%	100%		-
Percentage of Fire Risk Assessments in place for residential properties where this is a requirement under the Fire Safety Order (2005)	Housing & Health	100%	100%		-
Percentage spend and allocation of Disabled Facilities Grant Budget (YTD)	Housing & Health	107.6%	75%		

PRIORITY: Embracing Growth & Enabling Infrastructure

Performance Indicator	Service	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Percentage of priority 1 enforcement cases dealt with in time	Development Management	87.5%	95%		
Percentage of Priority 2 enforcement cases dealt with in time	Development Management	97.25%	90%		
Number of enforcement complaints received	Development Management	375			
Open planning enforcement cases (as of start of March 2021)	Development Management	312			
Processing of planning applications: Major applications (NI 157a)	Development Management	90.91%	90%		
Processing of planning applications: Minor applications (NI 157b)	Development Management	93.33%	95%		
Processing of planning applications: Other applications (NI 157c)	Development Management	98.35%	98%		
Number of affordable homes delivered (Gross)	Economic Development	378	200		
Affordable homes as a percentage of all new homes	Economic Development	Data not yet available			
Net additional homes provided (NI 154)	Development Management				

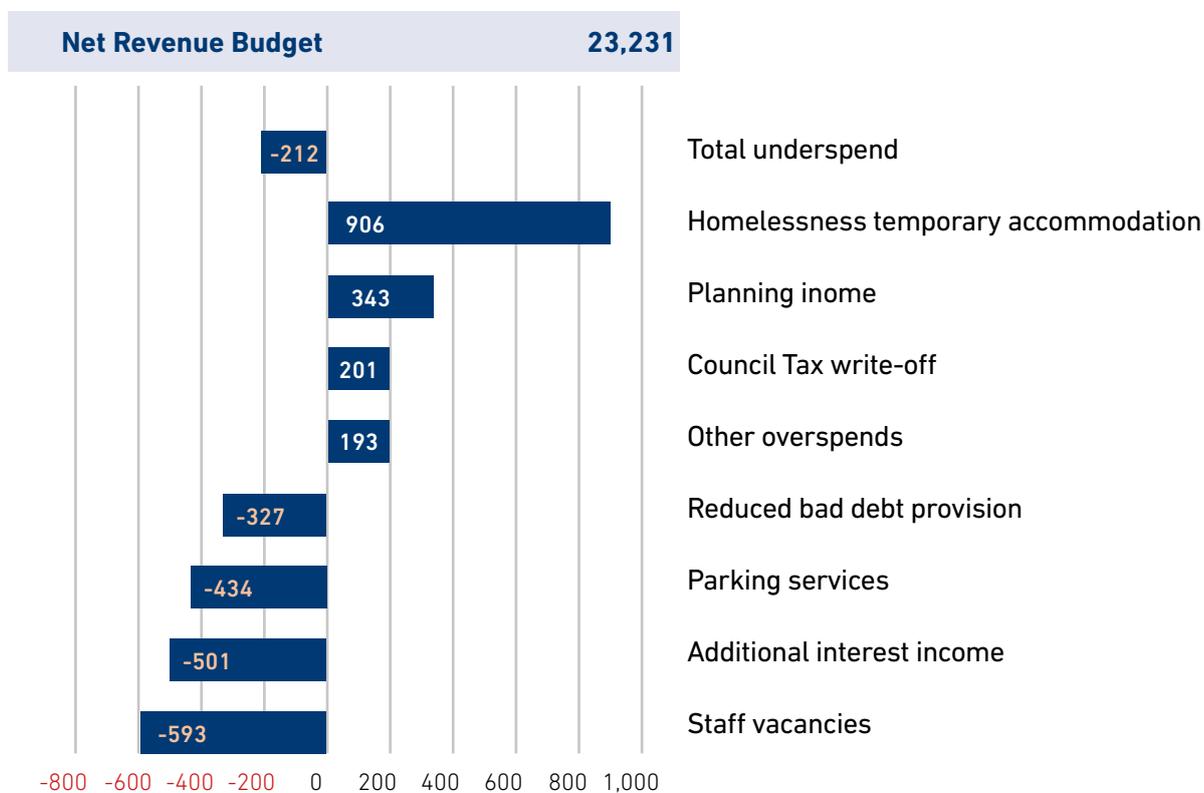
Financial Performance

The total revenue resources generated by the Council for 2022/23, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £265 million (£256 million in 2021/22). The table below shows the total amounts received and the amounts retained by the Council.



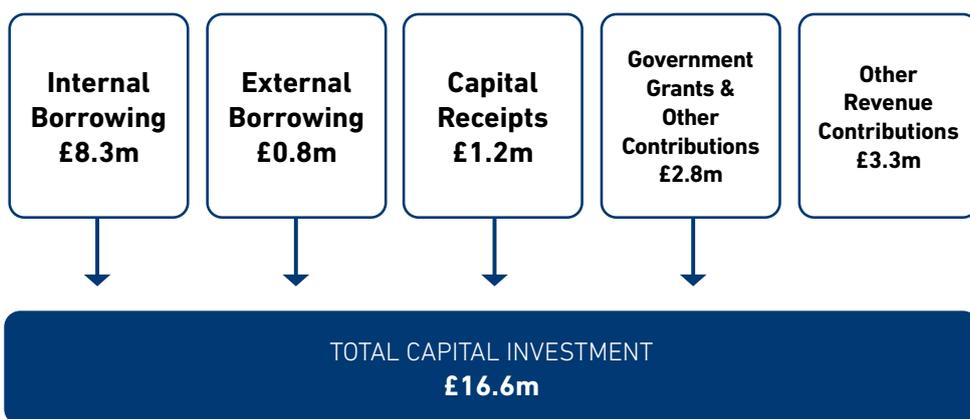
Revenue Out-Turn

The revenue out-turn for the year represented an underspend of £212,000 on a total net revenue budget of £23.231 million. Overspends, primarily on temporary accommodation, were more than offset by savings arising from staff turnover and additional income.



Capital

Capital investment in 2022/23 amounted to £16.6 million, funded as shown below.



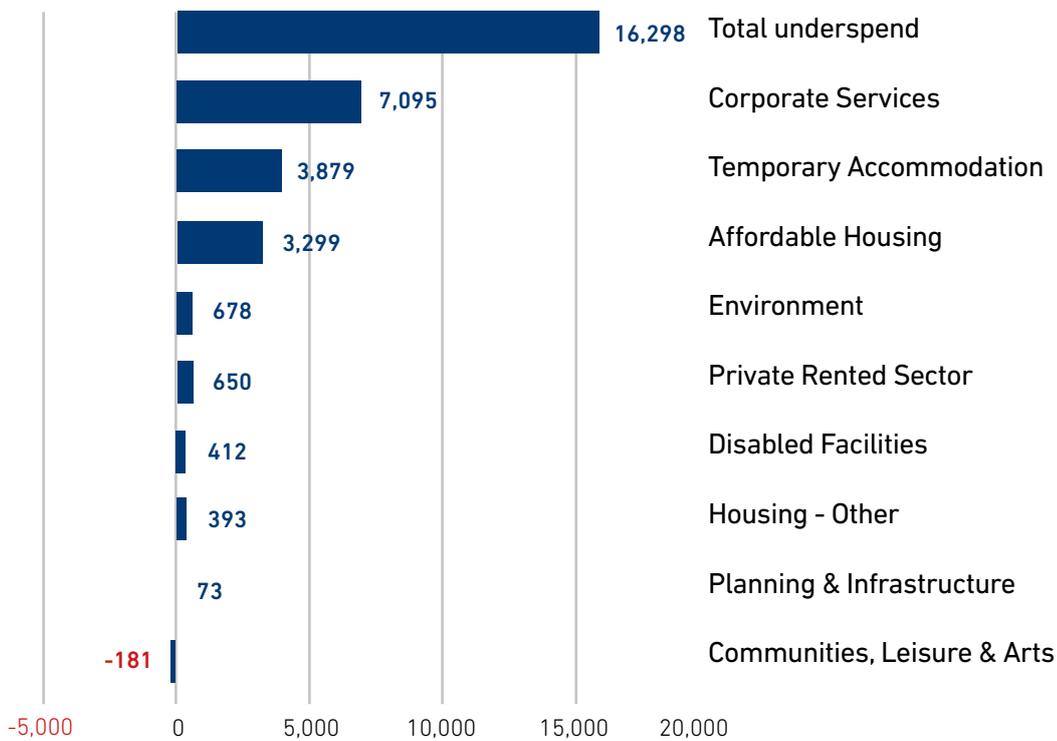
Internal borrowing arises when surplus funds generated from within the Council are used for capital investment. In line with the treasury management strategy, internal resources are used where possible in order to minimise the cost of borrowing.

The Council has a five year capital programme for the period 2023/24 to 2027/28 totalling £202 million, most of which will be funded by external borrowing. £80 million of this requirement is covered by a forward funding agreement made by the Council in April 2022.

Capital Out-Turn

Capital investment was £16.3 million less than budgeted, mainly owing to 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.

Capital Out-Turn



Balance sheet

The Balance Sheet shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets increased from £63.0 million to £143.8 million, mainly because of a downward valuation of our pension fund liabilities by external actuaries.

2021/22 £000		2022/23 £000
129,260	Property, Plant & Equipment	138,599
43,383	Investment Properties	44,458
10,433	Heritage Assets	10,433
2,248	Other Long Term Assets	1,195
53,195	Money owed to the Council	25,338
-77,649	Money owed by the Council	-52,577
-97,855	Long Term Liabilities	-23,643
63,015	Net Assets	143,802
34,172	Usable Reserves	34,723
28,843	Unusable Reserves	109,079
63,015	Total Reserves	143,802

Property, Plant and Equipment are assets held by the Council to deliver services or for administrative purposes. The increase reflects capital expenditure during the year, after allowing for depreciation and revaluation increases / decreases.

Money owed to the Council includes amounts receivable from debtors and cash balances, being cash in hand, bank deposits and investments that are readily convertible to cash. **The Cash Flow Statement** provides an analysis of the movement in cash during the course of the year.

Money owed by the Council includes amounts payable to creditors, provisions for business rates appeals and grants received in advance. The Council currently has no long term borrowing.

Usable reserves include money set aside for specific purposes and sufficient contingency to cover unforeseen events. Unallocated reserves amount to £11m, which is well in excess of the minimum requirement set by the Council of £4 million.

Unusable reserves will only become available at some future date, for example if assets are sold. Unusable reserves rose, reflecting the change in pension liabilities described above.

Changes in Reserves are shown in the **Movement in Reserves Statement** in the Statement of Accounts.



Risk Management

The Council manages risk through a comprehensive risk management framework. This involves identification of risk at corporate and service levels, ownership of individual risks by named officers, development of controls to mitigate risks, and regular reporting. Quarterly reports are presented to the Corporate Leadership Team and bi-annual reports to the Executive. Members take an active interest in the risk management process and engage fully in discussion about individual risks.

The following table sets out what the Council has assessed as being the key corporate risks.

No	Corporate risk	Jun-22	Jun-23	
		Current Risk	Current Risk	Mitigated Risk
1	Financial Uncertainty	25	25	16
2	Election Failure/Challenge	New	20	16
3	Construction Costs / Contractor Insolvency	20	20	16
4	Housing pressures increasing	16	20	16
5	Environmental Damage	16	16	16
6	Cost of Living Crisis	New	16	12
7	Diminished Local Retail and Leisure Sector	25	16	12
8	Major Unforeseen Emergency	15	15	12
9	Major Contractor, Supplier or Tenant Failure	12	12	12
10	IT Network Failure	12	12	9
11	Not Fullfilling Residential Property Responsibilities	12	12	9
12	Ability to Access / Leverage New Funding	9	12	9
13	Loss of Workforce Cohesion and Talent	12	9	9
14	Reduced Effectiveness of Relationships with Strategic Partners	9	9	9
15	Governance Changes	12	9	6

Future Plans

The focus of the Council will continue to be on delivering its four key strategic priorities:

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

Whilst the Council is largely self-sufficient financially, drawing most of its income from Council Tax and a range of other locally generated sources of income, it operates within the local authority funding framework set by central government. The most significant element of this is the restriction set by central government on the amount by which Council Tax can be increased. Whilst this was increased from 2% to 3% for the financial year 2023/24, this increase was announced late in the annual budgeting cycle. The continued uncertainty about the funding framework, with much of the key financial information only relating to the next twelve months, and announcements made late in the year, makes financial planning very difficult.

The Council has an ambitious capital programme, of which the centrepiece is the 1,000 Affordable Homes programme. Funding risk associated with this has been mitigated by locking in £80 million of future borrowing at a competitive rate. However, there are significant risks around me. Capital investment is subject to a high degree of risk, arising from inflation in input prices and the inherent risk associated with construction projects. The specific commitment to delivering Affordable Homes depends on the Council's willingness to set aside funds to provide the necessary level of subsidy.

The Council faces the challenges of delivering day-to-day services and the capital programme with the benefit of a strong financial position, with an adequate but not excessive level of reserves, and low levels of borrowing. Furthermore, it has a good track record of managing within its budgets. It can therefore face the future with as much confidence as any its peers.



