

APPENDIX 1 – SECOND QUARTER BUDGET MONITORING

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Part A - Second Quarter Revenue Budget 2023/24

A1) Revenue Budget: Council

Net Expenditure 2023/24 (@ 2nd Quarter): Analysis by PAC

Policy Advisory Committee	Full Year Budget 2023/24	Budget to 30 September 2023	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Corporate Services	12,160	2,726	2,665	61	11,345	815
Planning, Infrastructure & Economic Development	676	760	868	-108	768	-92
Housing, Health & Environment	11,468	3,434	3,615	-181	12,050	-582
Communities, Leisure & Arts	1,473	248	407	-158	1,912	-439
Net Revenue Expenditure	25,777	7,168	7,554	-387	26,075	-298

Net Expenditure 2023/24 (@2nd Quarter): Analysis by PRIORITY

Priority	Full Year Budget 2023/24	Budget to 30 September 2023	Actual	Variance	Year End Forecast	Year End Variance
	£000	£000	£000	£000	£000	£000
Safe, Clean and Green	9,253	3,991	3,587	404	9,118	135
Homes and Communities	1,839	-696	-216	-480	2,636	-797
Thriving Place	1,556	1,049	1,254	-206	2,165	-609
Embracing Growth and Enabling Infrastructure	209	329	238	91	201	8
Central & Democratic	12,920	2,496	2,692	-197	11,955	965
Net Revenue Expenditure	25,777	7,168	7,554	-387	26,075	-298

Net Expenditure 2023/24 (@ 2nd Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget 2023/24 £000	Budget to 30 September 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Employees	25,516	12,823	12,433	390	25,256	260
Premises	7,052	4,348	4,729	-381	7,042	10
Transport	554	262	200	62	505	49
Supplies & Services	18,005	6,932	6,709	222	18,412	-408
Agency	8,946	3,633	3,520	113	8,896	50
Transfer Payments	35,270	15,114	16,701	-1,588	35,270	0
Asset Rents	1,892	0	0	0	1,892	0
Income	-71,458	-35,943	-36,737	794	-71,199	-259
Net Revenue Expenditure	25,777	7,168	7,554	-387	26,075	-298

'Transfer payments' include payments of housing benefit, which are falling with the introduction of Universal Credit. The underspend on transfer payments is offset by a reduction in reimbursement income from central government.

Net Expenditure 2023/24 (@ 2nd Quarter): Analysis by CABINET MEMBER

Cabinet Member	Full Year Budget 2023/24 £000	Budget to 30 September 2023 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance £000
Leader of the Council	1,334	761	713	48	1,434	-100
Planning, Infrastructure & Economic Development	-542	59	205	-146	-549	8
Communities, Leisure & Arts	1,473	248	407	-158	1,912	-439
Corporate Services	12,044	2,666	2,614	50	11,229	815
Housing & Health	2,968	-289	292	-580	3,700	-732
Environmental Services	8,500	3,723	3,323	400	8,350	150
Net Revenue Expenditure	25,777	7,168	7,554	-387	26,075	-298

A2) Revenue Budget: Corporate Services PAC

- A2.1 The table below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into CS PAC at the end of Quarter 2. The financial figures are presented on an accruals basis (i.e. expenditure for goods and services received, but not yet paid for, is included).
- A2.2 This table now shows the variance split between expenditure and income to give more of an insight into the nature of the variance.
- A2.3 These budget areas are all covered by the Cabinet Member for Corporate Services, with the exception of the two marked ** which are covered by the Leader of the Council.

Second Quarter Financial Update 2023/24

CS Revenue Budget: NET EXPENDITURE (@ 2nd Quarter 2023/24)

Cost Centre	Approved Budget for Year	Approved Budget to 30 September 2023	Actual as at 30 September 2023	Variance as at 30 September 2023			Forecast March 2024	
	Net	Net	Net	Expenditure	Income	Net	Forecast Net	Forecast Variance
	£000	£000	£000	£000	£000	£000	£000	£000
Maintenance of Closed Churchyards	11	6	0	6	0	6	11	0
Drainage	34	17	6	11	0	11	34	0
Climate change **	14	7	0	3	3	7	14	0
Street Naming & Numbering	-73	-37	-30	0	-7	-7	-73	0
Sandling Road Site	30	15	135	-90	-29	-120	130	-100
Maidstone House - Landlord	-173	-319	-388	49	21	70	-303	130
Civic Occasions	46	34	37	-3	0	-3	46	0
Members Allowances	456	228	239	-12	0	-12	456	0
Members Facilities	18	9	6	3	0	3	18	0
Contingency	1,086	543	-29	543	29	571	1,086	0
Corporate Management	461	129	140	-11	0	-11	461	0
Unapportionable Central Overheads	950	458	429	29	0	29	900	50
Council Tax Collection	68	44	32	9	3	12	68	0
Council Tax Collection - Non Pooled	-331	73	75	-0	-1	-1	-331	0
Council Tax Benefits Administration	-140	24	24	0	-0	-0	-140	0
NNDR Collection	2	1	6	-5	1	-5	2	0
NNDR Collection - Non Pooled	-230	45	52	-6	0	-6	-230	0
MBC- BID	1	-10	-18	7	1	8	1	0
Registration Of Electors	69	57	75	-18	0	-18	69	0
Elections	164	164	242	-87	9	-78	196	-32
KCC Elections	0	0	-17	-54	71	17	0	0
General Elections	0	0	11	0	-11	-11	0	0
Emergency Centre	24	14	8	6	0	6	24	0
Medway Conservancy	134	134	134	-0	0	-0	134	0
External Interest Payable	2,203	135	127	8	0	8	1,801	402
Interest & Investment Income	-150	-75	-371	0	296	296	-950	800
Palace Gatehouse	5	2	5	0	-3	-2	5	0
Archbishops Palace	3	8	84	-55	-21	-76	93	-90
Parkwood Industrial Estate	-318	-164	-172	2	6	8	-318	0
Industrial Starter Units	-40	-42	-43	2	-1	1	-40	0
Parkwood Equilibrium Units	-137	-115	-121	6	-0	6	-137	0
Sundry Corporate Properties	1	11	-29	88	-48	40	76	-75
Phoenix Park Units	-232	-184	-187	1	2	3	-232	0
Granada House - Commercial	-96	-80	-30	-5	-45	-50	-96	0
MPH Residential Properties	-916	-458	-316	-92	-49	-141	-664	-252
Heronden Road Units	-207	-166	-193	-1	28	27	-207	0
Boxmend Industrial Estate	-115	-96	-106	2	8	10	-115	0
Wren Industrial Estate	-133	-117	-131	-17	31	14	-133	0
General Fund Residential Properties	-56	-28	-26	-2	1	-2	-56	0
Pensions Fund Management	2,169	0	0	0	0	0	2,169	0
Non Service Related Government Grants	-4,661	-2,331	-2,317	0	-14	-14	-4,661	0

Second Quarter Financial Update 2023/24

Cost Centre	Approved Budget for Year	Approved Budget to 30 September 2023	Actual as at 30 September 2023	Variance as at 30 September 2023			Forecast March 2024	
	Net £000	Net £000	Net £000	Expenditure £000	Income £000	Net £000	Forecast Net £000	Forecast Variance £000
Rent Allowances	-114	-45	-190	-882	1,028	145	-114	0
Non HRA Rent Rebates	-9	551	935	-384	0	-384	-9	0
Discretionary Housing Payments	0	116	117	-1	0	-1	0	0
Housing Benefits Administration	-315	-163	-149	-4	-11	-14	-315	0
Democratic Services Section	291	147	131	15	0	15	291	0
Mayoral & Civic Services Section	127	63	60	3	0	3	127	0
Chief Executive	196	98	100	-3	0	-3	196	0
Biodiversity & Climate Change **	102	53	50	2	0	2	102	0
Director of Strategy Governance and Insight	134	67	60	7	0	7	134	0
Revenues Section	538	367	370	-12	9	-3	538	0
Registration Services Section	98	50	51	-5	3	-1	98	0
Benefits Section	520	326	330	-6	2	-4	520	0
Fraud Section	42	-15	-39	20	5	24	42	0
Mid Kent Audit Partnership	222	118	65	144	-91	52	184	39
Director of Finance, Resources & Business Imp	146	73	76	-0	-2	-3	146	0
Accountancy Section	901	471	422	49	0	49	856	45
Legal Services Section	659	331	348	3	-20	-18	659	0
Director of Regeneration & Place	154	77	76	1	0	1	154	0
Procurement Section	119	-7	0	0	-7	-7	119	0
Property & Projects Section	487	249	192	53	3	56	437	50
Corporate Support Section	319	159	165	-6	0	-6	319	0
Improvement Section	259	130	183	-40	-14	-54	334	-75
Executive Support Section	101	50	51	-1	0	-1	101	0
Mid Kent ICT Services	636	318	296	72	-50	22	636	0
GIS Section	132	66	64	4	-2	2	132	0
Director of Mid Kent Services	47	-24	-24	0	-0	0	47	0
Mid Kent HR Services Section	428	214	201	20	-7	13	428	0
MBC HR Services Section	104	64	52	12	-0	11	104	0
Head of Revenues & Benefits	66	44	26	23	-5	18	66	0
Revenues & Benefits Business Support	153	90	76	15	-0	14	153	0
Dartford HR Services Section	-16	-8	-9	1	0	1	-16	0
IT Support for Revenues and Benefits	1	0	0	-0	0	-0	1	0
Emergency Planning & Resilience	165	82	66	16	0	16	165	0
Head of Property and Leisure	118	59	55	4	0	4	118	0
Facilities Section	160	80	69	11	0	11	160	0
Town Centre Services Manager	66	33	32	2	0	2	66	0
Salary Slippage 1PR	-279	-140	0	-140	0	-140	-279	0
Town Hall	127	70	23	47	-0	47	127	0
South Maidstone Depot	205	132	181	-52	3	-49	205	0
The Link	57	81	100	-19	-0	-19	57	0
Maidstone House - MBC Tenant	468	389	462	-72	-0	-72	548	-80
Museum Buildings	268	153	153	0	-1	-0	228	40
I.T. Operational Services	664	331	341	-10	0	-10	664	0
Central Telephones	16	8	5	3	0	3	16	0
Apprentices Programme	74	32	13	19	0	19	74	0
Internal Printing	-1	2	-14	20	-4	16	-1	0
Debt Recovery Service	-32	20	-6	44	-18	26	5	-37
Debt Recovery MBC Profit Share	-108	-54	-46	0	-8	-8	-108	0
General Balances	-200	-200	-200	0	0	0	-200	0
Earmarked Balances	4,202	-320	0	-320	0	-320	4,202	0
Appropriation Account	1,892	0	0	0	0	0	1,892	0
Pensions Fund Appropriation	-2,169	0	0	0	0	0	-2,169	0
Totals	12,160	2,726	2,665	-1,032	1,093	61	11,345	815

A3) CS Revenue Budget: Significant Variances

A3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning. Variances will be reported to each of the Policy Advisory Committees on a quarterly basis throughout 2023/24.

A3.2 The tables below highlight and provides further detail on the most significant variances at the end of Quarter 2 for both this and the other PACs.

CS PAC Variances (@ 2nd Quarter 2023/24)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Corporate Services	£000		
Sandling Road Site - Running costs are exceeding the budgets, mainly for utility costs. There is also a shortfall in the rental income that was anticipated. The Council's objective remains to ensure that this site is fully tenanted up to the point where it is handed over for redevelopment as part of the housing capital programme.		-119	-100
Maidstone House (Landlord) – This variance is a combination of projected over and underspends. We are anticipating receiving some additional service charge income and a significant underspend on the electricity budget. However, we are also anticipating additional costs and a shortfall in income in relation to the vacant floors that we are seeking to let out.	70		130
Unapportionable Central Overheads – Pension contributions to the Kent County Council Pension Fund will be lower than forecast, which reflects the level of staff vacancies across the Council.	29		50
External Interest Payable - The variance on this budget relates to the Minimum Revenue Provision (MRP) that is required to be made to cover the cost of borrowing for the capital programme. Slippage in the programme means that we have not borrowed as much as had been anticipated. The profiled budget assumes the MRP figure is charged at the end of the financial year.	8		402
Interest & Investment Income - Due to the slippage in the capital programme and interest rates continuing to be high there is likely to be a significant increase in income received by the end of the financial year.	296		800
Archbishops Palace - Now the lease with Kent County Council has expired liability for the Business Rates now rests with Maidstone BC, but currently there is no budget for this. The profiled budget assumes the rates are due in the first quarter of the year.		-76	-90

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Corporate Services	£000		
Sundry Corporate Properties – There is a Medium-Term Financial Strategy saving of £88,000 for additional rental income from new properties that is unlikely to be realised as there have been no new additions so far this year.	40		-75
MPH Residential Properties - The majority of the forecast variance relates to the temporary closure of Granada House for refurbishment works.		-141	-252
Rent Allowances/Non-HRA Rent Rebates - The variances are due to the timing of the rent allowances /rebates awarded and the income received from government. These are an estimated cost until the year-end subsidy claim is submitted.		-238	0
Maidstone House (MBC Tenant) – Service charges costs for floors 5 and 6 are likely to be £80,000 greater than forecast.		-72	-80

A4) Other Revenue Budgets: Significant Variances

Planning, Infrastructure & Economic Development PAC Variances (@ 2nd Quarter 2023/24)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Planning, Infrastructure & Economic Development	£000		
PLANNING & ECONOMIC DEVELOPMENT			
Development Control Advice – Income from Planning Performance Agreements is significantly down this year as developers are waiting for the new Local Plan to be adopted before progressing with further applications.		-65	-75
Development Control Majors – Income from major applications is significantly down this year, as with the Planning Performance Agreements developers are waiting for the new Local Plan to be adopted before progressing with further applications.		-215	-150
Innovation Centre – Running costs are currently overspent due to Non-Domestic rates bills that are due on the vacant office space. That vacant space is also reflected in the shortfall in income budgets. The adverse variance will be covered by income from Enterprise Zone rates.		-85	0
Business Terrace 1st Floor Maidstone House – Service charge costs are significantly higher than forecast, and there are also two units vacant meaning there is a shortfall in income.		-53	-100

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Planning, Infrastructure & Economic Development	£000		
PARKING SERVICES			
On Street Parking – This variance is a mixture of reduced running costs and increased income. Penalty Charge Notice income is £19,000 up on the profiled budget, On Street Pay & Display income is slightly down.	41		52
Sandling Road Car Park – Running costs are currently underspent and income is in excess of budget. This is forecast to continue for the remainder of the year.	27		56
Former Park & Ride Sites – These are budgets that were used to fund the Business Rates and running costs for the site. They are no longer required and will be removed for 2024/25.	93		100

Housing, Health & Environment PAC Variances (@ 2nd Quarter 2023/24)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Housing, Health & Environment	£000		
Playground Maintenance & Improvements – There are vacant posts in the team, and the replacement equipment budget is currently underspend but will be utilised later in the year.	51		31
Housing Temporary Accommodation – This continues to be a significant issue as the demand for the service continues to be high. The cost-of-living crisis and issues with getting people out of temporary accommodation are the main challenges at present. Further properties are being acquired to help alleviate the pressure on this budget.		-457	-779
Homeless Prevention – Expenditure continues to be high on the Homefinder scheme, although there are plans to reduce the level of spend. There have also been unanticipated legal costs of £25,000.		-54	-37
Fleet Workshop & Management – Expenditure on unscheduled vehicle maintenance and vehicle hire is currently lower than forecast.	35		49

Communities, Leisure & Arts PAC Variances (@ 2nd Quarter 2023/24)

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Communities, Leisure & Arts	£000		
Leisure Centre – Under the terms of the current contract with the operator the Council is responsible for excess utility costs, and with utility prices continuing to be at a high level this is reflected in this overspend.		-47	-80
Lockmeadow Complex – A number of units at the complex have fallen vacant during the period, leading to a shortfall against budget. However, progress has been made in identifying new tenants. The former David Lloyd unit now operates as the Lockmeadow Health Club, under the same management as the council's leisure centre. A tenant offering virtual reality experiences has moved into another unit. Head of terms have been agreed with a prospective tenant at the former Frankie & Benny's. Note that the business case for the Lockmeadow acquisition anticipated that the end of existing leases there would be a period during which these units would be non-income producing		-240	-350

A5) Virements

- A5.1 In accordance with the Council's commitment to transparency and recognised good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the CS PAC on a quarterly basis.
- A5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.
- A5.3 The virements made in Quarter 2 are presented in the table below.

Reportable Virements Quarter 2 2023/24

Temporary Reportable

Fund post in Policy & Information Section	£32,670
Fund Love where you Live grants	£23,000
Fund community resilience	£54,290
Fund Town Centre Strategy	£76,860
Fund HR officer-1 month	£3,640
From Recovery and Renewal Reserve	-£190,460

This was funding allocated from the Recovery & Renewal Reserve for a number of specific projects that had been identified.

Fund footfall data	£3,000
Fund courier costs to support Bid ballot	£2,240
Annual Subs for website hosting and support	£7,140
Fund Lets do Business Support	£15,000
From Business Rates Growth Earmarked Balances	-£27,380

This was funding allocated from the Business Rates Growth Earmarked Reserve for a number of specific projects that had been identified.

Fund for Eco Hub Project	£7,000
From Contingency	-£7,000

This was funding to partly cover the cost of running the Eco Hub.

Permanent Reportable Virements

Fund post in Housing Management Section	£46,430
MPH Residential Properties Income	-£46,430

Extra staffing resources are now required as the MPH property portfolio continues to grow.

Fund post in Housing Management Section	£43,430
Homelessness Prevention & TA Reserve	-£43,430

Extra staffing resources are required to deal with the ongoing issues with homeless persons.

Part B - Second Quarter Capital Budget 2023/24

B1) Capital Budget 2023/24 (@ 2nd Quarter 2023/24)

Capital Programme Heading	Adjusted Estimate 2023/24	Actual to September 2023	Budget Remaining	Q3 Profile	Q4 Profile	Projected Total Expenditure	Projected Slippage to 2024/25
	£000	£000	£000	£000	£000	£000	£000
Housing, Health & Environment							
Private Rented Sector Housing	3,948	1,455	2,494	2,875	1,600	5,930	-1,981
Local Authority Housing Fund - Income		-2,372	2,372			-2,372	2,372
1,000 Homes Affordable Housing Programme - Expenditure	8,618	2,089	6,529	175	6,070	8,334	284
1,000 Homes Affordable Housing Programme - Income	-5,790	-2,110	-3,680			-2,110	-3,680
Temporary Accommodation	15,879	6,259	9,620	6,100	2,700	15,059	820
Commercial Development - Maidstone East	356		356		25	25	331
Heather House Community Centre	319		319		25	25	294
Housing - Disabled Facilities Grants Funding	1,212	509	704	354	350	1,212	
Acquisitions Officer - Social Housing Delivery Partnership	180	31	149	25	25	81	99
Street Scene Investment	50	52	-2			52	-2
Flood Action Plan	618	6	612		40	46	572
Installation of Public Water Fountains	15		15				15
Crematorium & Cemetery Development Plan	9	1	8	8		9	
Continued Improvements to Play Areas	144	3	142		4	7	138
Parks Improvements	69	29	40	39		68	1
Gypsy & Traveller Sites Refurbishment	131	57	75	75		131	
Waste Crime Team - Additional Resources	25		25	25		25	
Section 106 funded works - Open Spaces	517	118	399	200	199	517	
Expansion of Cemetery	80		80	19	10	29	51
Expansion of Crematorium	340	10	330	100	230	340	-0
Purchase of New Waste Collection Vehicles	5,800		5,800	2,000	3,800	5,800	
CCTV Upgrade & Relocation		80	-80			80	-80
Total	32,522	6,217	26,304	11,995	15,078	33,290	-768
Communities, Leisure & Arts							
Mote Park Lake - Dam Works	188	39	149	10		49	139
Museum Development Plan	389	68	321	100	222	390	-1
Leisure Provision	3,100	73	3,027		500	573	2,527
Tennis Courts Upgrade	40	13	26	26		40	
Riverside Walk Works	250		250				250
Mote Park Kiosk Refurbishment & Extension	250	5	245	7	2	14	236
Total	4,216	198	4,018	143	724	1,066	3,151

Capital Programme Heading	Adjusted Estimate 2023/24	Actual to June 2023	Budget Remaining	Q3 Profile	Q4 Profile	Projected Total Expenditure	Projected Slippage to 2024/25
	£000	£000	£000	£000	£000	£000	£000
Corporate Services							
Asset Management / Corporate Property	1,396	86	1,309	267	270	623	772
Corporate Property Acquisitions	5,681		5,681				5,681
Kent Medical Campus - Innovation Centre	73	0	73	25		25	48
Lockmeadow Ongoing Investment	365		365	64	300	364	0
Garden Community	1,633	311	1,322	182	9	502	1,131
Infrastructure Delivery	2,000		2,000				2,000
Other Property Works	596	4	592	10	50	64	532
Biodiversity & Climate Change	2,961	23	2,938		814	837	2,124
Photovoltaic Panels	234		234		214	214	21
Feasibility Studies	81	68	13	13		81	
Digital Projects	28		28		28	28	
Software / PC Replacement	413	152	261	131	130	413	
Maidstone House Works	1,144	200	945	150	200	550	595
Automation Projects	185		185	50	50	100	85
New Ways of Working - Make the Office Fit for Purpose	31		31	31		31	
Fleet Vehicle Replacement Programme	633	69	564			69	564
Automation of Transactional Services	150	30	120	40	40	110	40
Total	17,605	944	16,661	964	2,104	4,011	13,594
Planning, Infrastructure & Economic Development							
Bridges Gyatory Scheme	206		206		206	206	
Town Centre Strategy	450		450		100	100	350
Total	656		656		306	306	350
TOTAL	54,999	7,359	47,640	13,102	18,211	38,673	16,326

B2) Capital Budget Variances (@ 2nd Quarter 2023/24)

Corporate Services

Corporate Property Acquisitions - This budget is available for Commercial Property acquisition opportunities that may arise during the year. Expenditure therefore depends on whether any suitable acquisitions emerge. So far this year no such opportunities have proved to be worth pursuing further. Even if any opportunities were identified at this stage (November 2023), completion would probably not take place in the current financial year, so no spend is projected.

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

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

Infrastructure Delivery - This budget exists to enable major infrastructure schemes to go ahead. It is intended that it will be used where a top-up from MBC can make the difference between a scheme proceeding or not. No requirement to use the budget has been identified so far in 2023/24. Given the time required to work up proposals for suitable schemes, it is unlikely that the budget will be used in the current financial year.

Communities, Leisure & Arts

Leisure Provision – Discussions are ongoing with the current operator regarding this budget, and at present it is anticipated that there will be some initial spend on improvements at the centre in the final quarter of the year. There will be a further update on this in the 3rd quarter report.

Riverside Walk Works – This project has now been subsumed into the overall plans for Town Centre improvement works, arising out of the emerging Town Centre Strategy. The budget will therefore be carried forward to 2024/25.

Housing, Health & Environment

Private Rented Sector Housing/1,000 Homes Affordable Housing Programme - A number of schemes are at various stages of development at present, and further land/property acquisitions are likely to take place before the end of the financial year. 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 figures also reflect grant funding that we anticipated receiving this year. To date we have received £2.3m from the Local Authority Housing Fund, and £2.1m from the Brownfield Release Fund, which will be used to fund the initial development costs of the Maidstone East scheme. The initial programme does anticipate further funding, but some of that is linked to the development of certain schemes. The projected overspend of £1.981m on Private Rented Sector relates to increased costs for the Granada House scheme and the acquisition of a site that was not included in the initial forecast for this year. This will be covered by the £2.3m Local Authority Housing Fund grant referenced above.

The projected slippage for the Maidstone East Commercial Development and the Heather House Community Scheme reflects that the progress on the wider schemes of which they are a part has not moved on as far as the initial programme anticipated. As part of the budget setting process for 2024/25 and beyond the capital programme is being reviewed, and there will be a revised budget in place for the third quarter financial update report that will more accurately reflect the position of the various schemes.

Temporary Accommodation – There have been a significant number of acquisitions to date this year, and the team continue to seek suitable properties, but any purchases agreed in the fourth quarter are unlikely to be completed within this financial year so the unused budget will be rolled forward.

Continued Improvements to Play Areas – The projected slippage is a sum set aside for the refurbishment of the Penenden Heath play area, which is scheduled to take place in the first quarter of 2024/25.

Flood Action Plan - The flood action plan budget was set up to allow the Council to deliver, or contribute towards, schemes that would mitigate flood risk. At this stage, the only schemes that have been identified have been small scale natural flood management schemes. Officers are discussing with counterparts in the Environment Agency, Kent County Council and the Upper Medway Internal Drainage Board what can be done to promote appropriate and practical schemes in the future.

CCTV Upgrade & Relocation – This is an unbudgeted cost relating the scheme which took place in 2020. The contractor contacted the Council and advised us that there was a final payment due. Officers reviewed the position and agreed that this was the case and the payment was made.

Planning, Infrastructure & Economic Development

Town Centre Strategy – The current strategy is being reviewed and updated and is unlikely to be adopted until early 2024, so it is anticipated that there will be some spend in the final quarter of the year.

Part C – Second Quarter Local Tax Collection 2023/24

C1) Collection Fund

- C1.1 A large proportion of the Council's income is generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- C1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.
- C1.3 There are statutory accounting arrangements in place which minimise the in-year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets and the medium-term financial strategy.

C2) Collection Rates & Reliefs

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

Local Tax Collection Rates (Q2 2023/24)

Description	Target Q2 2023/24	Actual Q2 2023/24
Council Tax	54.93%	54.81%
Business Rates	56.52%	59.26%

- C2.2 The amount of Council Tax collected is marginally lower than the quarter 2 target, whilst Business Rates is showing a higher level of collection compared to their target.

C3) Kent Business Rates Pool

- C3.1 The council will continue to participate with other Kent authorities during 2023/24 to maximise the proportion of business rates growth it is able to retain. Forecasts from those in the pool have been requested and we will have an update once we receive all Business Rate quarter 2 figures. As in previous years, any funding will be allocated to spending which supports the delivery of the council's Economic Development Strategy.
- C3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. Business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. the impact of the removal of expanded reliefs to businesses affected by Covid-19, and the longer term impacts on local, national and global economies.

Part D - Reserves & Balances 2023/24

D1) Reserves & Balances

D1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2023 was £30.8 million. This includes £19.3 million set aside for specific purposes in Earmarked Reserves. The makeup of the balance, and the forecast movements during 2023/24 are presented in the table below.

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

Reserves & Balances Quarter 2 2023/24

Earmarked Reserves and Balances	Balance as at 31/03/2023 £000	Contributions to/from Balances 2023/24 £000	Estimated Balance 31/03/2024 £000
Spatial Planning	(558)	558	0
Neighbourhood Planning	(77)	20	(57)
Planning Appeals	(229)	0	(229)
Trading Accounts	(0)	0	(0)
Civil Parking Enforcement	(370)	40	(330)
Future Capital Expenditure	(2,455)	0	(2,455)
Future Funding Pressures	(2,481)	(500)	(2,981)
Homelessness Prevention & Temporary Accommodation	(1,124)	135	(989)
Business Rates Earmarked Balances	(4,305)	451	(3,854)
Funding for Future Collection Fund Deficits	(2,504)	0	(2,504)
Commercial Risk	(500)	0	(500)
Invest to Save	(500)	0	(500)
Recovery and Renewal Reserve	(575)	350	(225)
Renewable Energy	(188)	(50)	(238)
Major Works Sinking Fund	(213)	(200)	(413)
Housing Investment Fund	(3,216)	0	(3,216)
Total Earmarked Reserves	(19,297)	804	(18,493)
Unallocated Balances	(14,832)	(1,325)	(16,157)
Carry Forwards fr 22/23 to 23/24	(200)	200	0
Unallocated Balances	(15,032)	(1,125)	(16,157)
Total General Fund Reserves	(34,329)	(321)	(34,650)

Part E - Treasury Management 2023/24

E1) Introduction

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

The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 22nd February 2023, the Council approved a Treasury Management Strategy for 2023/24 that was based on this code. The strategy requires that Corporate Services Policy Advisory Committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.

E2) Economic Headlines

During the Quarter ended 30th September 2023, the Council's Advisors, Link Asset Services, reported:

- Bank Rate has increased from 5% to 5.25% in August 2023, but the Monetary Policy Committee decided not to increase rates further in September 2023;
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7;
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth.

E3) Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Their advice is set out in this section.

The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

The PWLB interest rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Interest Rate Forecast

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

BANK RATE

In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was “finely balanced”. Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25 basis points hike.

The Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures “further tightening in policy would be required”. Governor Bailey stated, “we’ll be watching closely to see if further increases are needed”. The Bank also retained the hawkish guidance that rates will stay “sufficiently restrictive for sufficiently long”.

The Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November (rates have stayed at 5.25% in November) and raise rates in December.

PWLB RATES

The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

E4) Annual Investment Strategy

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

- Security of capital
- Liquidity
- Yield

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

The council held investments totaling £10.24m in the last quarter have increased to £16.76m on 30th September 2023. Average level of funds available for investment during the quarter was £16.242m. All investments were 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.

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

Short-Term Investments (2nd Quarter 2023/24)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	8,790,000			5.29%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	7,970,000			5.35%		£10,000,000
Total Investments		16,760,000					

The average rate of investments during this quarter is 4.04% accumulating £369k in investment income.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th September 2023.

E5) Council Borrowing

The Council held external borrowing amounting has remained at £9m since the last quarter. A breakdown is shown in the table below.

Council Borrowing (2nd Quarter 2023/24)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Public Works Loans Board	Central Government	2,000,000	11/11/2021	11/11/2071	1.73%
Public Works Loans Board	Central Government	3,000,000	30/12/2021	30/12/2071	1.56%
North Northamptonshire Council	Local Authority	2,000,000	23/06/2023	23/02/2024	5.32%
Humber Bridge Board – Kingston Upon Hull	Local Authority	2,000,000	03/07/2023	03/10/2023	5.10%
Total Loans		9,000,000			

The Council has also committed to £80m future borrowing to fund the capital programme, currently forecasted at around £200m over the next 5 years. The loans were procured through a tendering process undertaken by Link Asset Service. Details of these can be found in the table below.

Committed Borrowing (2nd Quarter 2023/24)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2064	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2074	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2025	13/02/2075	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2026	13/02/2076	2.87%
Total		80,000,000			

E6) Prudential and Treasury Indicators for 2023-24 as of 30th September 2023

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

Officers can confirm that the approved Treasury and Prudential limits within the Treasury Management Strategy Statement 2023/24 were not breached during the quarter ended 30th September 2023.

Prudential and Treasury Indicators

Treasury Indicators	2023/24 Budget £'000	31.03.23 Actual £'000
Authorised limit for external debt	60,000	17,473
Operational boundary for external debt	50,000	17,473
Gross external debt	45,000	10,000
Investments	22,882	8,540
Net borrowing	22,118	1,460
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	4,000	13,500
5 years to 10 years	0	5,000
10 years to 20 years	0	0
20 years to 30 years	0	0
30 years to 40 years	0	0
40 years to 50 years	5,000	5,000
Upper limit for principal sums invested over 365 days		
Year 1	2,000	2,000
Year 2	2,000	2,000
Year 3	2,000	2,000
Total	6,000	6,000

Prudential Indicators	2023/24 Budget £'000	31.03.23 Actual £'000
Capital expenditure	38,994	16,639
Capital Financing Requirement (CFR)	102,373	71,609
Annual change in CFR	30,764	5,406
In year borrowing requirement	30,975	4,000
Ratio of financing costs to net revenue stream	(550.00)	(505.90)