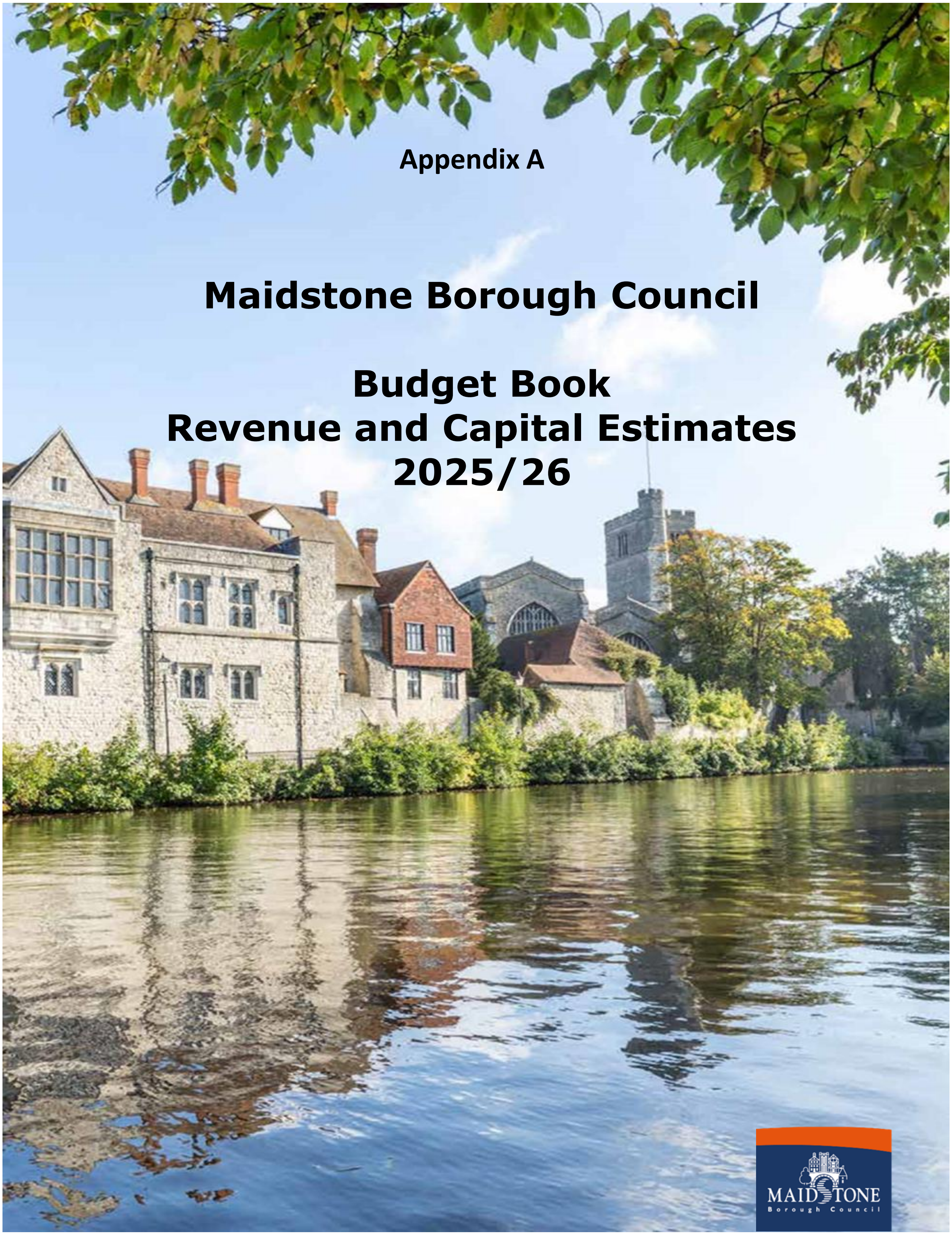
Appendix A

Maidstone Borough Council

Budget Book
Revenue and Capital Estimates
2025/26



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STATEMENT OF ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. INTRODUCTION

1.1 Section 25 of the Local Government Act 2003 requires that a local authority's Chief Finance Officer must report on:

- the robustness of the estimates made for the purposes of the budget calculations; and

- the adequacy of the proposed financial reserves.

1.2 The authority must have regard to this report when making decisions about the calculations in connection with which it is made, these decisions being to set a budget and to agree the level of Council Tax.

1.3 The following statement seeks to fulfil this requirement in respect of the 2025/26 budget setting process for Maidstone Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of the process.

2. ROBUSTNESS OF ESTIMATES

Background

2.1 The budget contains estimates of future income and expenditure, which like any future events are subject to risk and uncertainty. The Council's Medium Term Financial Strategy (MTFS) therefore considers the external environment within which the authority operates, noting that this environment is challenging because of low economic growth and the state of the UK's public finances.

2.2 The financial framework for local authorities is set by central government. Whilst the government has announced the Local Government Finance Settlement for 2025/26, including a Council Tax referendum limit for 2025/26 and the share of business rates to be retained locally, the position for future years is unclear, which makes longer term forecasting difficult.

2.3 The Council's exposure to risk is mitigated by a strong financial position, with adequate but not excessive levels of reserves, and a track record of effective financial management.

2.4 The budget reflects careful consideration and prudent judgements about the risks posed by these elements of uncertainty, drawing on the lessons of previous years and seeking to take into account all relevant factors.

2.5 The context for the budget setting process is described in the MTFS, which is included as Section 9 of the Budget Book. The MTFS covers both revenue and capital budgets and underpins the budget setting process over the coming five year period. It has been drawn up on the basis of the existing two-tier local government structure in Kent, as this will remain in existence for the year 2025/26, but it is recognised that local government reorganisation is likely to lead to changes in the medium term.

Budget preparation

2.6 A structured approach has been taken to preparing the budget estimates. They are the outcome of an exhaustive process, which commenced with Members agreeing underlying assumptions and a plan for developing a Medium Term Financial Strategy at the meeting of the Cabinet on 24 July 2024. Given the high degree of uncertainty about the medium term financial position, various potential scenarios were tested.

2.7 Where possible, future financial projections have been validated against current performance as reported through the Council's regular quarterly budget monitoring. The budget estimates have been reviewed in the light of the latest budget monitoring information. Where appropriate, allowance has been included in respect of additional expenditure and shortfalls in income where these are likely to continue into 2025/26.

Factors considered in drawing up MTFS and setting budget

2.8 The table below sets out the specific factors that have been taken into account in the process of drawing up the MTFS and setting the 2025/26 budget.

The Council's corporate objectives and key priorities	The estimates are intended to support the priorities within the Council's Corporate Strategy and to maintain service delivery. The MTFS addresses the new priorities in the Corporate Strategy 2025-2035 .
Consultation with the community	The results of the 2024 Residents' Budget Survey have been taken into account when developing the budget proposals.
Consultation with Policy Advisory Committees and Overview and Scrutiny	The Policy Advisory Committees and Overview and Scrutiny Committee were consulted on the budget proposals at their meetings in January 2025.
The level of funding likely from Central Government	The Council relies primarily on local sources of income, namely Council Tax, its share of Business Rates, and income from Council services (eg parking) and investments. The main unringfenced sources of central government funding are New Homes Bonus and the Funding Floor. The recommendations to Council propose that the bulk of these grants are transferred to the Housing Investment Fund, to support the Council's Affordable Housing programme.

Retained element of business rates	Since 1 April 2013 a proportion of business rates income has been retained by the Council. The amount of business rates income due to the Council under existing arrangements has been projected using prudent assumptions and has been reflected in the Strategic Revenue Projections. Additional income is anticipated as a result of the Council's participation in the Kent Business Rates Pool and is earmarked as a separate exercise from the main budget setting process.
Council Tax Base	The recommended council tax base for 2025/26 is 68,085.50, which is a 0.26% decrease in the tax base over the 2024/25 figure.
Level of Council Tax	The level of Council Tax is an important determinant of the Council's financial resilience. A low Council Tax base and/or a low level of Council Tax have been demonstrated from analysis of local authority accounts to signal lack of resilience. It is therefore appropriate for the Council to maximise Council Tax income within the constraints imposed by the government's referendum limits. The recommended £8.73 increase in Band D Council Tax does this.
The Council's Capital Programme	The Council's capital programme is based on the principles of prioritisation, affordability and deliverability. The Council has adopted a Medium Term Financial Strategy for capital which sets out the planning process and priorities for capital. The revenue costs of the capital programme are reflected in the Strategic Revenue Projections. The Quality Homes for Life Programme, within the overall capital programme, will also require a separate revenue subsidy. Accordingly, the Council has established a Housing Investment Fund which will be used to provide this subsidy.
The Prudential Code and its impact on Capital Planning	The Council uses a number of sources for the financing of its capital expenditure. The main source in the past has been New Homes Bonus but external borrowing will be the principal source of funding in future years. Borrowing will be undertaken in line with the requirements of the Prudential Code, which aims to ensure, within a clear framework, that the capital expenditure plans of the authority are affordable, prudent and sustainable. These principles are set out in the Capital Strategy.

Availability of funding for capital programme	It is assumed that funding will continue to be available for the capital programme. Historically the main source of funding for local authorities has been the Public Works Loan Board. The Council has also locked in £80 million of private sector borrowing at a competitive rate, to be drawn down between 2024 and 2026.
Interest Rates	Interest costs and returns on future borrowing have been assumed based on the advice of the Council's treasury management advisors as set out in the Treasury Management Strategy.
Financial resilience	Maidstone Borough Council is in a strong financial position and holds adequate reserves, as is evidenced by its score in CIPFA's latest Financial Resilience Index, which gives the Council an average ranking of 7 amongst a comparator group of 16 authorities.
Adequacy of Balances	At the start of 2025/26 it is anticipated that the unallocated general fund balance will be £15.3 million. This is equivalent to 3 months expenditure, given projected annual expenditure of £58.9 million.
Earmarked Reserves	The Council maintains a series of Earmarked Reserves to manage the resources set aside for specific activities. At the start of 2025/26 these reserves are projected to be £29.6 million. Details are set out in Section 6 of the Budget Book.
Pay and Price Inflation	The MTFS takes account of the impact of inflation on service expenditure, based on current predictions of the future level of inflation. Included within service budgets is suitable provision for these increases.
Fees and Charges	The Council's strategy is to maximise income, subject to market conditions, opportunities, comparable charges elsewhere and the impact of charges on the delivery of key objectives. The Council has approved a policy on the use of fees and charges and service managers have regard to that policy when proposing changes to fees and charges. Increased levels of fees and charges are incorporated in the 2025/26 budget where these have been proposed and subsequently agreed by Members.

Growth Pressures	The Budget for 2025/26 and the projections within the MTFS for the revenue budget reflect an estimate of potential additional expenditure and shortfalls in income to the extent that the Council is aware of these at the present time. New pressures are anticipated to emerge over the MTFS period and in consequence, the strategy will be updated at least annually. There is an expectation that expenditure on expanding and improving services should be accommodated by direct charges to service users or reductions elsewhere within the Council's budget.
Achieving budget savings	The MTFS depends on the delivery of budgeted savings. The Council has a good track record of delivering planned savings and regular budget monitoring ensures that prompt action is taken where savings are delayed. The deliverability of future savings is assessed as part of the budget preparation process.
Financial Management	The Council’s financial information, management and reporting arrangements are sound. Officers and members are fully engaged in the budget setting process. Financial performance is reported regularly to officers and members. Where variances arise, prompt action is taken to address them. The Council’s external auditor has found the Council’s budgetary control procedures to be sound and is satisfied with the overall internal financial control arrangements, the Council’s arrangements for ensuring the legality of transactions and gave an unqualified opinion on the 2023/24 Accounts. It is anticipated that a similar position will be reported for future years.
Insurance Arrangements and Business Continuity	Risks identified via the preparation of Service Risk Registers have wherever possible been mitigated to an acceptable level. Any remaining risks have been transferred to an external insurance provider where possible. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council has a well-established Business Continuity Plan for key services.

Corporate Governance and Risk Management	The Council has adopted a local Code of Corporate Governance based upon the requirements of the CIPFA/SOLACE Corporate Governance framework. This incorporates risk management and the Council has a risk management strategy involving the preparation of risk registers at a Corporate level and for each Service area. The Council has had an established and effective Audit Committee since 2007.

3. ADEQUACY OF RESERVES

3.1 The Council maintains reserves as a financial safety net to allow for unforeseen circumstances. There is no statutory definition of a minimum level of reserves. Rather, it is accepted that minimum prudent level of reserves that the Council should maintain is a matter of judgement.

3.2 The Council has agreed a target for the minimum General Fund balance of £4 million, which is equivalent to approximately 7% of the Council's gross income or 14% of its net income. It is anticipated that at the start of 2025/26 the unallocated general fund balance will be £15.3 million, which is well in excess of the minimum level. A balanced budget position is projected for 2025/26. In this way, the unallocated General Fund balance can be maintained at £15.3 million.

3.3 The top ten corporate risks identified by senior management, which might give rise to a call on reserves, include the following:

- Rising temporary accommodation costs
- Environmental damage
- Collateral impact from Kent County Council's financial challenges
- Local government reform and devolution
- Financial uncertainty
- Generative artificial intelligence
- Rising construction costs and the risk of contractor insolvency
- Diminution in the vitality of Maidstone Town Centre
- Cost of living crisis
- Reduction in effectiveness of relationships with strategic partners

These risks are monitored carefully and measures have been taken to mitigate them. The risks and mitigation measures are kept under regular review

3.4 Corporate risks and mitigations are reported quarterly to the Climate Transition, Corporate and Environmental Services Policy Advisory Committee and to Cabinet. Specific financial risks, and an up to date evaluation of each, are also reported to each meeting of the Audit, Governance and Standards Committee.

3.5 The Council's risk management strategy and policies seek to identify risks such as those outlined above and to promote appropriate mitigations. Nevertheless, there will remain a degree of residual risk, and it is for this reason that it is appropriate to hold reserves.

3.6 In addition to unallocated General Fund reserves, a further £29.6 million of General Fund reserves have been allocated for specific purposes. The largest of these reserves is the Housing Investment Fund (£12.3 million as at 31 March 2025). Details of these reserves are set out in Section 6 of the Budget Book. These reserves, whilst dedicated for specific purposes, provide additional comfort that the Council has adequate reserves.

3.7 Taking into account the risks that the Council faces, and the overall scale and scope of the Council's activities, I therefore consider the level of reserves to be adequate but not excessive.

4. CONCLUSION

4.1 I am of the opinion that the approach taken in developing the 2025/26 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves.

Mark Green
Director of Finance, Resources
and Business Improvement

Date: 19 February 2025

Guidance from the Monitoring Officer

The Local Government Act 2003 (as amended) requires Council to adopt the annual budget which is recommended by the Cabinet. The Council has a statutory obligation to set a balanced budget differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficits estimated to be brought forward from previous years, and any amounts required to be transferred between funds required under the Local Government Finance Act 1992 and related legislation. In compliance with the principles of administrative law, members are required to take into account relevant considerations and disregard irrelevant ones. Any decision made must be one that only a reasonable authority, properly directing itself could have reached.

Members must act prudently taking into account the professional advice of officers, in particular the statutory obligations placed upon the Director of Finance, Resources and Business Improvement, the S151 officer. Members can make alternative proposals in achieving a balanced budget but are exposed to a personal risk if they disregard clearly expressed professional advice. Members are required to have regard to the guidance of the S151 officer on the budget estimates and adequacy of reserves. The wider duties placed on the Council relating to its financial affairs must be taken into account. This includes the distinction between revenue and capital expenditure specified within the Local Government and Housing Act 1989.

Prudential borrowing limits must be set by the Council having regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. The Code sets a framework for self-regulation of capital spending, enabling Councils to invest in capital projects without any limit, so long as they are affordable, prudent and sustainable taking into account prudential indicators which must be monitored. It is a criminal offence for a member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made – the Local Government Finance Act 1992, section 106. To avoid criminal liability, relevant members must make a declaration at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The member concerned must then abstain from voting.

The Local Government Finance Act 1988, Section 114 (3) provides that the chief finance officer of a Council (the S151 Officer) shall make a report to Council under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. It means that no new expenditure is permitted, with the exception of that funding statutory services. Existing commitments and contracts will continue to be honoured. Full Council must consider the implications within a period of 21 days from the issue of a Section 114 notice.

Having set a budget for the new municipal year, the Council is under a duty to monitor that budget during the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources.

Appendix A

REVENUE ESTIMATE 2024/25 to 2029/30

Strategic Revenue Projection - Scenario 4

2024/25 £000		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
19,998	**Council Tax**	20,540	21,156	21,791	22,445	23,118
	Business Rates					
4,456	Retained Business Rates	4,525	4,615	4,708	4,802	4,898
2,824	Business Rates Growth	2,880	2,938	2,997	3,057	3,118
0	Changes To Local Government Funding (Levelling Up)	0	-52	-386	-658	-845
	Collection Fund Adjustment					
-302	Collection Fund Adjustment (Council Tax)	-155	0	0	0	0
-86	Collection Fund Adjustment (Business Rates)	0	0	0	0	0
388	Collection Fund Smoothing	155	0	0	0	0
27,277	**Resource - Council Tax And Business Rates**	**27,945**	**28,657**	**29,109**	**29,645**	**30,288**
26,212	**Other Income**	30,192	30,972	31,531	32,100	32,680
978	Forecast Change In Income	780	559	569	580	591
27,190	**Resources - Other Income**	**30,972**	**31,531**	**32,100**	**32,680**	**33,271**
54,468	**Total Resources Available**	**58,917**	**60,188**	**61,209**	**62,325**	**63,559**
51,990	Current Budget / Projected Spend	57,434	59,414	61,239	63,125	65,075
	Inflation & Contract Increases					
2,643	Pay, Ni & Inflation Increases	1,980	1,824	1,886	1,950	2,017
-165	**Budget Surplus / (Gap) - Before Pressure And Savings**	**-497**	**-1,051**	**-1,916**	**-2,750**	**-3,533**
	External Budget Pressures / Savings					
25	Pension Deficit Funding Reduction	26	26	26	26	26
0	Waste Partnership Subsidy Removal	336	0	0	0	0
	Other Service Pressures					
143	One Off Provision - Waste Contracts	0	0	0	0	0
100	Refuse Bins – Replacement Of Broken Bins	0	0	0	0	0
450	Temporary Accommodation	-250	-100	0	0	0
0	Vacant Properties	-152	0	0	0	0
963	Revenue Costs Of Capital - Minimum Revenue Contribution	372	280	558	428	180
0	Revenue Costs Of Capital - Borrowing Costs	628	1,383	1,738	1,090	755
0	Interest On Investments	-907	535	273	50	25
0	Income From New Housing Schemes	-81	-445	-104	-470	-1,844
50	General Growth Provision	0	0	0	0	0
-1,000	Inflation Contingency	0	0	0	0	0
700	Pressures Funded By Grant or Reserves	-100	100	0	0	0
1,431	**Pressure And Savings**	-129	1,779	2,490	1,124	-858
56,064	**Total Predicted Requirement**	**59,285**	**63,017**	**65,615**	**66,199**	**66,234**
-1,596	**Budget Surplus / Gap (-Ve)**	**-368**	**-2,829**	**-4,406**	**-3,873**	**-2,675**
1,596	**New And Amended Savings / Growth (-Ve)**	**369**	**907**	**440**	**361**	**125**
0	**Surplus / Deficit (-Ve)**	**0**	**-1,922**	**-3,966**	**-3,512**	**-2,550**
0	**Cumulative Surplus / Deficit (-Ve)**	**0**	**-1,922**	**-5,888**	**-9,400**	**-11,950**
388	**Collection Fund Adjustments**	**155**	**0**	**0**	**0**	**0**
388	**Budget Gap Excluding Collection Fund Adjustments**	**156**	**-1,922**	**-3,966**	**-3,512**	**-2,550**

APPENDIX A

THE MAIDSTONE BOROUGH COUNCIL

STATEMENT OF COUNCIL TAX REQUIREMENT - 2025/26

			BAND D
	£	£	£
MAIDSTONE BOROUGH COUNCIL NET SPEND		27,945,102	410.44
ADD:			
Parish Precepts		3,125,109	45.90
DEDUCT:			
Retained Business Rates	-4,524,792		
Business Rates Growth	-2,880,276		
		-7,405,068	-108.76
TOTAL COUNCIL TAX REQUIREMENT		23,665,143	347.58
ADD PRECEPTS			
Kent County Council Precept		115,145,517	1691.19
Kent Police & Crime Commissioner Precept		18,393,298	270.15
Kent & Medway Fire & Rescue Authority Precept		6,458,591	94.86
TOTAL COUNCIL TAX REQUIREMENT		163,662,548	2,403.78
MAIDSTONE BOROUGH COUNCIL (EXCLUDING PARISH PRECEPTS)			301.68
TOTAL COUNCIL TAX (EXCLUDING PARISH PRECEPTS)			2,357.88
TAX BASE			68,085.5

Appendix A

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2024/25 AND ESTIMATE 2025/26

POLICY ADVISORY COMMITTEE SUMMARY

Policy Advisory Committee	**Original Estimate 2024/25** **£**	**Revised Estimate 2024/25** **£**	**Estimate 2025/26** **£**
Climate Transition, Corporate & Environmental Services	14,263,760	13,942,380	15,556,470
Planning & Healthier, Stronger Communities	1,946,360	2,499,330	3,250,790
Housing & Community Cohesion	5,268,210	5,551,840	4,544,400
	21,478,330	**21,993,550**	**23,351,660**
Transfers to Reserves	5,798,960	5,283,740	4,593,160
Net Revenue Expenditure	**27,277,290**	**27,277,290**	**27,944,820**

CLIMATE TRANSITION, CORPORATE & ENVIRONMENTAL SERVICES POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Contingency	446,300	1,030,830	399,450		399,450
Unapportionable Central Overheads	977,110	977,110	1,003,110		1,003,110
Non Service Related Government Grants	-5,098,960	-5,098,960		-3,993,160	-3,993,160
Appropriation Account	1,861,790	1,577,790	1,262,600		1,262,600
Pensions Fund Appropriation	0	0	0		0
Balances, Pensions & Appropriation Total	**-1,813,760**	**-1,513,230**	**2,665,160**	**-3,993,160**	**-1,328,000**
Cemetery	-6,970	-5,630	233,600	-240,170	-6,570
National Assistance Act	-450	-450	2,490	-2,940	-450
Crematorium	-934,080	-996,950	597,350	-1,399,310	-801,960
Bereavement Services Total	**-941,500**	**-1,003,030**	**833,440**	**-1,642,420**	**-808,980**
Business Terrace - 1st Floor MH	-33,740	0	0	0	0
Business Support Total	**-33,740**	**0**	**0**	**0**	**0**
Council Tax Collection	73,050	52,250	90,090	-36,540	53,550
Council Tax Collection - Non Pooled	-347,850	-311,860	158,750	-466,850	-308,100
Council Tax Benefits Administration	-138,410	-138,410	32,560	-170,180	-137,620
NNDR Collection	2,150	2,150	3,880	-1,760	2,120
NNDR Collection - Non Pooled	-198,820	-201,820	56,040	-257,440	-201,400
MBC- BID	800	800	20,330	-19,410	920
Registration Of Electors	76,830	76,830	81,510	-2,690	78,820
Elections	120,020	120,030	126,740	-490	126,250
External Interest Payable & MRP	3,165,550	3,165,550	4,132,510		4,132,510
Interest & Investment Income	-500,000	-500,000		-1,007,460	-1,007,460
Central Services to the Public Total	**2,253,320**	**2,265,520**	**4,702,410**	**-1,962,820**	**2,739,590**
Lettable Halls	-3,650	-6,310	8,660	-14,710	-6,050
Community Halls	29,480	27,150	34,890	-3,120	31,770
Parks Pavilions	34,000	25,110	35,120	-10	35,110
Maintenance of Closed Churchyards	7,910	9,700	8,100		8,100
Business Terrace - Incubator Units	99,920	80,730	144,970	-63,210	81,760
Palace Gatehouse	5,270	5,270	7,220	-12,000	-4,780
Archbishops Palace	42,800	52,810	53,550	-98,920	-45,370
Parkwood Industrial Estate	-315,850	-315,850	15,950	-322,770	-306,820
Industrial Starter Units	-39,880	-39,970	28,140	-67,620	-39,480
Parkwood Integra Units	-131,670	-144,600	59,680	-203,170	-143,490
Sundry Corporate Properties	-165,690	-99,770	37,000	-391,240	-354,240
Phoenix Park Units	-237,440	-269,380	26,070	-295,170	-269,100
Granada House - Commercial	-88,230	-89,260	91,380	-150,580	-59,200
Heronden Road Units	-208,720	-209,000	13,650	-222,390	-208,740
Boxmend Industrial Estate	-116,760	-133,810	12,900	-146,440	-133,540
Wren Industrial Estate	-134,480	-140,830	66,580	-203,960	-137,380
Corporate Property Total	**-1,222,990**	**-1,248,010**	**643,860**	**-2,195,310**	**-1,551,450**
Corporate Projects	450	440	80,050	-77,870	2,180
Corporate Management	560,120	449,010	699,720		699,720
Corporate Management Total	**560,570**	**449,450**	**779,770**	**-77,870**	**701,900**
Head of Environment and Public Realm	122,700	130,210	133,570		133,570
Bereavement Services Section	324,850	402,700	419,900		419,900
Depot Services Section	970,860	1,037,230	1,082,790	-28,220	1,054,570
Democratic Services Section	308,220	309,660	327,790	-1,850	325,940
Mayoral & Civic Services Section	131,280	132,370	136,470		136,470
Chief Executive	201,830	204,730	209,690		209,690
Biodiversity & Climate Change	155,720	105,390	109,820		109,820
Director of Strategy Governance and Insight	134,300	165,050	159,450		159,450
Electoral Registration Section	100,420	163,390	175,150	-3,510	171,640
Parking Services Section	433,350	438,030	607,040	-154,410	452,630
Director of Finance, Resources & Business Imp	150,990	153,260	163,260	-5,230	158,030
Accountancy Section	927,610	930,360	958,100	-25,970	932,130
Director of Regeneration & Place	159,530	171,030	180,560		180,560
Procurement Section	124,770	124,770	127,890	0	127,890
Property & Projects Section	497,750	562,960	647,570	-66,320	581,250
Corporate Support Section	334,240	280,650	283,040		283,040
Transformation & Digital Section	261,790	267,550	469,310	-29,250	440,060
Executive Support Section	103,940	104,960	108,240		108,240
Head of Property and Leisure	124,210	119,280	122,960		122,960
Facilities Section	165,390	156,860	163,030		163,030
Salary Slippage	-422,090	-577,650	-594,650		-594,650
Management & Support Total	**5,311,660**	**5,382,790**	**5,990,980**	**-314,760**	**5,676,220**
Civic Occasions	48,710	49,720	51,080		51,080
Members Allowances	477,970	477,970	489,940		489,940
Members Facilities	19,370	19,430	19,930		19,930
Democratic Representation Total	**546,050**	**547,120**	**560,950**	**0**	**560,950**
Drainage	35,780	35,780	36,680		36,680
Climate change	37,400	37,400	93,340		93,340
Flood Defences & Land Drainage Total	**73,180**	**73,180**	**130,020**	**0**	**130,020**
Housing Benefits Administration	-282,830	-289,150	73,990	-361,450	-287,460
Housing Benefit Administration Total	**-282,830**	**-289,150**	**73,990**	**-361,450**	**-287,460**
Upper Medway Internal Drainage Board	138,430	138,430	141,890		141,890
Levies Total	**138,430**	**138,430**	**141,890**	**0**	**141,890**
Environment Improvements	8,090	9,590	8,420		8,420
Name Plates & Notices	21,450	21,450	22,000		22,000
Network & Traffic Management Total	**29,540**	**31,040**	**30,420**	**0**	**30,420**

Cost Centre/Service	Original Approved Estimate 2024/25	Revised Estimate 2024/25	Estimate 2025/26 (Expenditure)	Estimate 2025/26 (Income)	Estimate 2025/26
Maidstone House - Landlord	-176,380	-438,660	1,299,620	-1,711,810	-412,190
Town Hall	119,910	119,420	125,850	-1,500	124,350
South Maidstone Depot	189,100	208,380	194,970		194,970
The Link	68,410	57,620	355,200	-281,430	73,770
Maidstone House - MBC Tenant	483,470	584,640	688,360	-92,650	595,710
Museum Buildings	243,530	225,880	239,060	-1,250	237,810
Office Accommodation Total	**928,040**	**757,280**	**2,903,060**	**-2,088,640**	**814,420**
Parks & Open Spaces	1,035,640	986,270	1,196,760	-175,280	1,021,480
Playground Maintenance & Improvements	159,070	189,270	196,100		196,100
Mote Park	362,330	310,700	337,390	-17,440	319,950
Allotments	15,390	14,780	15,570		15,570
Open Spaces Total	**1,572,430**	**1,501,020**	**1,745,820**	**-192,720**	**1,553,100**
Sandling Road Site	5,680	0	0	0	0
Other Council Properties Total	**5,680**	**0**	**0**	**0**	**0**
On Street Parking	-284,830	-284,830	500,150	-772,940	-272,790
Residents Parking	-193,390	-193,390	69,600	-261,280	-191,680
Pay & Display Car Parks	-1,345,710	-1,347,330	617,990	-2,261,110	-1,643,120
Non Paying Car Parks	16,060	16,060	16,470	-10	16,460
Off Street Parking - Enforcement	-83,660	-83,660	197,850	-276,690	-78,840
Mote Park Pay & Display	-193,000	-192,980	25,680	-329,600	-303,920
Sandling Road Car Park	-50,740	-50,830	0	0	0
Parking Services Total	**-2,135,270**	**-2,136,960**	**1,427,740**	**-3,901,630**	**-2,473,890**
Other Transport Services	-3,620	-3,380	33,790	-36,830	-3,040
Public Transport Total	**-3,620**	**-3,380**	**33,790**	**-36,830**	**-3,040**
Recycling Collection	2,112,970	1,785,880	3,226,650	-1,383,310	1,843,340
Recycling Total	**2,112,970**	**1,785,880**	**3,226,650**	**-1,383,310**	**1,843,340**
Waste Crime	4,940	10,580	40,420	-28,330	12,090
Public Conveniences	229,520	225,350	368,840		368,840
Regulatory Services Total	**234,460**	**235,930**	**409,260**	**-28,330**	**380,930**
Rent Allowances	-114,070	-107,750	25,916,330	-26,024,080	-107,750
Non HRA Rent Rebates	-8,760	-8,760	1,736,680	-1,745,440	-8,760
Discretionary Housing Payments	0	0	231,980	-231,980	0
Rent Rebates Total	**-122,830**	**-116,510**	**27,884,990**	**-28,001,500**	**-116,510**
Street Naming & Numbering	-73,350	-73,350		-35,350	-35,350
Revenues Section	521,850	545,730	1,435,300	-873,120	562,180
Benefits Section	516,630	446,250	1,248,060	-776,110	471,950
Fraud Section	49,150	51,130	282,050	-229,750	52,300
Mid Kent Audit Partnership	172,470	222,960	767,120	-530,230	236,890
Legal Services Section	642,630	642,630	790,430	-128,840	661,590
Mid Kent ICT Services	670,970	675,600	1,901,260	-1,198,770	702,490
GIS Section	137,280	138,210	213,840	-85,540	128,300
Director of Mid Kent Services	50,490	71,080	150,740	-100,500	50,240
Mid Kent HR Services Section	438,810	444,890	748,330	-292,440	455,890
MBC HR Services Section	186,720	107,330	247,790	-29,400	218,390
Head of Revenues & Benefits	48,090	44,790	122,750	-74,850	47,900
Revenues & Benefits Business Support	150,940	211,560	571,480	-352,460	219,020
Dartford HR Services Section	-16,700	-16,720	68,880	-86,100	-17,220
I.T. Operational Services	689,720	689,720	714,970		714,970
Central Telephones	17,100	17,100	17,530		17,530
Apprentices Programme	55,870	94,010	58,060		58,060
Shared Services Total	**4,258,670**	**4,312,920**	**9,338,590**	**-4,793,460**	**4,545,130**
Street Cleansing	1,366,450	1,366,560	1,453,920	-45,180	1,408,740
Street Cleansing Total	**1,366,450**	**1,366,560**	**1,453,920**	**-45,180**	**1,408,740**
Commercial Waste Services	-38,620	-35,370	247,420	-287,050	-39,630
Trade Waste Total	**-38,620**	**-35,370**	**247,420**	**-287,050**	**-39,630**
Fleet Workshop & Management	261,820	262,070	268,650		268,650
MBS Support Crew	-49,390	-47,550	119,030	-162,030	-43,000
Internal Printing	-3,120	-3,120	60,280	-67,020	-6,740
Debt Recovery Service	-20,300	-11,780	946,040	-956,030	-9,990
Debt Recovery MBC Profit Share	-79,970	-88,210		-75,270	-75,270
Trading Accounts Total	**109,040**	**111,410**	**1,394,000**	**-1,260,350**	**133,650**
Household Waste Collection	2,508,760	2,360,330	2,594,770	-290,320	2,304,450
Waste Collection Total	**2,508,760**	**2,360,330**	**2,594,770**	**-290,320**	**2,304,450**
MPH Residential Properties	-1,097,260	-979,070	130,090	-877,740	-747,650
General Fund Residential Properties	-53,070	-51,770	14,070	-65,740	-51,670
Residential Property Total	**-1,150,330**	**-1,030,840**	**144,160**	**-943,480**	**-799,320**
Climate Transition, Corporate & Environmental Services	**14,263,760**	**13,942,380**	**69,357,060**	**-53,800,590**	**15,556,470**

CLIMATE TRANSITION, CORPORATE & ENVIRONMENTAL SERVICES POLICY ADVISORY COMMITTEE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Agency & Contractor	7,959,090	7,002,990	7,335,880
Allowances	476,450	476,450	488,360
Benefits	30,090,030	27,884,990	27,884,990
Employee Direct	14,397,820	15,383,840	15,989,370
Employee Other	1,217,200	1,560,320	1,494,960
Equipment & Furniture	1,476,080	1,579,530	1,590,940
Fees & Charges	-8,087,480	-8,127,930	-8,321,170
General Insurances	36,140	40,630	45,750
Grants & Contributions Paid	3,286,620	3,280,940	4,250,730
Grants & Contributions Received	-39,640,120	-38,915,100	-38,102,200
Income Other	-3,154,790	-2,728,810	-2,887,730
Information & Communications	30,390	30,390	31,160
Leasing & Capital Charges	1,861,790	1,577,790	1,262,600
Premises Other	1,861,000	1,777,440	1,735,870
Printing & Stationery	142,770	137,980	141,420
Professional Services	1,366,660	1,557,850	1,532,340
Rent	-4,908,680	-4,473,350	-4,489,490
Repairs & Maintenance	1,698,080	1,959,040	2,004,580
Security & Protection	201,180	51,260	52,540
Subsistence & Training	200,320	152,750	206,450
Supplies & Services Other	1,862,000	2,434,230	1,976,960
Utilities	1,429,750	869,060	890,820
Vehicle & Transport	461,460	430,090	441,340
Climate Transition, Corporate & Environmental Services	**14,263,760**	**13,942,380**	**15,556,470**

PLANNING & HEALTHIER, STRONGER COMMUNITIES POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Building Regulations Chargeable	-434,400	-434,400	8,340	-442,540	-434,200
Building Control	-1,090	-1,090		-1,110	-1,110
Building Control Total	**-435,490**	**-435,490**	**8,340**	**-443,650**	**-435,310**
Innovation Centre	-52,920	85,500	564,710	-623,740	-59,030
Business Support & Enterprise	5,730	30,870	13,190		13,190
Business Support Total	**-47,190**	**116,370**	**577,900**	**-623,740**	**-45,840**
Lockmeadow	254,660	354,660	591,110	-164,000	427,110
Lockmeadow Complex	-1,504,310	-1,488,380	1,372,480	-2,437,170	-1,064,690
Corporate Property Total	**-1,249,650**	**-1,133,720**	**1,963,590**	**-2,601,170**	**-637,580**
Press & Public Relations	37,890	37,890	38,840	0	38,840
Corporate Management Total	**37,890**	**37,890**	**38,840**	**0**	**38,840**
Leisure Services Section	73,140	74,210	119,510	-42,550	76,960
Cultural Services Section	351,040	352,510	365,830		365,830
Visitor Economy Section	103,670	100,860	104,750		104,750
Licensing Section	131,090	132,960	136,280		136,280
Environmental Protection Section	309,150	265,440	250,380		250,380
Food and Safety Section	302,880	346,590	326,950		326,950
Spatial Policy Planning Section	263,490	268,200	275,870		275,870
Head of Planning and Development	121,080	122,120	125,820		125,820
Building Surveying Section	545,740	544,910	547,350		547,350
Economic Development Section	2,670	33,590	5,740	-15,640	-9,900
Market Section	101,430	101,890	105,250		105,250
Heritage Landscape and Design Section	369,180	372,160	387,290	-48,000	339,290
Innovation Centre Section	236,380	156,260	164,320	0	164,320
CIL Management Section	-34,710	-34,100	120,540	-150,200	-29,660
Development Management Section – Majors	247,470	254,830	245,540	-96,000	149,540
Development Management Section – Others	1,225,670	1,247,470	1,217,600	-81,700	1,135,900
Head of Spatial Planning and Economic Develop	116,730	121,190	125,840		125,840
Communications Section	270,570	277,570	288,590	-470	288,120
Town Centre Services Manager	70,350	75,170	13,220		13,220
Salary Slippage 2SPI	-202,550	-231,910	-253,530		-253,530
Management & Support Total	**4,604,470**	**4,581,920**	**4,673,140**	**-434,560**	**4,238,580**
Cultural Development Arts	73,620	83,650	106,640	0	106,640
Museum	28,550	27,320	108,010	-77,340	30,670
Carriage Museum	7,430	3,440	5,520	-1,600	3,920
Museum-Grant Funded Activities	0	0	0	0	0
Hazlitt Arts Centre	353,360	359,270	361,070		361,070
Festivals and Events	5,570	15,570	5,710	0	5,710
Museum Shop	-23,390	-23,390	13,220	-22,000	-8,780
Culture & Heritage Total	**445,140**	**465,860**	**600,170**	**-100,940**	**499,230**
Development Management Advice	-344,200	-344,200		-304,830	-304,830
Development Management Appeals	145,370	145,370	149,010		149,010
Development Management Majors	-630,870	-630,870	24,470	-254,740	-230,270
Development Management - Other	-849,240	-849,240	7,150	-698,110	-690,960
Development Management Enforcement	78,540	78,540	80,500		80,500
Development Management Total	**-1,600,400**	**-1,600,400**	**261,130**	**-1,257,680**	**-996,550**
Market	27,370	35,830	154,190	-115,540	38,650
Economic Dev - Promotion & Marketing	2,590	20,640	800	0	800
Economic Development Total	**29,960**	**56,470**	**154,990**	**-115,540**	**39,450**
Mote Park Adventure Zone	-80,300	-80,070	6,410	-15,860	-9,450
Mote Park Cafe	-63,890	-64,200	11,910	-77,140	-65,230
Parks & Open Spaces Leisure Activities	-1,600	-1,600		-1,600	-1,600
Mote Park Leisure Activities	-43,030	-43,030		-43,030	-43,030
Open Spaces Total	**-188,820**	**-188,900**	**18,320**	**-137,630**	**-119,310**
Planning Policy	525,540	586,100	588,680		588,680
Neighbourhood Planning	-20,000	-10,000	0	-20,000	-20,000
Conservation	-11,260	-11,260	4,340	-15,600	-11,260
Planning Policy Total	**494,280**	**564,840**	**593,020**	**-35,600**	**557,420**
Public Health - Obesity	0	0	150,420	-150,420	0
Public Health - Misc Services	0	30,000	40,270	-40,270	0
Public Health Total	**0**	**30,000**	**190,690**	**-190,690**	**0**
Leisure Centre	-180,190	-43,070	127,760	-151,070	-23,310
Cobtree Golf Course	-36,750	-36,750		-10,490	-10,490
Recreation & Sport Total	**-216,940**	**-79,820**	**127,760**	**-161,560**	**-33,800**
Licences	3,640	8,830	27,470	-18,330	9,140
Licensing Statutory	-66,510	-66,510	91,560	-158,960	-67,400
Licensing Non Chargeable	8,950	8,950	9,170		9,170
Pollution Control - General	11,230	10,300	51,880	-15,020	36,860
Contaminated Land	-2,780	-2,780	1,250	-4,000	-2,750
Food Hygiene	10,370	10,370	14,290	-4,690	9,600
Sampling	4,020	4,020	4,120		4,120
Occupational Health & Safety	-11,380	-11,380		-11,610	-11,610
Infectious Disease Control	1,540	2,460	1,530		1,530
Licensing - Hackney & Private Hire	-70,350	-70,350	85,090	-156,430	-71,340
Regulatory Services Total	**-111,270**	**-106,090**	**286,360**	**-369,040**	**-82,680**
Land Charges	-261,460	-261,090	26,690	-223,900	-197,210
Mid Kent Planning Support Service	382,400	386,560	585,570	-222,520	363,050
Mid Kent Local Land Charges Section	51,310	52,800	195,810	-145,880	49,930
Shared Services Total	**172,250**	**178,270**	**808,070**	**-592,300**	**215,770**
Tourism	12,130	12,130	38,700	-26,130	12,570
Tourism Total	**12,130**	**12,130**	**38,700**	**-26,130**	**12,570**
Planning & Healthier, Stronger Communities	**1,946,360**	**2,499,330**	**10,341,020**	**-7,090,230**	**3,250,790**

PLANNING & HEALTHIER, STRONGER COMMUNITIES POLICY ADVISORY COMMITTEE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Agency & Contractor	1,170,110	1,170,110	1,233,790
Employee Direct	5,150,090	5,270,910	5,326,710
Employee Other	-458,600	-327,650	-665,490
Equipment & Furniture	50,660	52,590	53,470
Fees & Charges	-2,767,860	-2,767,860	-2,082,870
General Insurances	53,950	52,160	56,350
Grants & Contributions Paid	42,780	105,260	79,530
Grants & Contributions Received	-546,320	-1,031,520	-579,090
Income Other	-2,328,150	-2,290,890	-2,476,080
Information & Communications	94,330	114,830	116,820
Premises Other	444,790	569,980	525,490
Printing & Stationery	23,090	59,770	23,640
Professional Services	2,034,870	2,125,890	1,898,480
Rent	-2,231,310	-2,325,850	-1,952,190
Repairs & Maintenance	565,960	688,480	758,730
Security & Protection	90,560	80,950	92,820
Subsistence & Training	8,620	27,400	8,850
Supplies & Services Other	335,020	723,670	618,320
Utilities	150,400	150,400	154,180
Vehicle & Transport	63,370	50,700	59,330
Planning & Healthier, Stronger Communities	**1,946,360**	**2,499,330**	**3,250,790**

HOUSING & COMMUNITY COHESION POLICY ADVISORY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Dwellings rents (gross) Affordable	-42,000	-70,420		-151,620	-151,620
Repairs and Maintenance Responsive	0	14,210	14,570		14,570
Repairs and Maintenance Planned	0	14,210	14,570		14,570
Insurance Costs Paid By The Landlord	1,680	1,240	2,170		2,170
Affordable Housing Total	**-40,320**	**-40,760**	**31,310**	**-151,620**	**-120,310**
Grants	170,930	170,930	230,930		230,930
Delegated Grants	2,200	2,200	2,200		2,200
Parish Services Scheme	143,720	143,720	148,020		148,020
Central Services to the Public Total	**316,850**	**316,850**	**381,150**	**0**	**381,150**
Social Inclusion	0	0	0	0	0
Community Development Total	**0**	**0**	**0**	**0**	**0**
Community Safety	34,230	62,580	33,840		33,840
PCC Grant - Building Safer Communities	0	7,690	0	0	0
C C T V	39,780	39,960	41,130		41,130
Community Safety Total	**74,010**	**110,230**	**74,970**	**0**	**74,970**
Performance & Development	49,910	126,900	32,080		32,080
Corporate Management Total	**49,910**	**126,900**	**32,080**	**0**	**32,080**
Emergency Centre	24,580	24,430	25,140		25,140
Emergency Planning Total	**24,580**	**24,430**	**25,140**	**0**	**25,140**
Homeless Temporary Accommodation	1,294,320	1,294,320	2,141,180	-920,470	1,220,710
Homelessness Prevention	156,550	156,550	160,430	0	160,430
Aylesbury House	36,150	21,450	92,810	-69,140	23,670
Magnolia House	49,150	49,570	75,390	-74,310	1,080
St Martins House	6,050	6,050	17,800	-12,240	5,560
Marsham Street	50,380	50,380	144,040	-115,500	28,540
Sundry Temporary Accomm (TA) Properties	30,130	51,480	61,540	-33,780	27,760
2 Bed Property - Temporary Accommodation	-17,410	-15,290	139,040	-356,160	-217,120
3 Bed Property - Temporary Accommodation	-48,190	-38,820	192,280	-552,660	-360,380
4 bed Property - Temporary Accommodation	-10,620	-30,910	103,100	-298,590	-195,490
1 Bed Property- Temporary Accommodation	19,150	27,230	39,500	-33,680	5,820
Trinity	-1,730	12,560	183,290	-220,000	-36,710
Chillington House	-3,700	3,990	21,200	-24,060	-2,860
276 Willington Street	10,830	0	0		0
Granada House	0	-139,210		-180,290	-180,290
Homelessness Total	**1,571,060**	**1,449,350**	**3,371,600**	**-2,890,880**	**480,720**
Housing Register & Allocations	15,530	15,530	15,910		15,910
Housing Advice Total	**15,530**	**15,530**	**15,910**	**0**	**15,910**
Strategic Housing Role	13,060	13,060	13,390		13,390
Housing Strategy Total	**13,060**	**13,060**	**13,390**	**0**	**13,390**
Community Partnerships & Resilience Section	560,220	561,050	553,190		553,190
Policy & Information Section	596,530	630,920	732,030		732,030
New Business & Housing Development	217,180	218,810	461,380	-278,940	182,440
Head of Housing & Community Services	120,490	121,530	125,210		125,210
Homechoice Section	248,180	252,740	422,240	-159,890	262,350
Housing Advice Section	254,540	230,320	1,063,000	-830,180	232,820
Housing Standards Team	310,970	333,860	457,970	-125,240	332,730
Housing Portfolio Team	348,170	329,490	687,040	-348,800	338,240
Homelessness Outreach	80,160	84,000	603,770	-518,290	85,480
Accommodation Resource Team	47,310	125,300	237,230	-107,950	129,280
Housing and Inclusion	1,180	11,440	0	0	0
Customer Services Section	775,930	793,110	812,010		812,010
Emergency Planning & Resilience	156,890	160,990	253,450	-87,620	165,830
Salary Slippage 3CHE	-401,420	-278,620	-296,550		-296,550
Management & Support Total	**3,316,330**	**3,574,940**	**6,111,970**	**-2,456,910**	**3,655,060**
Marden Caravan Site (Stilebridge Lane)	-21,140	-21,100	11,090	-31,860	-20,770
Ulcombe Caravan Site (Water Lane)	9,600	9,630	52,970	-42,000	10,970
Other Council Properties Total	**-11,540**	**-11,470**	**64,060**	**-73,860**	**-9,800**
Private Sector Renewal	-46,800	-17,800	3,280	-50,000	-46,720
HMO Licensing	-33,270	-33,270		-33,270	-33,270
Private Sector Housing Renewal Total	**-80,070**	**-51,070**	**3,280**	**-83,270**	**-79,990**
Animal Licensing	-8,690	-12,660	1,250	-14,150	-12,900
Dog Control	32,060	32,060	88,850	-4,500	84,350
Health Improvement Programme	5,920	5,920	6,060		6,060
Noise Control	1,360	1,370	1,410		1,410
Pest Control	-11,840	-2,840	160	-3,000	-2,840
Regulatory Services Total	**18,810**	**23,850**	**97,730**	**-21,650**	**76,080**
Housing & Community Cohesion	**5,268,210**	**5,551,840**	**10,222,590**	**-5,678,190**	**4,544,400**

HOUSING & COMMUNITY COHESION POLICY ADVISORY COMMITTEE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Agency & Contractor	7,260	7,260	7,440
Employee Direct	5,312,840	5,967,210	5,981,390
Employee Other	88,760	1,590	-24,570
Equipment & Furniture	79,410	124,210	81,190
Fees & Charges	-111,030	-111,030	-111,630
General Insurances	2,660	2,850	3,100
Grants & Contributions Paid	333,680	373,680	398,400
Grants & Contributions Received	-2,226,450	-3,263,574	-2,425,710
Income Other	-200,230	-199,430	-251,960
Information & Communications	17,290	17,290	17,730
Premises Other	331,940	342,020	360,620
Printing & Stationery	4,360	3,360	3,440
Professional Services	2,404,340	2,491,234	2,301,650
Rent	-1,716,390	-2,166,610	-2,888,890
Repairs & Maintenance	400,720	730,130	748,370
Security & Protection	65,930	65,930	67,570
Subsistence & Training	120	28,310	120
Supplies & Services Other	260,930	918,660	354,350
Utilities	166,030	169,550	173,810
Vehicle & Transport	46,040	49,200	-252,020
Housing & Community Cohesion	**5,268,210**	**5,551,840**	**4,544,400**

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2024/25 AND ESTIMATE 2025/26

PRIORITY SUMMARY

Priority	Original Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
A High Quality Place, Adapted for a Changing Climate	9,141,040	8,751,920	9,257,750
Resilient Communities	706,710	950,460	1,157,790
Quality Homes	2,117,230	2,154,480	1,319,230
Fairer Economy for People and Planet	475,660	652,740	383,820
Central and Democratic	9,037,690	9,483,950	11,233,070
	21,478,330	**21,993,550**	**23,351,660**
Transfers to Reserves	5,798,960	5,283,740	4,593,160
Check: 1CTC Total on FRED	**27,277,290**	**27,277,290**	**27,944,820**

A HIGH QUALITY PLACE, ADAPTED FOR CHANGING CLIMATE

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Building Regulations Chargeable	-434,400	-434,400	8,340	-442,540	-434,200
Building Control	-1,090	-1,090		-1,110	-1,110
Building Control Total	**-435,490**	**-435,490**	**8,340**	**-443,650**	**-435,310**
Head of Environment and Public Realm	122,700	130,210	133,570		133,570
Licensing Section	131,090	132,960	136,280		136,280
Environmental Protection Section	309,150	265,440	250,380		250,380
Food and Safety Section	302,880	346,590	326,950		326,950
Depot Services Section	970,860	1,037,230	1,082,790	-28,220	1,054,570
Spatial Policy Planning Section	263,490	268,200	275,870		275,870
Head of Planning and Development	121,080	122,120	125,820		125,820
Building Surveying Section	545,740	544,910	547,350		547,350
Heritage Landscape and Design Section	369,180	372,160	387,290	-48,000	339,290
CIL Management Section	-34,710	-34,100	120,540	-150,200	-29,660
Development Management Section – Majors	247,470	254,830	245,540	-96,000	149,540
Development Management Section – Others	1,225,670	1,247,470	1,217,600	-81,700	1,135,900
Head of Spatial Planning and Economic Develop	116,730	121,190	125,840		125,840
Biodiversity & Climate Change	155,720	105,390	109,820		109,820
Parking Services Section	433,350	438,030	607,040	-154,410	452,630
Management & Support Total	**5,280,400**	**5,352,630**	**5,692,680**	**-558,530**	**5,134,150**
Development Management Advice	-344,200	-344,200		-304,830	-304,830
Development Management Appeals	145,370	145,370	149,010		149,010
Development Management Majors	-630,870	-630,870	24,470	-254,740	-230,270
Development Management - Other	-849,240	-849,240	7,150	-698,110	-690,960
Development Management Enforcement	78,540	78,540	80,500		80,500
Development Management Total	**-1,600,400**	**-1,600,400**	**261,130**	**-1,257,680**	**-996,550**
Drainage	35,780	35,780	36,680		36,680
Climate change	37,400	37,400	93,340		93,340
Flood Defences & Land Drainage Total	**73,180**	**73,180**	**130,020**	**0**	**130,020**
Environment Improvements	8,090	9,590	8,420		8,420
Name Plates & Notices	21,450	21,450	22,000		22,000
Network & Traffic Management Total	**29,540**	**31,040**	**30,420**	**0**	**30,420**
Mote Park Adventure Zone	-80,300	-80,070	6,410	-15,860	-9,450
Parks & Open Spaces	1,035,640	986,270	1,196,760	-175,280	1,021,480
Playground Maintenance & Improvements	159,070	189,270	196,100		196,100
Mote Park	362,330	310,700	337,390	-17,440	319,950
Mote Park Cafe	-63,890	-64,200	11,910	-77,140	-65,230
Parks & Open Spaces Leisure Activities	-1,600	-1,600		-1,600	-1,600
Mote Park Leisure Activities	-43,030	-43,030		-43,030	-43,030
Allotments	15,390	14,780	15,570		15,570
Open Spaces Total	**1,383,610**	**1,312,120**	**1,764,140**	**-330,350**	**1,433,790**
On Street Parking	-284,830	-284,830	500,150	-772,940	-272,790
Residents Parking	-193,390	-193,390	69,600	-261,280	-191,680
Pay & Display Car Parks	-1,345,710	-1,347,330	617,990	-2,261,110	-1,643,120
Non Paying Car Parks	16,060	16,060	16,470	-10	16,460
Off Street Parking - Enforcement	-83,660	-83,660	197,850	-276,690	-78,840
Mote Park Pay & Display	-193,000	-192,980	25,680	-329,600	-303,920
Sandling Road Car Park	-50,740	-50,830	0	0	0
Parking Services Total	**-2,135,270**	**-2,136,960**	**1,427,740**	**-3,901,630**	**-2,473,890**
Planning Policy	525,540	586,100	588,680		588,680
Neighbourhood Planning	-20,000	-10,000	0	-20,000	-20,000
Conservation	-11,260	-11,260	4,340	-15,600	-11,260
Planning Policy Total	**494,280**	**564,840**	**593,020**	**-35,600**	**557,420**
Other Transport Services	-3,620	-3,380	33,790	-36,830	-3,040
Public Transport Total	**-3,620**	**-3,380**	**33,790**	**-36,830**	**-3,040**
Cobtree Golf Course	-36,750	-36,750		-10,490	-10,490
Recreation & Sport Total	**-36,750**	**-36,750**	**0**	**-10,490**	**-10,490**
Recycling Collection	2,112,970	1,785,880	3,226,650	-1,383,310	1,843,340
Recycling Total	**2,112,970**	**1,785,880**	**3,226,650**	**-1,383,310**	**1,843,340**
Licences	3,640	8,830	27,470	-18,330	9,140
Licensing Statutory	-66,510	-66,510	91,560	-158,960	-67,400
Licensing Non Chargeable	8,950	8,950	9,170		9,170
Animal Licensing	-8,690	-12,660	1,250	-14,150	-12,900
Dog Control	32,060	32,060	88,850	-4,500	84,350
Health Improvement Programme	5,920	5,920	6,060		6,060
Pollution Control - General	11,230	10,300	51,880	-15,020	36,860
Contaminated Land	-2,780	-2,780	1,250	-4,000	-2,750
Waste Crime	4,940	10,580	40,420	-28,330	12,090
Food Hygiene	10,370	10,370	14,290	-4,690	9,600
Sampling	4,020	4,020	4,120		4,120
Occupational Health & Safety	-11,380	-11,380		-11,610	-11,610
Infectious Disease Control	1,540	2,460	1,530		1,530
Noise Control	1,360	1,370	1,410		1,410
Pest Control	-11,840	-2,840	160	-3,000	-2,840
Public Conveniences	229,520	225,350	368,840		368,840
Licensing - Hackney & Private Hire	-70,350	-70,350	85,090	-156,430	-71,340
Regulatory Services Total	**142,000**	**153,690**	**793,350**	**-419,020**	**374,330**
Street Cleansing	1,366,450	1,366,560	1,453,920	-45,180	1,408,740
Street Cleansing Total	**1,366,450**	**1,366,560**	**1,453,920**	**-45,180**	**1,408,740**
Commercial Waste Services	-38,620	-35,370	247,420	-287,050	-39,630
Trade Waste Total	**-38,620**	**-35,370**	**247,420**	**-287,050**	**-39,630**
Household Waste Collection	2,508,760	2,360,330	2,594,770	-290,320	2,304,450
Waste Collection Total	**2,508,760**	**2,360,330**	**2,594,770**	**-290,320**	**2,304,450**
A High Quality Place, Adapted for a Changing Climate	**9,141,040**	**8,751,920**	**18,257,390**	**-8,999,640**	**9,257,750**

A HIGH QUALITY PLACE, ADADPTED FOR A CHANGING CLIMATE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Agency & Contractor	7,616,450	6,681,530	6,956,370
Employee Direct	7,346,730	7,415,960	7,656,880
Employee Other	-242,900	-179,880	-392,890
Equipment & Furniture	573,480	634,630	628,960
Fees & Charges	-7,473,710	-7,537,040	-7,330,890
General Insurances	21,950	26,440	28,710
Grants & Contributions Paid	34,920	37,240	31,210
Grants & Contributions Received	-160,150	-246,850	-193,980
Income Other	-1,664,460	-1,249,800	-1,444,680
Information & Communications	25,950	25,950	26,600
Premises Other	445,290	432,170	443,690
Printing & Stationery	26,030	25,460	26,090
Professional Services	932,230	1,099,570	957,390
Rent	-30,090	-30,090	-30,090
Repairs & Maintenance	533,090	539,920	551,030
Security & Protection	93,510	80,510	95,850
Subsistence & Training	1,680	42,330	1,720
Supplies & Services Other	496,910	428,070	696,590
Utilities	178,060	178,060	182,510
Vehicle & Transport	386,070	347,740	366,680
A High Quality Place, Adapted for a Changing Climate	**9,141,040**	**8,751,920**	**9,257,750**

RESILIENT COMMUNITIES

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Cemetery	-6,970	-5,630	233,600	-240,170	-6,570
National Assistance Act	-450	-450	2,490	-2,940	-450
Crematorium	-934,080	-996,950	597,350	-1,399,310	-801,960
Bereavement Services Total	**-941,500**	**-1,003,030**	**833,440**	**-1,642,420**	**-808,980**
Social Inclusion	0	0	0	0	0
Community Development Total	**0**	**0**	**0**	**0**	**0**
Community Safety	34,230	62,580	33,840		33,840
PCC Grant - Building Safer Communities	0	7,690	0	0	0
C C T V	39,780	39,960	41,130		41,130
Community Safety Total	**74,010**	**110,230**	**74,970**	**0**	**74,970**
Cultural Development Arts	73,620	83,650	106,640	0	106,640
Museum	28,550	27,320	108,010	-77,340	30,670
Carriage Museum	7,430	3,440	5,520	-1,600	3,920
Museum-Grant Funded Activities	0	0	0	0	0
Hazlitt Arts Centre	353,360	359,270	361,070		361,070
Festivals and Events	5,570	15,570	5,710	0	5,710
Museum Shop	-23,390	-23,390	13,220	-22,000	-8,780
Culture & Heritage Total	**445,140**	**465,860**	**600,170**	**-100,940**	**499,230**
Leisure Services Section	73,140	74,210	119,510	-42,550	76,960
Cultural Services Section	351,040	352,510	365,830		365,830
Bereavement Services Section	324,850	402,700	419,900		419,900
Community Partnerships & Resilience Section	560,220	561,050	553,190		553,190
Management & Support Total	**1,309,250**	**1,390,470**	**1,458,430**	**-42,550**	**1,415,880**
Public Health - Obesity	0	0	150,420	-150,420	0
Public Health - Misc Services	0	30,000	40,270	-40,270	0
Public Health Total	**0**	**30,000**	**190,690**	**-190,690**	**0**
Leisure Centre	-180,190	-43,070	127,760	-151,070	-23,310
Recreation & Sport Total	**-180,190**	**-43,070**	**127,760**	**-151,070**	**-23,310**
Resilient Communities	**706,710**	**950,460**	**3,285,460**	**-2,127,670**	**1,157,790**

RESILIENT COMMUNITIES - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Agency & Contractor	324,190	324,190	416,730
Employee Direct	1,622,850	1,686,180	1,681,180
Employee Other	3,070	23,630	25,460
Equipment & Furniture	47,980	46,050	46,760
Fees & Charges	-1,835,520	-1,832,610	-1,652,610
General Insurances	39,130	36,750	39,880
Grants & Contributions Paid	9,430	103,890	44,070
Grants & Contributions Received	-34,390	-1,011,214	-190,690
Income Other	-365,930	-240,110	-284,370
Information & Communications	8,540	9,390	8,750
Premises Other	172,690	167,050	175,230
Printing & Stationery	6,260	6,940	5,390
Professional Services	170,070	305,044	137,840
Repairs & Maintenance	174,280	187,040	178,640
Security & Protection	0	3,390	0
Subsistence & Training	340	340	350
Supplies & Services Other	219,280	990,590	378,610
Utilities	121,560	121,560	124,600
Vehicle & Transport	22,880	22,360	21,970
Resilient Communities	**706,710**	**950,460**	**1,157,790**

QUALITY HOMES

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Dwellings rents (gross) Affordable	-42,000	-70,420		-151,620	-151,620
Repairs and Maintenance Responsive	0	14,210	14,570		14,570
Repairs and Maintenance Planned	0	14,210	14,570		14,570
Insurance Costs Paid By The Landlord	1,680	1,240	2,170		2,170
Affordable Housing Total	**-40,320**	**-40,760**	**31,310**	**-151,620**	**-120,310**
Homeless Temporary Accommodation	1,294,320	1,294,320	2,141,180	-920,470	1,220,710
Homelessness Prevention	156,550	156,550	160,430	0	160,430
Aylesbury House	36,150	21,450	92,810	-69,140	23,670
Magnolia House	49,150	49,570	75,390	-74,310	1,080
St Martins House	6,050	6,050	17,800	-12,240	5,560
Marsham Street	50,380	50,380	144,040	-115,500	28,540
Sundry Temporary Accomm (TA) Properties	30,130	51,480	61,540	-33,780	27,760
2 Bed Property - Temporary Accommodation	-17,410	-15,290	139,040	-356,160	-217,120
3 Bed Property - Temporary Accommodation	-48,190	-38,820	192,280	-552,660	-360,380
4 bed Property - Temporary Accommodation	-10,620	-30,910	103,100	-298,590	-195,490
1 Bed Property- Temporary Accommodation	19,150	27,230	39,500	-33,680	5,820
Trinity	-1,730	12,560	183,290	-220,000	-36,710
Chillington House	-3,700	3,990	21,200	-24,060	-2,860
276 Willington Street	10,830	0	0		0
Granada House	0	-139,210		-180,290	-180,290
Homelessness Total	**1,571,060**	**1,449,350**	**3,371,600**	**-2,890,880**	**480,720**
Housing Register & Allocations	15,530	15,530	15,910		15,910
Housing Advice Total	**15,530**	**15,530**	**15,910**	**0**	**15,910**
Housing Benefits Administration	-282,830	-289,150	73,990	-361,450	-287,460
Housing Benefit Administration Total	**-282,830**	**-289,150**	**73,990**	**-361,450**	**-287,460**
Strategic Housing Role	13,060	13,060	13,390		13,390
Housing Strategy Total	**13,060**	**13,060**	**13,390**	**0**	**13,390**
New Business & Housing Development	217,180	218,810	461,380	-278,940	182,440
Head of Housing & Community Services	120,490	121,530	125,210		125,210
Homechoice Section	248,180	252,740	422,240	-159,890	262,350
Housing Advice Section	254,540	230,320	1,063,000	-830,180	232,820
Housing Standards Team	310,970	333,860	457,970	-125,240	332,730
Housing Portfolio Team	348,170	329,490	687,040	-348,800	338,240
Homelessness Outreach	80,160	84,000	603,770	-518,290	85,480
Accommodation Resource Team	47,310	125,300	237,230	-107,950	129,280
Housing and Inclusion	1,180	11,440	0	0	0
Management & Support Total	**1,628,180**	**1,707,490**	**4,057,840**	**-2,369,290**	**1,688,550**
Private Sector Renewal	-46,800	-17,800	3,280	-50,000	-46,720
HMO Licensing	-33,270	-33,270		-33,270	-33,270
Private Sector Housing Renewal Total	**-80,070**	**-51,070**	**3,280**	**-83,270**	**-79,990**
Rent Allowances	-114,070	-107,750	25,916,330	-26,024,080	-107,750
Non HRA Rent Rebates	-8,760	-8,760	1,736,680	-1,745,440	-8,760
Discretionary Housing Payments	0	0	231,980	-231,980	0
Rent Rebates Total	**-122,830**	**-116,510**	**27,884,990**	**-28,001,500**	**-116,510**
MPH Residential Properties	-1,097,260	-979,070	130,090	-877,740	-747,650
General Fund Residential Properties	-53,070	-51,770	14,070	-65,740	-51,670
Residential Property Total	**-1,150,330**	**-1,030,840**	**144,160**	**-943,480**	**-799,320**
Benefits Section	516,630	446,250	1,248,060	-776,110	471,950
Fraud Section	49,150	51,130	282,050	-229,750	52,300
Shared Services Total	**565,780**	**497,380**	**1,530,110**	**-1,005,860**	**524,250**
Quality Homes	**2,117,230**	**2,154,480**	**37,126,580**	**-35,807,350**	**1,319,230**

QUALITY HOMES - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Benefits	30,090,030	27,884,990	27,884,990
Employee Direct	4,740,870	5,410,210	5,410,060
Employee Other	6,820	180,720	40,720
Equipment & Furniture	127,500	172,300	130,480
Fees & Charges	-33,270	-33,270	-33,270
Grants & Contributions Paid	9,840	9,840	10,080
Grants & Contributions Received	-33,269,950	-32,236,680	-31,700,960
Income Other	-200,850	-188,370	-240,750
Information & Communications	17,220	17,220	17,660
Premises Other	391,550	397,560	417,430
Printing & Stationery	8,790	8,790	9,010
Professional Services	2,332,690	2,339,160	2,232,830
Rent	-3,027,080	-3,338,090	-3,832,370
Repairs & Maintenance	418,080	744,900	763,520
Security & Protection	61,830	61,830	63,370
Subsistence & Training	4,810	30,360	4,940
Supplies & Services Other	244,950	496,380	242,320
Utilities	161,100	157,890	161,870
Vehicle & Transport	32,300	38,740	-262,700
Quality Homes	**2,117,230**	**2,154,480**	**1,319,230**

FAIRER ECONOMY FOR PLANET AND PEOPLE

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Innovation Centre	-52,920	85,500	564,710	-623,740	-59,030
Business Support & Enterprise	5,730	30,870	13,190		13,190
Business Terrace - 1st Floor MH	-33,740	0	0	0	0
Business Support Total	**-80,930**	**116,370**	**577,900**	**-623,740**	**-45,840**
Market	27,370	35,830	154,190	-115,540	38,650
Economic Dev - Promotion & Marketing	2,590	20,640	800	0	800
Economic Development Total	**29,960**	**56,470**	**154,990**	**-115,540**	**39,450**
Visitor Economy Section	103,670	100,860	104,750		104,750
Economic Development Section	2,670	33,590	5,740	-15,640	-9,900
Market Section	101,430	101,890	105,250		105,250
Innovation Centre Section	236,380	156,260	164,320	0	164,320
Town Centre Services Manager	70,350	75,170	13,220		13,220
Management & Support Total	**514,500**	**467,770**	**393,280**	**-15,640**	**377,640**
Tourism	12,130	12,130	38,700	-26,130	12,570
Tourism Total	**12,130**	**12,130**	**38,700**	**-26,130**	**12,570**
Fairer Economy for Planet and People	**475,660**	**652,740**	**1,164,870**	**-781,050**	**383,820**

FAIRER ECONOMY FOR PLANET AND PEOPLE - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Agency & Contractor	42,040	39,590	40,580
Employee Direct	536,080	551,870	518,720
Employee Other	-125,720	-95,770	-155,610
Equipment & Furniture	12,870	11,340	11,630
Fees & Charges	-95,260	-95,260	-95,260
General Insurances	4,620	2,530	2,790
Grants & Contributions Paid	14,470	21,610	22,170
Grants & Contributions Received	-151,190	-2,040	0
Income Other	-101,100	-84,710	-86,400
Information & Communications	68,110	68,110	69,810
Premises Other	235,300	258,530	206,390
Printing & Stationery	11,100	8,140	8,340
Professional Services	145,030	36,700	1,750
Rent	-615,280	-499,390	-599,390
Repairs & Maintenance	249,860	216,150	220,240
Security & Protection	4,140	4,140	4,240
Subsistence & Training	5,340	9,490	5,480
Supplies & Services Other	102,390	68,850	72,230
Utilities	129,240	129,240	132,490
Vehicle & Transport	3,620	3,620	3,620
Fairer Economy for People and Planet	**475,660**	**652,740**	**383,820**

CENTRAL AND DEMOCRATIC

Cost Centre/Service	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 (Expenditure) £	Estimate 2025/26 (Income) £	Estimate 2025/26 £
Contingency	446,300	1,030,830	399,450		399,450
Unapportionable Central Overheads	977,110	977,110	1,003,110		1,003,110
Non Service Related Government Grants	-5,098,960	-5,098,960		-3,993,160	-3,993,160
Appropriation Account	1,861,790	1,577,790	1,262,600		1,262,600
Pensions Fund Appropriation	0	0	0		0
Balances, Pensions & Appropriation Total	**-1,813,760**	**-1,513,230**	**2,665,160**	**-3,993,160**	**-1,328,000**
Council Tax Collection	73,050	52,250	90,090	-36,540	53,550
Council Tax Collection - Non Pooled	-347,850	-311,860	158,750	-466,850	-308,100
Council Tax Benefits Administration	-138,410	-138,410	32,560	-170,180	-137,620
NNDR Collection	2,150	2,150	3,880	-1,760	2,120
NNDR Collection - Non Pooled	-198,820	-201,820	56,040	-257,440	-201,400
MBC- BID	800	800	20,330	-19,410	920
Registration Of Electors	76,830	76,830	81,510	-2,690	78,820
Elections	120,020	120,030	126,740	-490	126,250
Grants	170,930	170,930	230,930		230,930
Delegated Grants	2,200	2,200	2,200		2,200
Parish Services Scheme	143,720	143,720	148,020		148,020
External Interest Payable & MRP	3,165,550	3,165,550	4,132,510		4,132,510
Interest & Investment Income	-500,000	-500,000		-1,007,460	-1,007,460
Central Services to the Public Total	**2,570,170**	**2,582,370**	**5,083,560**	**-1,962,820**	**3,120,740**
Performance & Development	49,910	126,900	32,080		32,080
Corporate Projects	450	440	80,050	-77,870	2,180
Press & Public Relations	37,890	37,890	38,840	0	38,840
Corporate Management	560,120	449,010	699,720		699,720
Corporate Management Total	**648,370**	**614,240**	**850,690**	**-77,870**	**772,820**
Lettable Halls	-3,650	-6,310	8,660	-14,710	-6,050
Community Halls	29,480	27,150	34,890	-3,120	31,770
Parks Pavilions	34,000	25,110	35,120	-10	35,110
Maintenance of Closed Churchyards	7,910	9,700	8,100		8,100
Lockmeadow	254,660	354,660	591,110	-164,000	427,110
Lockmeadow Complex	-1,504,310	-1,488,380	1,372,480	-2,437,170	-1,064,690
Business Terrace - Incubator Units	99,920	80,730	144,970	-63,210	81,760
Palace Gatehouse	5,270	5,270	7,220	-12,000	-4,780
Archbishops Palace	42,800	52,810	53,550	-98,920	-45,370
Parkwood Industrial Estate	-315,850	-315,850	15,950	-322,770	-306,820
Industrial Starter Units	-39,880	-39,970	28,140	-67,620	-39,480
Parkwood Integra Units	-131,670	-144,600	59,680	-203,170	-143,490
Sundry Corporate Properties	-165,690	-99,770	37,000	-391,240	-354,240
Phoenix Park Units	-237,440	-269,380	26,070	-295,170	-269,100
Granada House - Commercial	-88,230	-89,260	91,380	-150,580	-59,200
Heronden Road Units	-208,720	-209,000	13,650	-222,390	-208,740
Boxmend Industrial Estate	-116,760	-133,810	12,900	-146,440	-133,540
Wren Industrial Estate	-134,480	-140,830	66,580	-203,960	-137,380
Corporate Property Total	**-2,472,640**	**-2,381,730**	**2,607,450**	**-4,796,480**	**-2,189,030**
Civic Occasions	48,710	49,720	51,080		51,080
Members Allowances	477,970	477,970	489,940		489,940
Members Facilities	19,370	19,430	19,930		19,930
Democratic Representation Total	**546,050**	**547,120**	**560,950**	**0**	**560,950**
Emergency Centre	24,580	24,430	25,140		25,140
Emergency Planning Total	**24,580**	**24,430**	**25,140**	**0**	**25,140**
Upper Medway Internal Drainage Board	138,430	138,430	141,890		141,890
Levies Total	**138,430**	**138,430**	**141,890**	**0**	**141,890**
Democratic Services Section	308,220	309,660	327,790	-1,850	325,940
Mayoral & Civic Services Section	131,280	132,370	136,470		136,470
Chief Executive	201,830	204,730	209,690		209,690
Communications Section	270,570	277,570	288,590	-470	288,120
Policy & Information Section	596,530	630,920	732,030		732,030
Director of Strategy Governance and Insight	134,300	165,050	159,450		159,450
Electoral Registration Section	100,420	163,390	175,150	-3,510	171,640
Director of Finance, Resources & Business Imp	150,990	153,260	163,260	-5,230	158,030
Accountancy Section	927,610	930,360	958,100	-25,970	932,130
Director of Regeneration & Place	159,530	171,030	180,560		180,560
Procurement Section	124,770	124,770	127,890	0	127,890
Property & Projects Section	497,750	562,960	647,570	-66,320	581,250
Corporate Support Section	334,240	280,650	283,040		283,040
Transformation & Digital Section	261,790	267,550	469,310	-29,250	440,060
Executive Support Section	103,940	104,960	108,240		108,240
Customer Services Section	775,930	793,110	812,010		812,010
Emergency Planning & Resilience	156,890	160,990	253,450	-87,620	165,830
Head of Property and Leisure	124,210	119,280	122,960		122,960
Facilities Section	165,390	156,860	163,030		163,030
Salary Slippage 1PR	-317,430	-577,650	-594,650		-594,650
Salary Slippage 2SPI	-202,550	-231,910	-253,530		-253,530
Salary Slippage 3CHE	-401,420	-278,620	-296,550		-296,550
Salary Slippage 4ERL	-104,660	0	0		0
Management & Support Total	**4,500,130**	**4,621,290**	**5,173,860**	**-220,220**	**4,953,640**
Maidstone House - Landlord	-176,380	-438,660	1,299,620	-1,711,810	-412,190
Town Hall	119,910	119,420	125,850	-1,500	124,350
South Maidstone Depot	189,100	208,380	194,970		194,970
The Link	68,410	57,620	355,200	-281,430	73,770
Maidstone House - MBC Tenant	483,470	584,640	688,360	-92,650	595,710
Museum Buildings	243,530	225,880	239,060	-1,250	237,810
Office Accommodation Total	**928,040**	**757,280**	**2,903,060**	**-2,088,640**	**814,420**
Sandling Road Site	5,680	0	0	0	0
Marden Caravan Site (Stilebridge Lane)	-21,140	-21,100	11,090	-31,860	-20,770
Ulcombe Caravan Site (Water Lane)	9,600	9,630	52,970	-42,000	10,970
Other Council Properties Total	**-5,860**	**-11,470**	**64,060**	**-73,860**	**-9,800**

Cost Centre/Service	Original Approved Estimate 2024/25	Revised Estimate 2024/25	Estimate 2025/26 (Expenditure)	Estimate 2025/26 (Income)	Estimate 2025/26
Street Naming & Numbering	-73,350	-73,350		-35,350	-35,350
Land Charges	-261,460	-261,090	26,690	-223,900	-197,210
Mid Kent Planning Support Service	382,400	386,560	585,570	-222,520	363,050
Mid Kent Local Land Charges Section	51,310	52,800	195,810	-145,880	49,930
Revenues Section	521,850	545,730	1,435,300	-873,120	562,180
Mid Kent Audit Partnership	172,470	222,960	767,120	-530,230	236,890
Legal Services Section	642,630	642,630	790,430	-128,840	661,590
Mid Kent ICT Services	670,970	675,600	1,901,260	-1,198,770	702,490
GIS Section	137,280	138,210	213,840	-85,540	128,300
Director of Mid Kent Services	50,490	71,080	150,740	-100,500	50,240
Mid Kent HR Services Section	438,810	444,890	748,330	-292,440	455,890
MBC HR Services Section	186,720	107,330	247,790	-29,400	218,390
Head of Revenues & Benefits	48,090	44,790	122,750	-74,850	47,900
Revenues & Benefits Business Support	150,940	211,560	571,480	-352,460	219,020
Dartford HR Services Section	-16,700	-16,720	68,880	-86,100	-17,220
I.T. Operational Services	689,720	689,720	714,970		714,970
Central Telephones	17,100	17,100	17,530		17,530
Apprentices Programme	55,870	94,010	58,060		58,060
Shared Services Total	**3,865,140**	**3,993,810**	**8,616,550**	**-4,379,900**	**4,236,650**
Fleet Workshop & Management	261,820	262,070	268,650		268,650
MBS Support Crew	-49,390	-47,550	119,030	-162,030	-43,000
Internal Printing	-3,120	-3,120	60,280	-67,020	-6,740
Debt Recovery Service	-20,300	-11,780	946,040	-956,030	-9,990
Debt Recovery MBC Profit Share	-79,970	-88,210		-75,270	-75,270
Trading Accounts Total	**109,040**	**111,410**	**1,394,000**	**-1,260,350**	**133,650**
Central and Democratic	**9,037,690**	**9,483,950**	**30,086,370**	**-18,853,300**	**11,233,070**

CENTRAL & DEMOCRATIC - SUBJECTIVE ANALYSIS

Subjective Analysis	Original Approved Estimate 2024/25 £	Revised Estimate 2024/25 £	Estimate 2025/26 £
Agency & Contractor	1,153,780	1,135,050	1,163,430
Allowances	476,450	476,450	488,360
Employee Direct	10,614,220	11,557,740	12,030,630
Employee Other	1,206,090	1,305,560	1,287,220
Equipment & Furniture	844,320	892,010	907,770
Fees & Charges	-1,528,610	-1,508,640	-1,403,640
General Insurances	27,050	29,920	33,820
Grants & Contributions Paid	3,594,420	3,587,300	4,621,130
Grants & Contributions Received	-8,797,210	-9,713,410	-9,021,370
Income Other	-3,350,830	-3,456,140	-3,559,570
Information & Communications	22,190	41,840	42,890
Leasing & Capital Charges	1,861,790	1,577,790	1,262,600
Premises Other	1,392,900	1,434,130	1,379,240
Printing & Stationery	118,040	151,780	119,670
Professional Services	2,225,850	2,394,500	2,402,660
Rent	-5,183,930	-5,098,240	-4,868,720
Repairs & Maintenance	1,289,450	1,689,640	1,798,250
Security & Protection	198,190	48,270	49,470
Subsistence & Training	196,890	125,940	202,930
Supplies & Services Other	1,394,420	2,092,670	1,559,880
Utilities	1,156,220	602,260	617,340
Vehicle & Transport	126,000	117,530	119,080
Central and Democratic	**9,037,690**	**9,483,950**	**11,233,070**

Appendix A

Medium Term Financial Strategy 2025/26
Estimate of General Fund Balances and Earmarked Reserves to 31 March 2026

	Balance 1st April 2024	Estimated movement in	Estimated movement out	Estimated Balance as at 31st March 2025	Estimated movement in	Estimated movement out	Estimated Balance as at 31st March 2026
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Unallocated Balance	15,344	226	(300)	15,270	0	0	15,270
Subtotal	**15,344**	**226**	**(300)**	**15,270**	**0**	**0**	**15,270**
Earmarked Reserves							
Spatial Planning	501	0	(10)	491	0	0	491
Neighbourhood Planning	57	0	(20)	37	0	0	37
Planning Appeals	229	0	(229)	0	0	0	0
Civil Parking Enforcement	495	0	0	495	0	(195)	300
Future Capital Expenditure	2,455	0	0	2,455	0	0	2,455
Future Funding Pressures	2,981	500	0	3,481	500	0	3,981
Homelessness Prevention & Temporary Accommodation	989	0	(82)	907	0	0	907
Business Rates Earmarked Balances	4,892	878	(1,954)	3,815	800	(450)	4,165
Funding for Future Collection Fund Deficits	3,541	0	(388)	3,153	0	(155)	2,998
Commercial Risk	500	0	0	500	0	0	500
Invest to Save	500	0	0	500	0	0	500
Recovery and Renewal Reserve	305	0	(211)	94	0	0	94
Renewable Energy	255	0	0	255	0	0	255
Enterprise Zone	241	0	0	241	0	0	241
Major Works Sinking Fund	413	200	0	613	0	0	613
Housing Investment Fund	7,177	5,099	0	12,276	3,318	0	15,594
Elections	0	226	(226)	0	94	0	94
Grants-DWP	290	27	(58)	259	0	0	259
Nature Recovery Fund	0	0	0	0	500	0	500
Devolution / Local Government Reorganisation Project Fund	0	0	0	0	100	0	100
Extended Producer Responsibility (EPR)	0	0	0	0	1,570	0	1,570
Resources carried forward from 2022/23 to 2023/24	264	0	(264)	0	0	0	0
Subtotal	**26,086**	**6,930**	**(3,442)**	**29,574**	**6,982**	**(900)**	**35,656**
Total General Fund and Earmarked Reserves	**41,430**	**7,156**	**(3,742)**	**44,845**	**6,982**	**(900)**	**50,926**

Description of Earmarked Reserves

Spatial Planning - This reserve has been created to smooth expenditure on spatial policy and planmaking over the life cycle of local plan preparation.

Neighbourhood Planning - This reserve is for government neighbourhood planning grant that has not yet been deployed.

Planning Appeals - This reserve provides a contingency for unbudgeted and unforeseen planning appeal costs.

Civil Parking Enforcement - These are ring-fenced surpluses from on-street parking for re-investment within parking services.

Future Capital Expenditure - These reserve holds revenue budgets set aside for capital expenditure but not yet deployed.

Future Funding Pressures - This reserve has been established to smooth the impact of future local government funding reforms, now expected to be implemented in 2026/27.

Housing Prevention & Temporary Accommodation - This reserve holds government grants that will be used to fund homelessness prevention initiatives and temporary accommodation repairs and maintenance.

Business Rates Earmarked Balances - These are locally retained rates from the Kent Business Rates Pool, which will be used to support local initiatives including the delivery of economic development activity.

Funding for Future Collection Fund Deficits - The Council is required make good any deficit on the Collection Fund at the end of the year. Equally, if the Collection Fund is in surplus, it benefits from the additional income. The purpose of this reserve is to smooth the impact of deficits and surpluses.

Commercial Risk - This is an allowance intended to preserve the general fund balance in the event of major contract failure.

Invest to Save - This is a reserve to enable projects which will unlock future revenue savings. It is intended that the savings would first be used to replenish the reserve before being recognised as income.

Recovery & Renewal Reserve - These are sums aside from government funding to support various initiatives across the Borough in recovering from the after-effects of the Covid-19 pandemic.

Renewable Energy - This reserve uses funding from retained business rates to support the development of renewable energy sources to support the Council's climate change initiatives.

Enterprise Zone - This reserve uses funding from retained business bates to support the development of the Kent Medical Campus.

Major Works Sinking Fund - This represents money set aside to fund major works scheduled for the Council's property assets.

Housing Investment Fund - This represents money set aside from revenue in order to provide a subsidy for social/affordable housing within the Quality Homes for Life programme.

Nature Recovery Fund - This reserve has been established to promote nature recovery through community partnership and action.

Devolution / Local Government Reorganisation Project Fund - This reserve has been established to fund project work associated with the Government's devolution and local government reorganisation proposals.

Extended Producer Responsibility - This reserve holds the government's EPR grant and will be used for environmental improvements and improvements to recycling.

ESTIMATED CAPITAL PROGRAMME RESOURCES 2025/26 - 2034/35 **Appendix A**

Source of Funding	Estimate					5 year Total
	2025/26	2026/27	2027/28	2028/29	2029/30	
	£000	£000	£000	£000	£000	£000
External Sources	14,050	3,238	15,363	27,738	9,488	69,875
Own resources (including Internal borrowing)	2,445	2,250	2,250	2,250	3,950	13,145
External Borrowing	29,848	59,726	44,196	12,090	29,147	175,008
Total	**46,343**	**65,214**	**61,808**	**42,078**	**42,585**	**258,028**

Capital Programme 2025/26 to 2034/35						**Appendix A**
Scheme Name	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**5 Year Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Housing and Community Cohesion PAC						
Quality Homes for Life	19,203	42,174	42,887	33,905	33,574	**171,745**
Temporary Accommodation	12,000	9,000	9,000			**30,000**
Housing - Disabled Facilities Grants Funding	1,400	1,400	1,400	1,400	1,400	**7,000**
Planned Prevenative Maintenance - General Fund	151	208	22	10	719	**1,110**
Gypsy, Romany and Traveller site.	500	1,500	2,000			**4,000**
Sub-Total	**33,254**	**54,282**	**55,309**	**35,315**	**35,693**	**213,855**
Planning and Healthier Stronger Communities PAC						
Leisure Provision	250	362	241	200	191	**1,245**
New Leisure Centre			50	900	2,000	**2,950**
Mote Park Kiosk Refurbishment & Extension	60					**60**
Lockmeadow Ongoing Investment	100	100	100	100	100	**500**
Museum Development Plan	125	150	50	75	80	**480**
Garden Community	1,000	1,000	500			**2,500**
Infrastructure Delivery Including New Green Spaces	500	500	500	500	500	**2,500**
Skate Park / Pump Track		500				**500**
Flood Barrier	206					**206**
Sub-Total	**2,241**	**2,612**	**1,441**	**1,775**	**2,871**	**10,941**

Scheme Name	2025/26	2026/27	2027/28	2028/29	2029/30	5 Year Total
	£000	£000	£000	£000	£000	£000
Climate Transition, Corporate and Environmental Services PAC						
Carbon Reduction to Maidstone B.C. Estate	3,850	3,850				**7,700**
Climate Change and Biodiversity Projects	500	500	500	500	500	**2,500**
Parkwood Property Investment to meet EPC targets	250	250	500	500	500	**2,000**
Asset Management / Corporate Property	175	175	175	175	175	**875**
Archbishop's Palace	1,600	50				**1,650**
Corporate Property Acquisitions	1,400	1,500	1,750	1,750	1,250	**7,650**
Feasibility Studies	50	50	50	50	50	**250**
Digital Projects	30	30	30	30	30	**150**
Software / PC Replacement	250	200	200	200	200	**1,050**
Maidstone House - Improvements to Core Areas/Floor 4	600	500	500	500		**2,100**
Maidstone House - Lighting	100					**100**
Café and Toilet facilities at Brenchley Gardens	100					**100**
Fleet Vehicle Replacement Programme	300	200	300	300	300	**1,400**
Alternative Fuel Vehicles	150	150	150	150	150	**750**
Flood Action Plan	150					**150**
Continued Improvements to Play Areas	60	70	80	80	80	**370**
Parks Improvements	70	80	90	100	100	**440**
Parks Improvements - Infrastructure Maintenance	200	200	200	200	200	**1,000**
Grounds Maintenance Machinery Replacement Programme	65	105	123	42	75	**410**
Waste Crime Team - Additional Resources	10	10	10	10	10	**50**
Open Spaces - Section 106 funded works	400	400	400	400	400	**2,000**
Improvements to Cemetery	38					**38**
Purchase of New Waste Collection Vehicles	250					**250**
Customer Contact Access Point.	250					**250**
Sub-Total	**10,848**	**8,320**	**5,058**	**4,987**	**4,020**	**33,232**
TOTAL	**46,343**	**65,214**	**61,808**	**42,078**	**42,585**	**258,028**

Appendix A

MAIDSTONE BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2025/26 – 2029/30

CONTENTS

1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

1.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Corporate Strategy over the next five years. The Council's new Corporate Strategy is due to be agreed by Council in February 2025, alongside the MTFS. The Corporate Strategy incorporates four key priorities: a high quality place, adapted for a changing climate; quality homes; resilient communities; and a fairer economy for people and the planet. Further details are set out in **Section 2.**

1.2 The Council's success in delivering the Corporate Strategy depends on a range of financial factors, both external and internal. Accordingly, the MTFS considers both the external economic environment and the Council's own current financial position. The external environment (**Section 3**) is challenging because of low economic growth and the state of the UK's public finances. In assessing the Council's current financial position (**Section 4**), attention is paid to its financial performance, the strength of its balance sheet, and its track record of budget management.

1.3 It is imperative that the MTFS both ensures Maidstone Council's continuing financial resilience and is sufficiently flexible to address the risks that it faces and to accommodate a range of potential scenarios. The risks facing the Council and the different scenarios that have been defined for modelling purposes are described in **Section 5**.

1.4 Detailed planning assumptions for the different scenarios are set out in **Section 6.** The key assumptions concern (a) Council Tax, which is the council's principal source of income, and (b) a range of other locally derived sources of income, including fees and charges and property rentals, which collectively contribute as much again to total revenues as Council Tax. It will be seen that the main drivers of Council Tax income are the growth in the number of households and the amount by which the tax is increased each year, which is subject to a referendum limit, now confirmed as 3% for 2025/26.

1.5 Income assumptions for future years are more speculative, and are heavily dependent on the government's planned re-allocation of local government expenditure on the basis of a new assessment of need and local capacity. This is expected to be unfavourable for Maidstone.

1.6 The MTFS sets out initial financial projections based on these assumptions in **Section 7**. These are based on scenario 4, which assumes that there will be no real terms increase in budgets and the constraints faced by the Council mean that its focus will be on maintaining existing services. The table below shows projections for scenario 4, before taking account of the budget proposals that were considered by PACs, Overview and Scrutiny Committee and Cabinet in January 2025.

Table 1: MTFS Revenue Projections 2025/26 – 2029/30

	25/26	26/27	27/28	28/29	29/30
	£m	£m	£m	£m	£m
Total Resources	57.9	59.1	60.1	61.3	62.5
Predicted Expenditure	58.2	61.4	63.5	64.8	66.0
Budget Gap	0.3	2.3	3.4	3.5	3.5
Existing Planned Growth/ (Savings)	0.3	(0.3)	(0.1)	(0.1)	(0.1)
Savings Required	0.6	2.0	3.3	3.4	3.4

It can be seen that in order simply to maintain the existing level of services, there will be a budget gap of £600,000 in 2025/26 on the basis of initial projections. However, in accordance with legislative requirements the Council must set a balanced budget. Accordingly section 7 concludes by setting out a proposed approach which will specifically address the budget gap in 2025/26. The position in future years is still more challenging and is likely to require transformational change in order to deliver the necessary savings.

1.7 The Council's strategic priorities are met not only through day-to-day revenue spending but also through capital investment and the use of one-off resources.

- **Capital investment** relies largely on external borrowing, so in order to service and repay the borrowing, it is essential that expenditure remains affordable and sustainable, in accordance with the CIPFA Prudential Code. As set out in **Section 8** below, funds have been set aside for capital investment, using prudential borrowing. Further funding may be available by taking advantage of opportunities to bid for external funding.

- The Council has benefited in recent years from **one-off or time-limited resources** including the New Homes Bonus, the Kent Business Rates Pool and the Government's Funding Guarantee / Funding Floor. Although welcome, these cannot be relied upon for the medium to long term and so the Council has taken the prudent decision not to build them into its base budget. Instead, they are used to support the Council's strategic priorities. Details are set out in Section 8.

1.8 The MTFS concludes by describing the process of agreeing a budget for 2025/26, including consultation with all relevant stakeholders, in **Section 9.**

2. CORPORATE STRATEGY

2.1 Following local elections in May 2024 and the appointment of a new Administration, a new Corporate Strategy has been developed to take the place of the former Strategic Plan, which was originally adopted by Council in December 2018.

2.2 The Corporate Strategy will incorporate four key priorities:

- a high quality place, adapted for a changing climate;
- quality homes;
- resilient communities;
- a fairer economy for people and the planet.

A high quality place focuses on protecting and enhancing our natural environment, from our urban centre to our rural landscapes and villages, taking action to address pressing environmental challenges such as air pollution and climate change, investing in green infrastructure, improving public spaces and promoting sustainable transport.

Resilient communities will develop with empowered residents, inclusive communities with improved health and wellbeing and access to services. There will be a focus on innovative public engagement activities, health in all policies and implementing community led solutions.

Quality homes will be delivered through enhancing the quality and availability of housing options across the borough, investing in new affordable housing, and raising standards in existing homes, alongside robust homeless prevention strategies to ensure everyone has access to a secure, high quality and affordable home.

A fairer economy for people and the planet will create a balanced sustainable economy that meets everyone's needs without harming the environment. This will be achieved through increasing jobs and business opportunities within our local economies, a thriving cultural community and an increase in recycling rates and a reduction in waste.

2.3 The funding envelope within which these priorities must be delivered is dependent on the Council's own revenue-generating capacity. The Council's day-to-day revenue, which is used to deliver the wide range of services for which it has statutory responsibility, derives principally from Council Tax and a range of other locally generated sources of income, including Parking, Planning Fees and the Council's property portfolio.

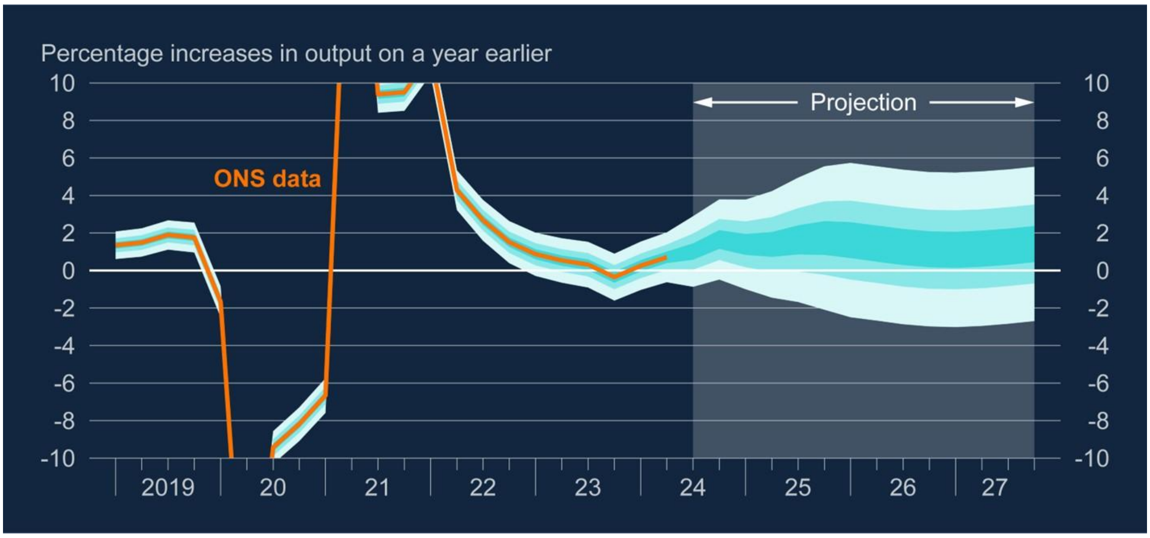
2.4 In addition to the revenue budget, the Corporate Strategy will be delivered through capital and one-off funding. Capital investment has the potential to improve efficiency and drive down revenue costs, eg for temporary accommodation. The ways in which these funding sources help to deliver key elements of the Corporate Strategy such as the quality homes programme are described in section 8 of the MTFS.

3. ECONOMIC ENVIRONMENT

Macro outlook

3.1 The UK economy has recovered from the impact of the Covid pandemic but economists expect future growth to be modest. This continues a trend that dates back to the financial crisis of 2008, during which growth in the UK has been slow by comparison both with the period before 2008 and with that achieved by the other national economies.

Figure 1: GDP growth projection based on market interest rate expectations and government policy measures as announced

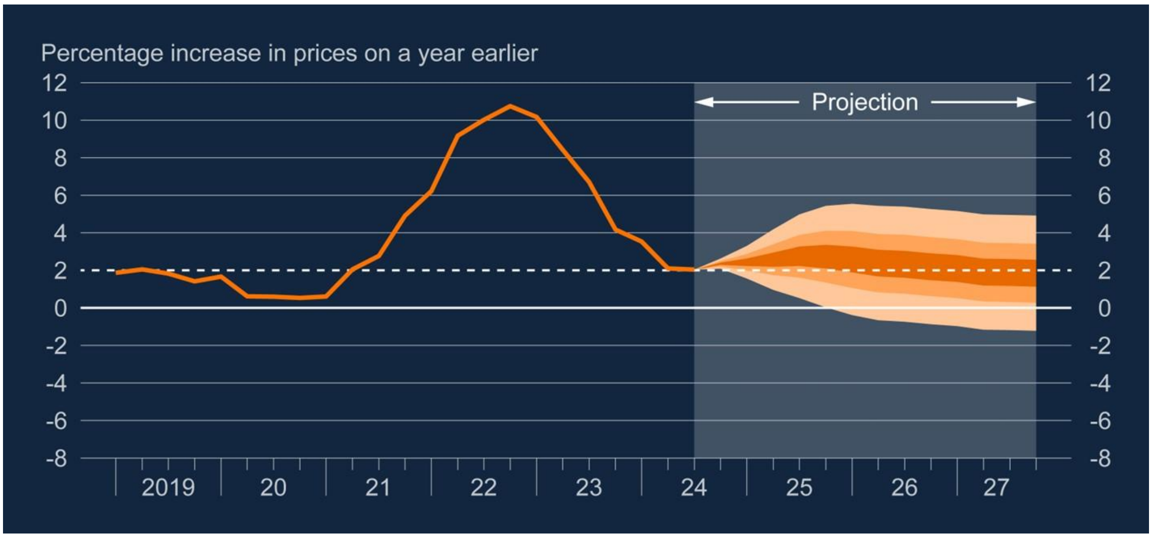


Source: Bank of England Monetary Policy Committee report, November 2024

3.2 Whilst economic growth remains modest, the demand for public services, particularly in the areas of health and social care, is increasing rapidly. This creates pressures on public finances, as described below.

3.3 Inflation has fallen from its post-Covid peak and the Bank of England anticipates that it will now stabilise at around the target level of 2%.

Figure 2: CPI inflation projection based on market interest rate expectations, government policy measures as announced



Source: Bank of England Monetary Policy Committee report, November 2024

3.4 Whilst inflation is projected to remain at around the target level of 2%, Bank of England forecasts have proved consistently over-optimistic in the past and there is a risk that it will prove more difficult to restrain inflation, particularly services inflation, than the Bank anticipates.

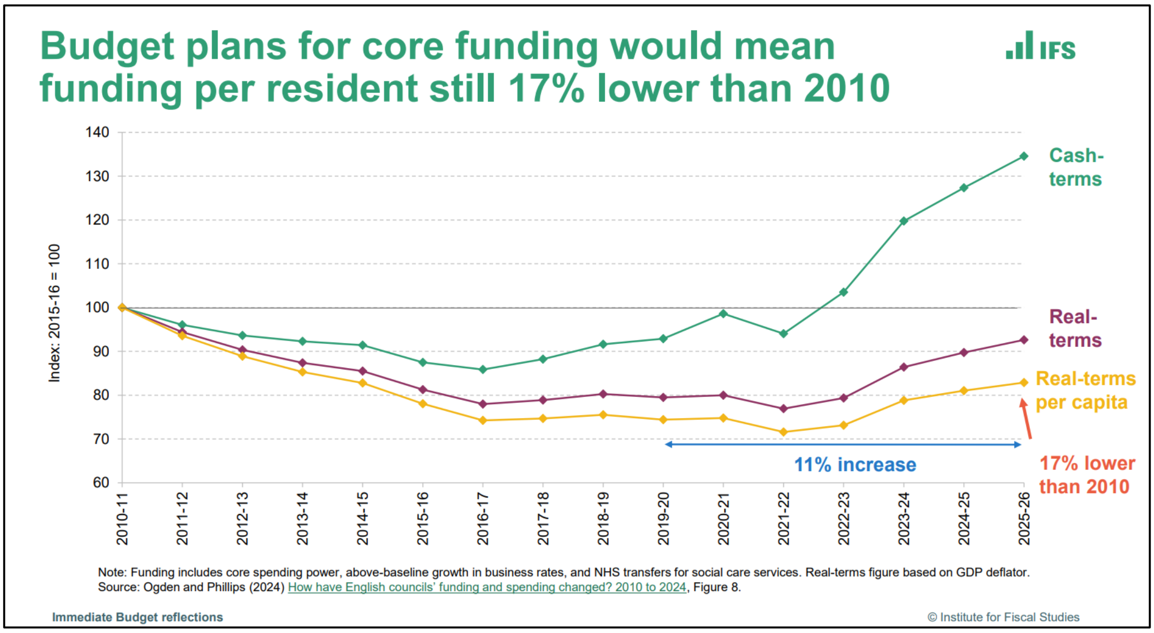
Public Finances

3.5 Slow growth in the broader economy, when combined with increased spending pressures, has compelled the new Labour government to increase taxes. Paul Johnson of the Institute of Fiscal Studies has said: 'Over this decade [the 2020s], tax and spending will increase by a huge 5 per cent of national income . . . it has been made all but inevitable by the combination of high debt and high interest payments, poor growth, demographic change and a continued increase in spending on health and other parts of the welfare state[1]'.

3.6 The spending pressures for the public finances have been felt particularly severely in health and social services, so additional resources have tended to be directed at these areas. Whilst the Chancellor's Autumn 2024 Budget increased core local authority spending by 3.2% in real terms, this was far short of the amount that would have been required to restore spending to 2010 levels.

[1] The Times, 11 November 2024

Figure 3: Local authority core funding 2010 – 2026



Source: Institute for Fiscal Studies, https://ifs.org.uk/publications/immediate-reflections-budget-local-government

3.7 Within the funding allocated for local government in the Autumn 2024 Budget, priority has been given to areas perceived as having the greatest need and the greatest demand for services, with a £600 million 'Recovery Grant' and further grants for Social Care. Maidstone Borough Council will receive very little of this additional funding. However, a minimum funding level has been set for all local authorities, with a guarantee that no authority will see a reduction in their Core Spending Power for 2025/26[2]. This takes the form of a Funding Floor (formerly Funding Guarantee).

Conclusion

3.8 The UK economy faces low growth prospects, so government is compelled to increase taxes just to meet existing spending pressures. These pressures are most acute in health and social services, so these areas have benefited most from what limited budget growth has been available. Within the local authority sector, this has benefited upper tier and unitary authorities rather than district councils like Maidstone. This Council must therefore plan on the assumption that it cannot rely on any additional resources beyond those required to deliver the current level of services.

[2] Local Government Finance Policy Statement 2025/26, 28 November 2024

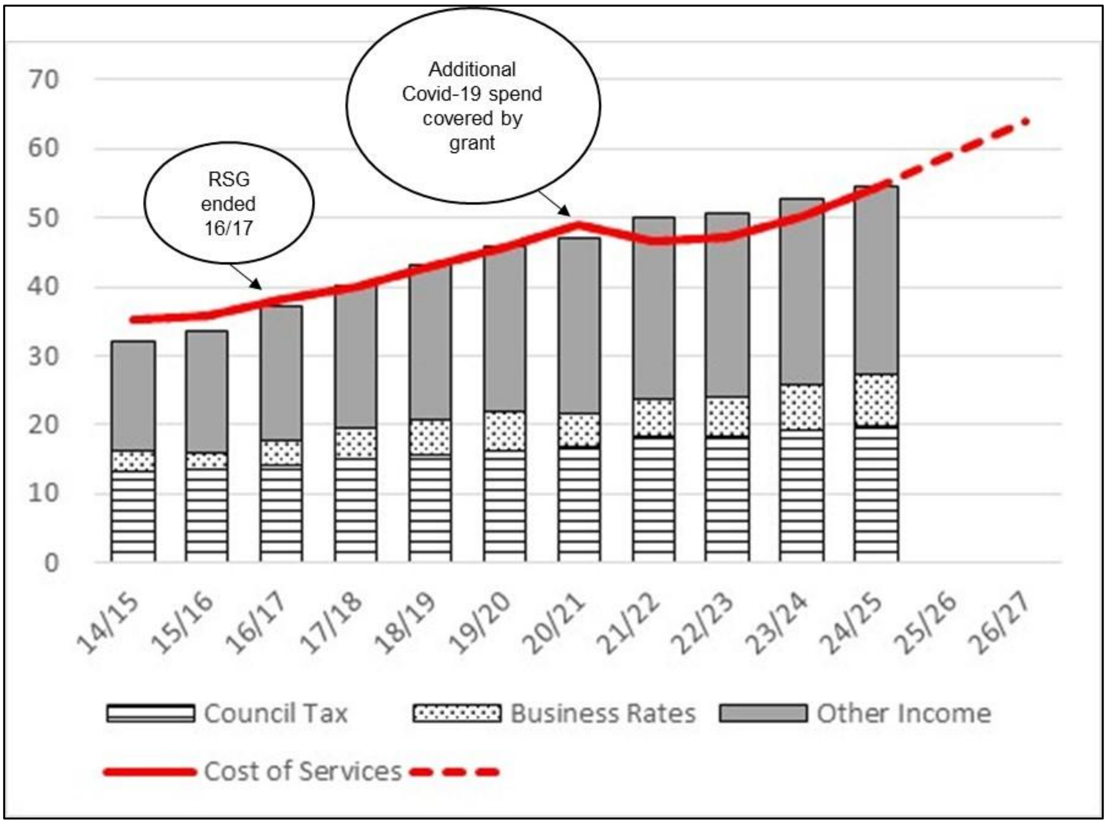
4. CURRENT FINANCIAL POSITION

Income and Expenditure

4.1 Maidstone Borough Council has been able successfully to balance day-to-day income and expenditure over the past ten years. Most of its sources of unringfenced recurring income are locally generated and managed. The Council ceased receiving unallocated direct government support in the form of Revenue Support Grant (RSG) in 2016/17 and relies mainly on Council Tax and a range of other locally generated sources of income, including parking, planning fees and the property portfolio, to fund ongoing revenue expenditure.

4.2 During the pandemic, income fell and expenditure increased, but the consequent budget gap, being the difference between cost of services and aggregate income, was covered with direct government funding. This is illustrated in the graph below.

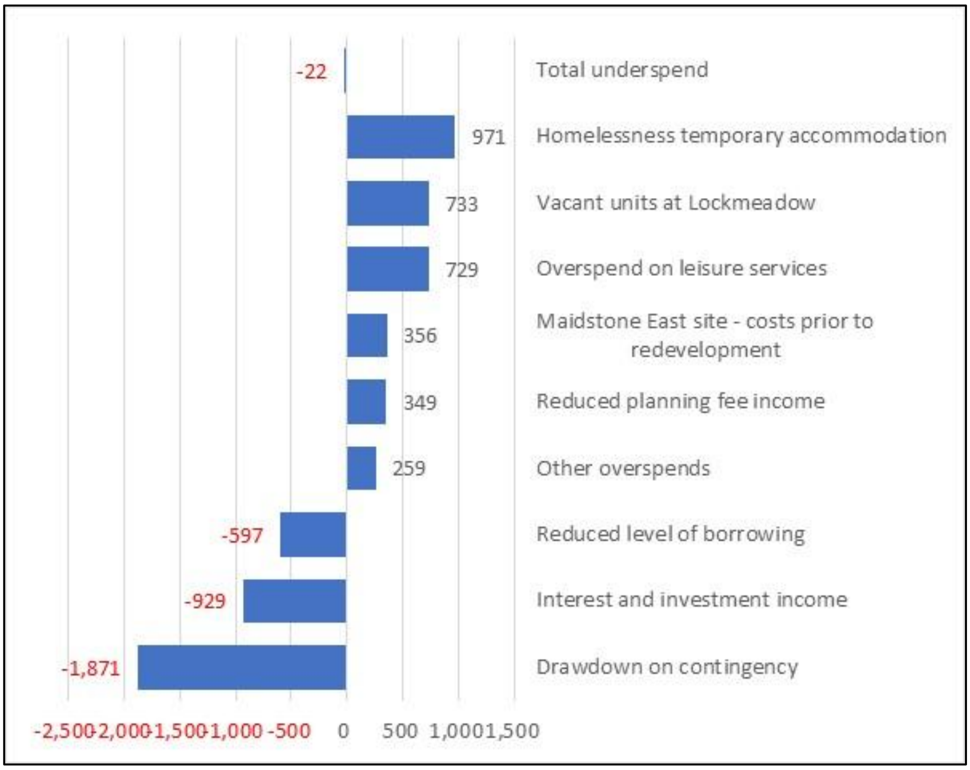
Figure 4: Sources of Council funding



4.3 Note that most of the services delivered by the Council are statutory or have a high statutory element. Costs of these services are likely to continue increasing. Council Tax increases are capped at the referendum limit, and other income increases are subject to a range of constraints including legal (eg where fees are set by statute) and economic (eg rental income). Accordingly, there is little scope for expenditure growth above and beyond that required to deliver the existing level of services.

4.4 Details of the revenue out-turn for 2023/24 are set out below. It can be seen that there was a small underspend of £22,000, achieved by drawing down on contingency in order to offset a number of overspends.

Figure 5: 2023/24 Revenue Out-turn



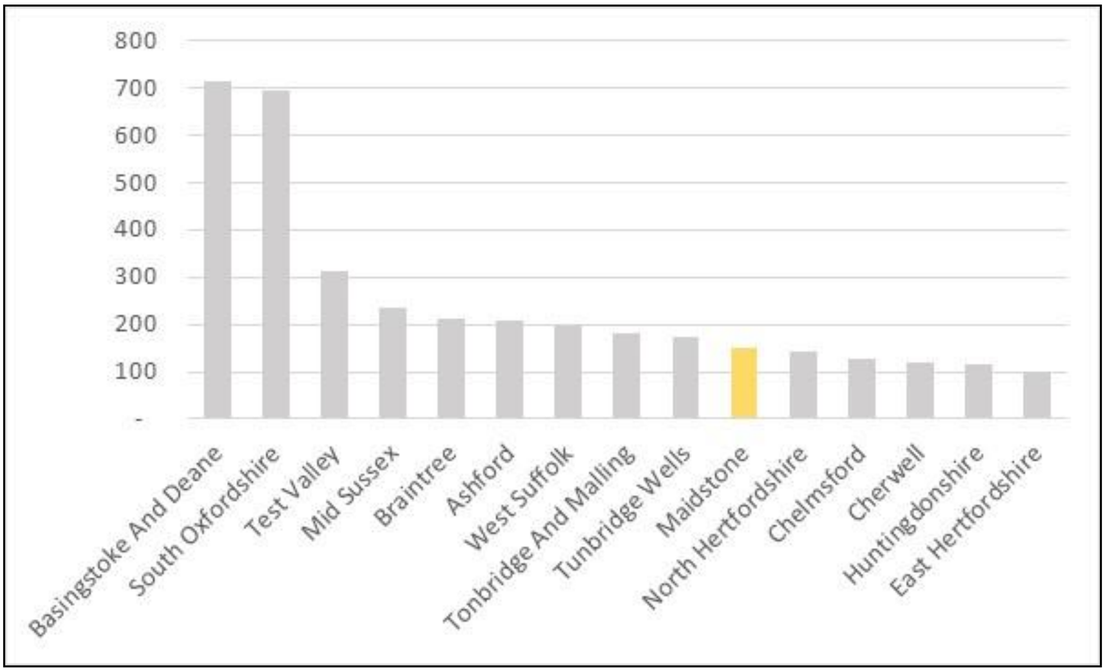
4.5 Whilst use of a contingency is appropriate for dealing with one-off shocks, to the extent that an overspend reflects an underlying budget pressure which will continue into the following year, budget growth will be required. In the case of the cost of temporary accommodation and reduced planning fee income, it is clear that the factors underlying these overspends are long-lasting and the budget will be adjusted accordingly.

Balance Sheet and Reserves

4.6 In light of the narrow margin between income and expenditure, the Council has limited opportunity to accumulate reserves and hence build up a buffer against unforeseen events. As has been seen, central government stepped in to provide the necessary support during the Covid pandemic. Nevertheless, the Council has succeeded through careful financial stewardship in maintaining an adequate, but not excessive, level of reserves. This is essential in order to maintain financial resilience

4.7 A useful point of reference in assessing the level of reserves is provided by comparing it with those held by the Council's nearest neighbours (in terms of the authority's key characteristics).

Figure 6: Ratio of usable reserves to net revenue expenditure as at 31 March 2023 (%)



Source: DLUHC General Fund Revenue Account Outturn RS - Revenue Outturn Summary 2022-23

4.8 The above table shows that Maidstone and all its peers except for East Herts have a ratio of usable reserves to net revenue expenditure greater than 100%.

4.9 This is a secure position, and is in fact common to most District Councils. By comparison, the financial position for Unitary Authorities and Upper Tier Authorities is generally much less secure. The ratio for Kent County Council is 31% and for Medway is 20%.

4.10 Maidstone's ranking is towards the lower end of the scale shown above. However, this should not be a concern to members. In fact, it could be argued that Basingstoke and Deane and South Oxfordshire are holding excessive levels of reserves.

4.11 Reserves are shown below within the context of the council's overall financial position, as represented by its most recent balance sheet (previous year shown for comparative purposes).

Table 2: Maidstone Borough Council balance sheet (Audited)

31st March 2023 (Restated) £000		31st March 2024 £000
207,280	**Long Term Assets**	225,656
31,579	**Current Assets**	67,627
56,493	**Current Liabilities**	72,286
23,149	**Long Term Liabilities**	57,070
159,218	**Net Assets**	**163,927**
15,942	Unallocated General Fund Balances	15,612
19,294	Earmarked general Fund Reserves	25,823
1,538	Capital Reserves	214
122,444	Unusable Reserves	122,278
159,218	**Total Reserves**	**163,927**

4.12 The unallocated general fund balance represents the Council's core reserves. It is an essential part of the Council's strategic financial planning, as this amount represents the funds available to address unforeseen financial pressures.

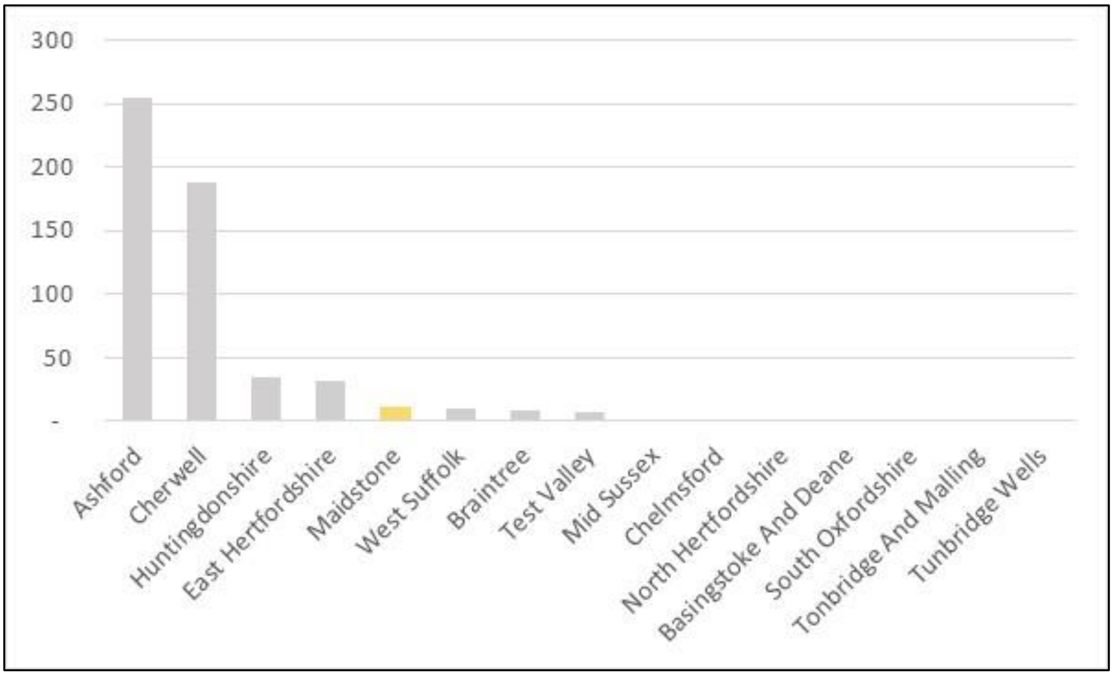
4.13 For local authorities there is no statutory minimum level of unallocated reserves. It is for each Council to take a view on the required level having regard to matters relevant to its local circumstances. CIPFA guidance issued in 2014 states that to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters, as well as internal risks such as the achievement of savings.

4.14 Maidstone Council historically set £2 million as a minimum level for unallocated reserves. In the light of the heightened risk environment facing the Council, it was agreed from 2021/22 that this minimum should be increased to £4 million. In practice, the level of unallocated reserves held is higher, at £17 million, thus providing a reasonable, but not excessive, level of additional assurance.

Debt

4.15 For any organisation, the level of debt is a key indicator. Excessive debt, and the cost of servicing it, can threaten the organisation's sustainability. Until recently, the level of debt at Maidstone was low, as shown in the graph below.

Figure 7: Gross external debt as at 31 March 2023 (£ million)



Source: CIPFA Financial Resilience Index 2022-23

4.16 There is a wide variety in the level of external debt shown in the table above. Maidstone, like most of its peer group, took a very conservative approach to borrowing until recently, so had minimal levels of external debt as at 31 March 2023. By contrast, Cherwell District Council has invested heavily in commercial property, eg in Banbury's Castle Quay Waterfront development. Ashford Borough Council, alone amongst this group of authorities, has a Housing Revenue Account, which accounted as at 31 March 2023 for £125 million of its borrowing.

4.17 The picture for Maidstone will change over the next few years. Debt is due to increase, with £80 million of borrowing being drawn down (£40 million in February 2024, £20 million in February 2025 and £20 million in February 2026) to fund the capital programme. The cost of this debt, at 2.87%, is modest by comparison with prevailing (December 2024) interest levels. So whilst debt levels will increase, it is considered that the increase in debt in the short term is manageable given its relatively low cost and the financial returns assumed in the business case for investment of the debt.

4.18 The overall five year capital programme amounts to £250 million, including £210 million for the housing programme. Additional borrowing, above and beyond the scheduled £80 million, will therefore be required, starting in 2026/27. This is likely to be at a higher cost than existing borrowing, which means that there is a risk of the debt burden becoming unsustainable in the medium term. It is imperative that care is taken to ensure that investment plans continue to demonstrate a clear business case and that the additional cost of debt can be met.

Financial management

4.19 The Council has a strong track record of managing finances within the agreed budgets. Financial management contains a number of elements.

- Officers and members are fully engaged in the annual budget setting process, which means that there is a clear understanding of financial plans and the resulting detailed budgets.

- Detailed financial reports are prepared and used on a monthly basis by managers, and on a quarterly basis by elected members, to monitor performance against the budget. Reports to members are clear, reliable and timely, enabling a clear focus on any areas of variance from the plan.

- Financial reports are complemented by performance indicators, which are reported both at the service level to the wider leadership team, and at a corporate level to members. Member reports on performance indicators are aligned with the financial reports, so that members see a comprehensive picture of how services are performing.

- Financial management and reporting is constantly reviewed to ensure that it is fit for purpose and meets the organisation’s requirements. Quarterly financial reports to members have been redesigned over the last two years to make them more user-friendly.

- Where variances arise, prompt action is taken to address them. Action plans are put in place at an early stage if at appears that there is likely to be a budget overspend.

4.20 The Council has a good track record of delivering budget savings, whilst sustaining and investing in services. Savings initiatives are planned so far as possible across the five-year period of the MTFS, rather than the focus being simply on achieving whatever savings are necessary in order to balance the budget for the coming year.

4.21 Grant Thornton’s recent 2023/24 Annual Audit Report (Value for Money Report) found that the Council has a structured and detailed annual budget setting process and that financial management processes are robust and effective.

4.22 A common criticism of local authority financial planning is that proposed savings are often over-optimistic and are not based on realistic evidence of what is achievable. The Council aims to mitigate this risk with a robust process for developing budget savings proposals:

- New and updated savings proposals are sought on a regular annual cycle, with Service Managers typically briefed on the savings remit in August/September
- Savings proposals are then developed over a period of around two months
- Savings proposals have to be formally documented and signed off by the Service Head who will be responsible for delivering them.

4.23 Once savings have been built into the budget, their achievement is monitored as part of the regular financial management process described above.

4.24 The Council's MTFS is subject to a high degree of risk and uncertainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.

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

Conclusion

4.26 When considering its financial position, the Council can be seen to have adequate reserves in the short term and to be positioned well to manage the financial challenges it will face. The following section considers whether this position is sustainable.

5. RISKS AND SCENARIO PLANNING

5.1 As described in the previous section, budget risks are monitored and reported to members as part of the Council's financial management. Broadly, key budget risk factors for the Council may be summarised as follows.

External

- Increased poverty leads to a further increase in homelessness, which drives up the cost of providing temporary accommodation

- Key components of other income, eg parking fees, property income, are sensitive to the economic environment

- Government policy determines many of the key budget variables (the Council Tax referendum limit, the share of business rates retained at local level and one-off grants, eg New Homes Bonus) so changes in policy will have a significant impact on the Council

- Proposals in the government's Devolution White Paper may affect the future of the council and its neighbours

- Severe financial difficulties faced by Kent County Council impact the council, both through a direct negative impact from cost savings by the county, and through the district having to deal with the consequences of services (eg supported housing) being withdrawn

- Continued high interest rates will impact the Council's ability to deliver its capital programme ambitions

Internal

- The Housebuilding programme and any initiatives emerging from the new Corporate Strategy will place heavy demands on the Council's ability to deliver.

- The Council's capacity to deliver not only the capital programme but also ongoing revenue services depends on being able to attract and retain staff, which may become increasingly difficult in a competitive environment.

- Local Government Reorganisation poses a number of risks, including diversion of staff effort away from day-to-day running of the Council and increased challenges with recruitment and retention.

Given the range of risks faced by the Council, it is appropriate to model the impact of different scenarios. Following a similar approach to that adopted when developing the current 2024/25 – 2028/29 Medium Term Financial Strategy, the following four scenarios can be sketched out.

External environment	Favourable	**Scenario 1:** **Missed opportunities** Government allows greater flexibility to local authorities but Council fails to take full advantage through lack of capacity	**Scenario 2:** **Successful delivery** Council takes full advantage of greater flexibilities and improving income streams to re-invest for the benefit of the borough
	Adverse	**Scenario 4:** **Maintain basic services** Government maintains tight limits on local government spending. Lack of capacity means that Council has to focus on delivering statutory services only	**Scenario 3:** **Focus on efficiency** Council manages tight financial constraints by delivering services more efficiently, leaving capacity for added value strategic initiatives
		Adverse	Favourable
		Internal capability	

5.2 Scenario 4 is the most challenging of those sketched out above, as it represents a combination of a difficult external environment, coupled with a lack of capacity to do anything other than maintain service levels in line with limited resources.

5.3 Strategic revenue projections have been prepared for each of the above four scenarios and are used in developing the 2025/26 – 2029/30 Medium Term Financial Strategy.

5.4 The next section sets out planning assumptions under each of the above scenarios.

6. PLANNING ASSUMPTIONS

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

(a) Rate of housing growth
(b) Council Tax referendum limit
(c) Rate of growth/decrease in business rates income
(d) Rate of growth/decrease in other income
(e) Rate of growth/decrease in cost of services.

Each of these is considered in more detail below.

Rate of housing growth

6.2 Housing growth has a direct impact on Council revenues by generating more Council Tax income. Council Tax income depends on the tax base, which is a value derived from the number of chargeable residential properties within the borough and their band, based on valuation ranges, adjusted by all discounts and exemptions.

6.3 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. However, the rate of growth has slowed in 2024 to just 1%. See table below:

Table 3: Number of Dwellings in Maidstone

	2020	2021	2022	2023	2024
Number of dwellings	73,125	75,034	76,351	77,522	78,348
% increase compared with previous year	1.68%	2.61%	1.76%	1.53%	1.07%

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

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

6.5 For the past ten years, Kent County Council has provided an incentive for district councils to collect Council Tax, given that it receives over 70% of the total amount collected and benefits from any enhanced collection effort. These incentive payments are targeted at areas of tax collection that are particularly resource intensive, namely households on Council Tax Support and Empty Properties.

6.6 In its draft budget proposals for 2025/26, Kent County Council plans to remove these payments, which will reduce the resources available for collection, and have a consequent impact on performance. The calculation of the Council Tax base for 2025/26 therefore assumes a higher level of bad debts, equivalent to 1% of total Council Tax income, offsetting the 1% gain from the increase in the number of households. Assumptions for all years and scenarios are set out below.

Council Tax base growth assumptions					
	25/26	26/27	27/28	28/29	29/30
Scenario 1 – Missed opportunities	0.0%	1.5%	1.5%	1.5%	1.5%
Scenario 2 – Successful delivery	0.0%	1.5%	1.5%	1.5%	1.5%
Scenario 3 – Focus on efficiency	0.0%	1.0%	1.0%	1.0%	1.0%
Scenario 4 – Maintain basic services	0.0%	1.0%	1.0%	1.0%	1.0%

Council Tax referendum limit

6.7 The rate of increase in the Council Tax is subject to a referendum limit, which was 3% in 2024/25. The Local Government Finance Policy Statement 2025/26, published on 28 November 2024, again proposes a referendum limit for district councils of 3%.

6.8 In justifying this continuity of policy, notwithstanding the severe spending pressures faced by many councils, the statement says that the government is 'committed to protecting local taxpayers from excessive council tax increases'. This approach indicates that the new Labour government is no more willing than its Conservative predecessors to give local authorities greater fiscal autonomy.

6.9 A key MTFS assumption is that the Council increases Council Tax by the maximum permitted by the referendum limit. The rationale for this approach is that:

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

6.10 The following table sets out future growth assumptions for Council Tax levels in each scenario. Scenarios 1 and 2 assume that the referendum limit will remain at 3% even if inflation falls. The more pessimistic scenarios of 3 and 4 assume that the government will reduce the referendum limit if inflation falls to its target level of 2%.

Council Tax increase assumptions					
	25/26	26/27	27/28	28/29	29/30
Scenario 1 – Missed opportunities	3.0%	3.0%	3.0%	3.0%	3.0%
Scenario 2 – Successful delivery	3.0%	3.0%	3.0%	3.0%	3.0%
Scenario 3 – Focus on efficiency	3.0%	3.0%	2.0%	2.0%	2.0%
Scenario 4 – Maintain basic services	3.0%	3.0%	2.0%	2.0%	2.0%

Business Rates Income

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

Table 4: Baseline Business Rates Income 2024/25

	£000	%
Baseline Business Rates income	65,278	100
Government share	-32,639	-50
Kent County Council / Kent Fire & Rescue Authority	-6,528	-10
Government tariff	-22,579	-35
Baseline Business Rates income retained by MBC	3,532	-5

The baseline described above was set in 2013/14 and is uplifted each year by inflation. To the extent that business rates income exceeds the baseline, this growth element is retained locally, subject to a levy of 50% payable to central government by tariff authorities like Maidstone. In 2024/25 business rates growth is estimated to amount to around £2 million (net of levy).

6.12 Note that the baseline is due to be reset by central government in 2026/27. It remains to be seen how much of the growth that has accumulated to date will be retained locally in future. The 'growth' element cannot therefore be relied upon beyond 2025/26.

6.13 The Council has been able to minimise the levy payable on business rates growth through its membership of the Kent Business Rates Pool. This is because the levy payable by some pool members (district councils) is offset against the top-up received by the major preceptors (Kent County Council and Kent Fire and Rescue).

6.14 Business Rates Pool income is allocated, in accordance with the Pool Memorandum of Understanding between Kent authorities, as follows.

Maidstone Borough Council – used for specific projects that form part of the Economic Development strategy. £275,000 of this amount is top-sliced in the budget for ED salaries and spatial planning.	30%

Growth Fund – In Maidstone this is split 50:50 between MBC and Kent County Council for the regeneration of the Town Centre and is deployed at Maidstone East and Sessions House / Invicta House respectively.	30%
Kent County Council	30%
Contingency - To compensate Kent local authorities who do not benefit directly from pool membership (eg because their business rates growth is lower than the baseline)	10%

6.15 Income from the Kent Business Rates pool is not built into the base budget and is instead earmarked for the purposes shown above (economic development and Maidstone East). It is estimated that the respective 30% shares for economic development and Maidstone East will amount to around £500,000 each in 2024/25.

6.16 It is important to note that the business rates reset expected in 2026/27 will have the effect of eliminating the notional business rates growth that is redistributed through the pool, so it is appropriate to treat pool income as one-off in nature.

6.17 There are a number of factors affecting the future pattern of business rates income:

- Government uses the share of business rates that local authorities are allowed to retain as a mechanism for directing resources towards the areas of perceived need through the tariff mechanism (hence Maidstone, as a relatively prosperous area, only retaining 5% of baseline business rates). This resource allocation has remained broadly unchanged since 2014, when the current local government funding system was introduced, but a 'fair funding review', which will update the resource allocation, has been mooted for several years. The government has confirmed that this will be implemented in 2026/27.

- The government share of business rates and the tariff (see Table 4 above) are fixed £ amounts, based on a predetermined business rates baseline. This has benefited the Council over the past ten years, as the rate of business rates growth has been greater locally than general price inflation, and the Council has benefited from this excess growth. However, the reverse could be the case if there is a downturn in total business rates income.

- As part of any change to the funding system, the business rates baseline will be adjusted. This means that the growth above the baseline that has accumulated over the past ten years, which has hitherto been retained locally, could be lost.

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

Business rates growth assumptions					
	25/26	26/27	27/28	28/29	29/30
Scenario 1 – Missed opportunities	2.0%	0.0%	1.0%	2.0%	3.0%
Scenario 2 – Successful delivery	2.0%	0.0%	1.0%	2.0%	3.0%
Scenario 3 – Focus on efficiency	2.0%	-1.0%	-1.0%	-1.0%	2.0%
Scenario 4 – Maintain basic services	2.0%	-1.0%	-1.0%	-1.0%	2.0%

Note: Because of the several factors influencing the Council's share of business rates income, as described above, the aggregate percentage growth figures shown above represent the cumulative impact of a number of different variables.

Other income

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

Table 5: Projected Other Income 2024/25

	£ million
Fees and charges	11.0
Residential and commercial property rental income	7.2
Shared services trading income	3.9
Other income	5.1
TOTAL	**27.2**

The Council has a policy that guides officers and councillors to set the appropriate level of fees and charges based on demand, affordability and external factors. However, some fees and charges are set by central government and are not necessarily increased annually. Rents may only change at the point of periodic rent reviews.

6.20 Future growth assumptions for each scenario are set out below. A minimalist approach to income generation (scenarios 1 and 4) would simply see income increase in line with expenditure, albeit that income increases will lag behind expenditure increases. A more optimistic position (scenarios 2 and 3) would see the Council generating real growth in income above and beyond the level of price inflation.

Other income growth assumptions					
	25/26	26/27	27/28	28/29	29/30
Scenario 1 – Missed opportunities	2.0%	2.0%	2.0%	2.0%	2.0%
Scenario 2 – Successful delivery	2.0%	3.0%	4.0%	5.0%	5.0%
Scenario 3 – Focus on efficiency	2.0%	3.0%	4.0%	5.0%	5.0%
Scenario 4 – Maintain basic services	2.0%	2.0%	2.0%	2.0%	2.0%

Cost of services

6.21 The cost of services is subject to inflation. Salaries account for around 50% of total input costs, and market pressures are likely to mean that salary inflation will be higher than CPI inflation. In addition, the award of annual increments for staff means a further 1% increase in salary costs above and beyond normal cost of living increases. Many other costs, in particular contract costs, are directly linked to inflation indices.

6.22 A default set of assumptions for growth in the cost of services would link them to the Bank of England's inflation projections. However, the Council has the potential to drive down costs, both through transforming services in order to achieve productivity improvements and through capital investment. For example, investment in housing will reduce the cost of providing temporary accommodation. This is reflected in lower cost growth as shown for scenarios 2 and 3.

Cost of services growth assumptions					
	25/26	26/27	27/28	28/29	29/30
Scenario 1 – Missed opportunities	3.5%	3.5%	2.5%	2.5%	2.5%
Scenario 2 – Successful delivery	3.0%	2.5%	2.0%	1.5%	1.0%
Scenario 3 – Focus on efficiency	3.0%	2.5%	2.0%	1.5%	1.0%
Scenario 4 – Maintain basic services	3.5%	3.5%	2.5%	2.5%	2.5%

Note: Because of the several elements within cost of services (salaries, contract costs, utilities), the aggregate percentage growth figures shown above represent a weighted average of a number of different figures. For the purposes of detailed budget planning, a more granular approach is taken to forecasting budget growth, and specific percentages are applied to the different categories within cost of services.

6.23 Where the rate of inflation applied is materially different to the figures shown above, and the impact on the budget is significant, details are provided as part of the budget proposals submitted to members for consideration and approval (for example, where the impact of inflation on a major contract is significant).

6.24 The following section of the MTFS provides revenue projections, based on the assumptions set out above.

7. REVENUE PROJECTIONS

7.1 Strategic revenue projections for scenario 4 have been used as the basis for financial planning, in the interests of prudence, although the Council will seek to take advantage of all opportunities to move to scenario 3. Projections for Scenario 4 are summarised in table 7 below. In light of the many uncertainties around future funding, it is important to note that projections like these can only represent a 'best estimate' of what will happen.

Table 6: MTFS Revenue Projections 2025/26-2029/30

	25/26	26/27	27/28	28/29	29/30
	£m	£m	£m	£m	£m
Total Resources	57.9	59.1	60.1	61.3	62.5
Predicted Expenditure	58.2	61.4	63.5	64.8	66.0
Budget Gap	0.3	2.3	3.4	3.5	3.5
Existing Planned Growth/ (Savings)	0.3	(0.3)	(0.1)	(0.1)	(0.1)
Savings Required	0.6	2.0	3.3	3.4	3.4

Approach to balancing the budget

7.2 The immediate priority in setting a balanced budget for 2025/26 has been to close the budget gap of £600,000. In line with the Council's usual annual budget setting process, savings proposals have been sought from service managers. Whilst individual proposals may not amount to significant sums, in aggregate they can contribute substantially to meeting the deficit.

7.3 The budget process has also sought to capture details of expected pressures, such as the cost of temporary accommodation and shortfalls in income, which have materialised in 2024/25 and are expected to continue, as well as budget growth in order to meet Corporate Strategy priorities.

7.4 Even if the budget for 2025/26 is balanced, it can be seen from the table above that savings, or increased income on a much greater scale, will be required in subsequent years. Assuming that the projections remain broadly unchanged, this will demand a more thoroughgoing review of Council budgets and transformation of Council services in order to deliver the necessary savings.

8. CAPITAL INVESTMENT AND USE OF ONE-OFF RESOURCES

Capital Programme

8.1 The capital programme plays a vital part in delivering the Council's Corporate Strategy, since long term investment is required to deliver many of the Council's priorities.

8.2 Capital investment relies on borrowing. CIPFA's Prudential Code requires that any borrowing be prudent and sustainable, which means that the Council must have a plan for servicing and repaying the borrowing. In the case of capital expenditure on income-generating assets, such as new housing, the business case for the investment must show an investment return that will allow the borrowing to be serviced and ultimately repaid. In the case of non-income generating investment, for example measures to meet health and safety requirements, provision will need to be built into the strategic revenue projections for the cost of the borrowing. To the extent that this creates a budget gap in future years, the Council must have a credible plan for addressing the gap.

8.3 There are a number of risks associated with the capital programme which potentially will also impact the revenue account, for example if capital expenditure is abortive or leads to the write-down of capital investments:

- Construction price
- Contractor failure / liquidation
- Availability / cost of finance (currently the Council has arranged £80 million of funding, but the availability and cost of finance when this is exhausted is not known).

8.4 The Council's current five year capital programme, as agreed in February 2024, is shown below.

Table 7: Capital Programme 2024/25 – 2028/29

	24/25	25/26	26/27	27/28	28/29	Total
	£000	£000	£000	£000	£000	£000
New Housing (gross)	52,161	74,601	51,495	26,278	22,269	226,804
Purchases for TA	20,000	0	0	0	0	20,000
Disabled Facilities	800	800	800	800	800	4,000
Infrastructure Delivery	1,000	1,000	1,000	1,000	1,000	5,000
New Leisure Centre	500	500	2,000	15,000	29,000	47,000
Corporate Property Acquisitions	2,500	2,500	2,500	2,500	2,500	12,500
Biodiversity & Climate Change	5,542	2,616	2,493	1,641	1,075	13,367
Other	13,158	4,534	2,515	2,123	2,927	25,257
Total	**95,661**	**86,551**	**62,803**	**49,342**	**59,571**	**353,928**

8.5 In practice, the housing programme is not being delivered as quickly as anticipated when the above budget was agreed by Council. Taking account of other capital schemes that have slipped, it is now anticipated that spend over the five year period will be in the region of £250 million.

8.6 The Capital Programme is a rolling programme. As part of the annual budget process, officers update the programme based on latest information about the phasing of investment plans and on new corporate priorities. Details of the Capital Programme as shown above will be updated accordingly.

8.7 In light of the increased cost of borrowing (noted in 4.18 above) the profile of spending in the next iteration of the capital programme, for the five years commencing 2025/26, will be adjusted to accommodate affordability constraints.

Housing Investment Fund

8.8 The biggest element of the capital programme is the housing programme, which is designed to address the corporate priority of delivering quality homes. As the housing is for rent at social or affordable levels, the necessary investment cannot be justified under the prudential borrowing rules. Instead, an element of subsidy is required, both from external sources (Homes England) and the Council's own revenue expenditure.

8.9 It has been assumed for planning purposes that a capital sum of £50,000 per unit must be set aside from revenue expenditure for each completed unit of social/affordable housing. This amount will fund the deficit that would otherwise arise from charging a lower than market rent on each property. Assuming that the Council establishes a Housing Revenue Account, as it is currently required to do when it has delivered 200 units of social/affordable housing, it will transfer units into the HRA net of this subsidy in order to ensure that the HRA does not incur deficits.

8.10 In anticipation of these subsidy payments crystallising at the point of housing delivery, the Council has started to set aside the necessary funds. It has been possible to do this because of the government's continued deployment of one-off resources each year to local authorities in the form of New Homes Bonus and the Funding Guarantee. Starting in 2022/23, Council has agreed each year to transfer some or all of these grants to a Housing Investment Fund. As a result, the balance on the Housing Investment Fund as at 31 March 2025 will amount to £12.276 million. This amount would notionally provide the necessary subsidy for 245 new homes, using the above-mentioned estimate of £50,000 per unit.

Use of One-Off Resources

8.11 The Housing Investment Fund is an example of how the Council delivers its strategic priorities by utilising one-off resources. However, in order to do this, ongoing services need to be funded without recourse to one-off or time-limited resources like New Homes Bonus or the Funding Guarantee. It is a key principle of the MTFS that one-off or time-limited resources are not built into the base budget. This approach is both prudent and provides an opportunity to deliver the Council's strategic priorities.

8.12 Income from the Kent Business Rates Pool (see paragraph 6.13 above) is likewise treated as one-off in nature and is earmarked for economic development and the Maidstone East development.

8.13 Council will need to determine, in the light of the availability of such funding in 2025/26, how much to deploy for the Housing Investment Fund and how much to ringfence for other purposes that serve its strategic priorities.

9. CONSULTATION AND NEXT STEPS

9.1 Each year the Council carries out consultation as part of the development of the MTFS. The budget survey has been carried out and the results of the survey were considered by Policy Advisory Committees in December 2024.

9.2 Consultation with members took place in January 2025 on detailed revenue budget proposals. Individual Policy Advisory Committees considered the budget proposals relating to the services within their areas of responsibility, and Overview and Scrutiny Committee and Cabinet considered the budget proposals for the Council as a whole.

9.3 Proposed fees and charges for 2025/26 were considered by the Policy Advisory Committees and Cabinet in December 2024; capital budget proposals will be considered by the PACs, Overview and Scrutiny Committee and Cabinet in January 2025. The final budget will be presented to Council on the 19 February 2025.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2025/26

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1.1 Background

The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
   - the capital plans, (including prudential indicators)
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
   - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed)

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Full Council. Under current constitutional arrangements this role is undertaken by the Audit Governance and Standards Committee.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) has also been required. However, these additional reports do not have to be reported to full Council but do require to be adequately scrutinised. This role is undertaken by the Cabinet as part of quarterly Budget Monitoring. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

1.3 Treasury Management Strategy for 2025/26

The strategy for 2025/26 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues
- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates

- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

Training on Treasury Management for members is carried out at least once a year, generally taking the form of a briefing from third party treasury experts in advance of members' consideration of the annual Treasury Management Strategy.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function is maintained by the Head of Finance. Similarly, a formal record of the treasury management/capital finance training received by members is maintained by the Head of Finance.

1.5 Treasury Management Consultants

The Authority uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

1.6 IFRS 16 - Leases

The CIPFA LAASAC Local Authority Accounting Code Board deferred implementation of IFRS16 until 1st April 2024, the 2024/25 financial year, which brings leases with a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration on to the balance sheet as long term liabilities. The Council has reviewed the assets that would fit this criteria, assets such as temporary accommodation properties, private sector landlords and printing multi-functional devices (MFD's) are deemed to be di-minimis and are not included at this time until a full exercise is undertaken. If there are any material effects from this, these will be reported to the Committees in mid-2025.

2. THE CAPITAL PRUDENTIAL INDICATORS 2025/26 – 2029/30

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

Capital Expenditure (£m)	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
	48.560	46.343	65.214	61.808	42.078	42.585

The table shows how the above capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing need.

Financing of capital expenditure (£m)	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Capital grants	9.821	13.050	3.238	14.613	19.488	9.488
Capital reserves	0.000	1.000	0.000	0.000	7.000	0.000
Revenue	2.250	2.250	2.250	2.250	2.250	3.950
Net financing need for the year	**36.489**	**30.043**	**59.726**	**44.946**	**13.340**	**29.147**

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

2.2 The Authority's Borrowing Need (the CFR)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI or lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £0.905m of such schemes within the CFR.

The Authority is asked to approve the CFR projections below:

£m	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Capital						
Total CFR	128.208	156.193	213.793	255.303	264.284	290.171
Movement in CFR	**34.518**	**28.180**	**57.600**	**42.260**	**10.232**	**25.887**

Movement in						
Net financing need for the year	36.489	30.043	59.726	44.946	13.340	29.147
Less MRP/VRP and other financing movements	-1.971	-1.863	-2.126	-2.686	-3.109	-3.260
Movement in CFR	**34.518**	**28.180**	**57.600**	**42.260**	**10.232**	**25.887**

2.3 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators: -

Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Interest Paid (PWLB) £000	81	81	81	81	81	81
Interest Paid (Aviva) £000	1,218	1,779	2,261	2,239	2,217	2,193
Interest Paid (Additional) £000	0	0	1,565	3,116	3,575	4,624
Interest Received £000	-1628	-1460	-729	-240	-200	-200
Net Revenue Exp £000	27,277	27,945	28,657	29,108	29,644	30,287
%	**-1.20**	**1.43**	**11.09**	**17.85**	**19.14**	**22.12**

The estimates of financing costs include current commitments and the proposals in this budget report.

Maturity Structure of Borrowing

These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Authority is asked to approve the following treasury indicators and limits: -

Maturity structure of fixed interest rate borrowing 2025/26

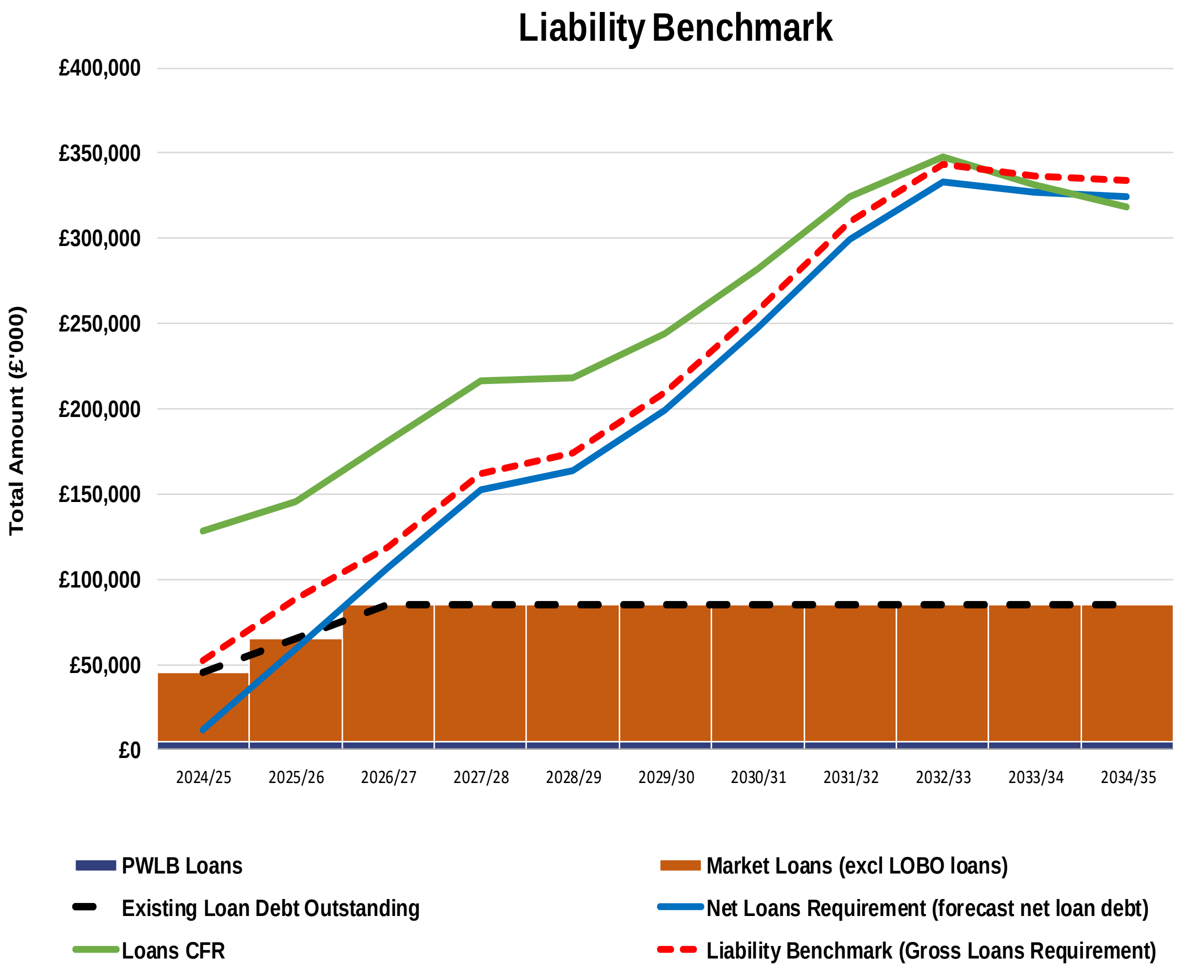
	Upper Limit %	Lower Limit %
Under 12 months	50	0
1 year to 5 years	50	0
5 years to under 10 years	100	0
10 years and within 20 years	100	0
20 years and within 30 years	100	0
30 years and within 40 years	100	0
40 years and within 50 years	100	0

2.4 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



There was a net borrowing position at the end of 2023/24 of £11.76m. Thereafter the Council borrowing position is due to increase as the Capital Programme ramps up. At present, the Council has only locked in £85 million of borrowing (£5m PWLB and £80m market loans), leaving a gap between the liability benchmark and borrowing from as early as 2026/27. In practice, further borrowing will be undertaken only if it meets the prudential criteria. If not, the capital spending profile of the council will be adjusted to defer investment until such time as it is affordable.

2.5 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc).

2.6 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

The Authority is recommended to approve the following MRP Statement:

> A number of options for calculating MRP are given in government guidance accompanying the 2003 MRP regulations. Hitherto, the Council has adopted the asset life method (straight line) option, meaning that for an asset with an estimated life of 50 years, 2% of the expenditure is charged to the revenue account each year. In accordance with the guidance, capital expenditure incurred in any year is not subject to an MRP charge until the later of (a) the following year or (b) the year after the asset becomes operational.
>
> The Council is proposing to change the calculation basis for 2025/26. An alternative to the straight line method is available under the guidance, in which MRP is charged based on the principal element of an annuity required to repay the expenditure over the asset's useful life ('annuity method').
>
> Rationale for change
>
> Previously, Council borrowing from the Public Works Loan Board was repayable on maturity of the loan. However, from February 2024 the Council has started to draw down on a loan facility from Aviva which is repaid on an annuity basis, using an interest rate of 2.87% per annum. It is therefore appropriate to change to the annuity method with effect from 1 April 2025, as the annuity method mirrors the way in which borrowing is now undertaken.
>
> Using the annuity method also means that the revenue account is only charged with the principal amount applicable to the relevant year of an asset's life. The revenue account is simultaneously charged with the full amount of interest due under the loan agreement for external borrowing, meaning that the aggregate amount of interest and MRP is a consistent annual amount throughout the estimated life of the asset. Assuming that the benefit derived from the asset also remains consistent throughout its life, this means that the charge to the revenue account matches the benefit derived each year.

MRP Overpayments - Under the MRP guidance, charges in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. There have been no overpayments of MRP to date and none are planned.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31st March 2024 and that for 31st December 2024 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual **31.3.24**	actual **31.3.24**	current **30.11.24**	current **30.11.24**
Treasury investments	£000	%	£000	%
Banks	830	2%	885	3%
Building societies - unrated	0	0%	0	0%
Building societies - rated	0	0%	0	0%
Local authorities	20,000	60%	15,000	43%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	12,410	37%	19,075	55%
Certificates of Deposit	0	0%	0	0%
Total managed in house	**33,240**	**100%**	**34,960**	**100%**
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total managed externally	**0**	**0%**	**0**	**0%**
Total treasury investments	**33,240**	**100%**	**34,960**	**100%**
Treasury external borrowing				
Local Authorities	0	0%	0	0%
PWLB	5,000	11%	5,000	11%
Market Loans	40,000	89%	40,000	89%
Total external borrowing	**45,000**	**100%**	**45,000**	**100%**
Net treasury investments / (borrowing)	**-11,760**	**0**	**-10,040**	**0**

The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
External Debt						
Debt at 1 April	45.000	81.489	111.337	155.533	167.623	196.770
Expected change in Debt	36.489	29.848	44.196	12.090	29.147	42.789
Other long-term liabilities (OLTL)	0.309	0.000	0.000	0.000	0.000	0.000
Expected change in OLTL	-0.309	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	**81.489**	**111.337**	**155.533**	**167.623**	**196.770**	**239.559**
The Capital Financing Requirement	**128.208**	**156.193**	**213.793**	**255.303**	**264.284**	**290.171**
Under / (over) borrowing	**46.719**	**44.856**	**58.260**	**87.680**	**67.514**	**50.612**

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance, Resources and Business Improvement reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Ext Borrowing	86.489	116.337	176.063	220.259	232.349	261.496
Other LT Liab	0.309	0.000	0.000	0.000	0.000	0.000
Total	86.798	116.337	176.063	220.259	232.349	261.496

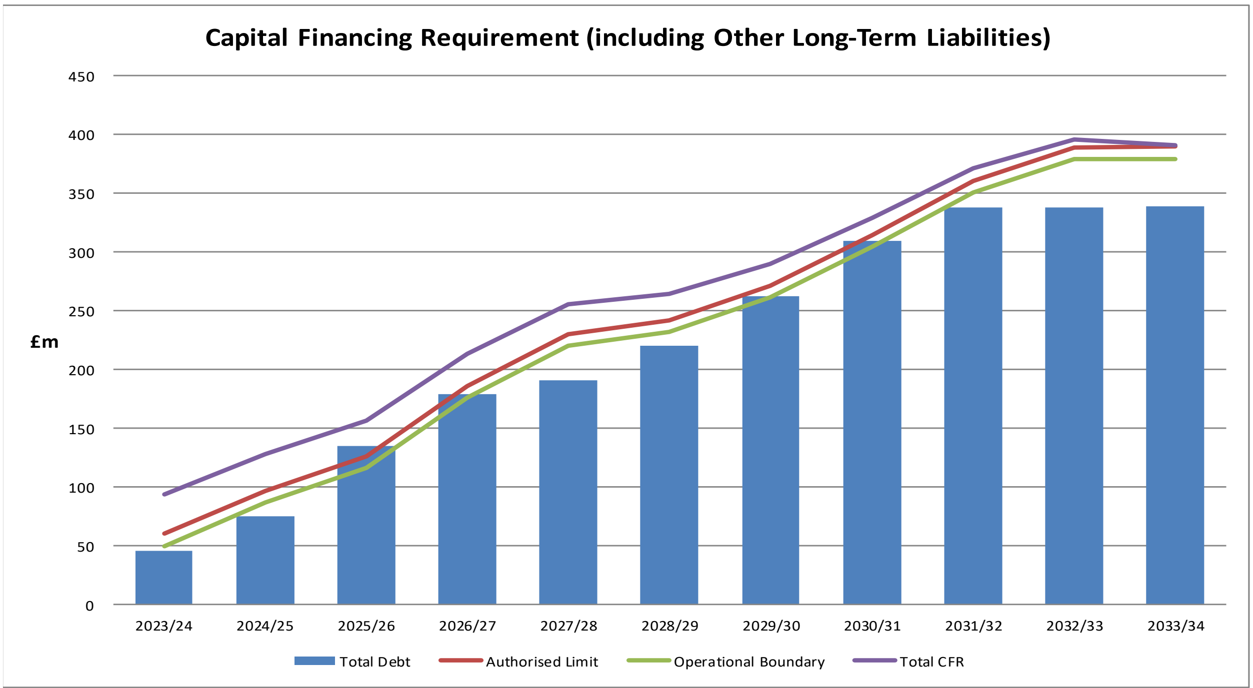
The Authorised Limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Ext Borrowing	96.489	126.337	186.063	230.259	242.349	271.496
Other LT Liab	0.309	0.000	0.000	0.000	0.000	0.000
Total	96.798	126.337	186.063	230.259	242.349	271.496

The table and graph below summaries the Council's debt profile, Operational Boundary and Authorised Limit, and show that they remain below the Capital Financing Requirement.

CAPITAL FINANCING REQUIREMENT including PFI and finance leases											
	Actual 2023/24 £m	Est 2024/25 £m	Est 2025/26 £m	Est 2026/27 £m	Est 2027/28 £m	Est 2028/29 £m	Est 2029/30 £m	Est 2030/31 £m	Est 2031/32 £m	Est 2032/33 £m	Est 2033/34 £m
GF CFR	93.7	128.2	156.2	213.8	255.3	264.3	290.2	329.4	371.7	395.9	391.3
Total CFR	**93.7**	**128.2**	**156.2**	**213.8**	**255.3**	**264.3**	**290.2**	**329.4**	**371.7**	**395.9**	**391.3**
External Borrowing	45.0	74.8	134.6	178.8	190.9	220.0	262.8	309.1	337.8	338.1	338.6
Other long term liabilities	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Debt	**45.3**	**74.8**	**134.6**	**178.8**	**190.9**	**220.0**	**262.8**	**309.1**	**337.8**	**338.1**	**338.6**
Authorised Limit	60.0	96.8	126.3	186.1	230.3	242.3	271.5	314.3	360.6	389.3	389.6
Operational Boundary	50.0	86.8	116.3	176.1	220.3	232.3	261.5	304.3	350.6	379.3	379.6



3.3 Prospects for Interest Rates

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes by Link on this forecast table: -

- Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

- If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% year on year by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% year on year (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% year on year.

- The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

- There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

- Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).

- Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

- Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

- So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

- Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%

2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels in the medium term, so it would be premature to undertake additional borrowing at the present time. However, forward borrowing of £80 million has been undertaken in anticipation of significant capital expenditure over the next two years.

Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations in relation to any further borrowing. The Director of Finance, Resources and Business Improvement will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant likelihood of a sharp FALL in borrowing rates,* then further borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* consideration will be given to further forward borrowing whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the Audit, Governance & Standards Committee at the next available opportunity.

3.5 Policy on Borrowing in Advance of Need

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Rescheduling

Rescheduling of current borrowing in our debt portfolio is not currently envisaged.

If rescheduling is to be undertaken, it will be reported to the Audit, Governance & Standards Committee, at the earliest meeting following its action.

3.7 Approved Sources of Long and Short-term Borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, a separate report.

The Authority's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Authority's investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in use.

   Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

   Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 25%.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This Authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. This Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

This Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year.

4.2 Creditworthiness Policy

This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands.

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	**Money and/or % limit**	**Transaction limit**	**Time limit**
Banks *	Yellow	£8m	£8m	5yrs
Banks	Purple	£7m	£7m	2 yrs
Banks	Orange	£5m	£5m	1 yr
Banks – part nationalised	Blue	£5m	£5m	1 yr
Banks	Red	£5m	£5m	6 mths
Banks	Green	£3m	£3m	100 days
Banks	No Colour	Not to be used	£0m	
Limit 3 category – Authority's banker (where "No Colour")	-	£1m	£1m	1 day
Other institutions limit	-	£3m	£3m	5yrs
DMADF	UK sovereign rating	unlimited	£5m	6 months
Local authorities	n/a	£8m	£8m	5yrs
Housing associations	Colour bands	£8m	£8m	Per colour band
	Fund rating**	**Money and/or % Limit**		**Time Limit**
Money Market Funds CNAV	AAA	£10m	£10m	liquid
Money Market Funds LVNAV	AAA	£10m	£10m	liquid
Money Market Funds VNAV	AAA	£10m	£10m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark Pink / AAA	£8m	£8m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light Pink / AAA	£8m	£8m	liquid

* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see appendix 5.4.

** Please note: "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

4.3 Limits

Due care will be taken to consider the exposure of the Authority's total investment portfolio to non-specified investments, countries, groups and sectors.

a. **Non-specified treasury management investment limit.** The Authority has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 25% of the total treasury management investment portfolio.

b. **Country limit.** The Authority has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of *AA-*** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

- no more than 25% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies/institutions;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.5%.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Authority is asked to approve the following treasury indicator and limit: -

Upper limit for principal sums invested for longer than 365 days			
£m	**2025/26**	**2026/27**	**2027/28**
Principal sums invested for longer than 365 days	£5m	£5m	£5m
Current investments as at 30.11.24 in excess of 1 year maturing in each year	£0m	£0m	£0m

4.5 Investment Performance / Risk Benchmarking

This Authority will use an investment benchmark to assess the investment performance of its investment portfolio of 3 month SONIA Rate.

4.6 End of Year Investment Report

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

4.7 External Fund Managers

There are Council's funds which are externally managed within Money Market Funds with the following institutions:

- Aberdeen Standard Investments
- Federated Investors (UK) LLP
- Goldman Sachs Sterling Liquidity Fund
- CCLA – The Public Sector Deposit Fund

The Authority's external fund managers will comply with the Annual Investment Strategy. The agreements between the Authority and the fund managers additionally stipulate guidelines on duration and other limits in order to contain and control risk.

The Authority fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Authority is provided with a suite of regular reporting from its manager.

5 APPENDICES

1. Economic background
2. Approved countries for investments
3. Treasury management scheme of delegation
4. The treasury management role of the section 151 officer
5. Key Considerations

5.1 ECONOMIC BACKGROUND

The third quarter of 2024 (July to September) saw:

- Growth Domestic Product (GDP) growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3month year on year rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- Consumer Price Index (CPI) inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

Over the aforementioned period, the economy's stagnation in June and July pointed more to a mild slowdown in UK GDP growth than a sudden drop back into a recession. However, in the interim period, to 12 December, arguably the biggest impact on the economy's performance has been the negative market sentiment in respect of the fallout from the Chancellor's Budget on 30 October.

If we reflect on the 30 October Budget, our central case is that those policy announcements will prove to be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% year on year by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be elevated at 2.7% year on year (Quarter 4 2025) before dropping back to sub-2% in 2027. Nonetheless, since the Budget, the October inflation print has shown the CPI measure of inflation bouncing up to 2.3% year on year with the prospect that it will be close to 3% by the end of the year before falling back slowly through 2025. The RPI measure has also increased significantly to 3.4% year on year.

How high inflation goes will primarily be determined by several key factors. First amongst those is that the major investment in the public sector, according to the Bank of England, will lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises in the June 2025 Spending Review (pushed back from the end of March), and a tepid GDP performance.

Regarding having a sufficiently large pool of flexible and healthy workers, the initial outlook does not look bright. Research from Capital Economics has alluded to an increase of some 500,000 construction workers being needed to provide any chance of the Government hitting its target of 300,000 new homes being built in each of the next five years (234,000 net additional dwellings in England in 2022/23). But the last time such an increase was needed, and construction employment is currently at a nine-year low, it took 12 years to get there (1996 to 2008). Also note, as of October 2024, job vacancies in the construction sector were still higher than at any time in the 20 years preceding the pandemic.

Currently, it also seems likely that net inward migration is set to fall, so there is likely to be a smaller pool of migrant workers available who, in the past, have filled the requirement for construction worker demand. The Government plans to heavily promote training schemes, particularly to the one million 16- to 24-year-olds who are neither in education nor work. But it is arguable as to whether the employee shortfall can be made up from this source in the requisite time, even if more do enter the workforce.

Against, this backdrop, there may be a near-term boost to inflation caused by a wave of public sector cash chasing the same construction providers over the course of the next year or so, whilst wages remain higher than the Bank currently forecasts because of general labour shortages, including in social care where Government accepts there is a 150,000 shortfall at present.

Unemployment stands at a low 4.3% (September), whilst wages are rising at 4.3% year on year (including bonuses) and 4.8% (excluding bonuses). The Bank would ideally like to see further wage moderation to underpin any further gradual relaxing of monetary policy. Indeed, over the next six months, the market is currently only pricing in Bank Rate reductions in February and May – which would see Bank Rate fall to 4.25% - but further cuts, thereafter, are highly likely to be even more data-dependent.

If we focus on borrowing, a term we are likely to hear throughout 2025 is "bond vigilante". Essentially, this represents a generic term for when the market is ill at ease with the level of government borrowing and demands a higher return for holding debt issuance. In the UK, we do not need to go back too far to recall the negative market reaction to the Truss/Kwarteng budget of 2022. But long-term borrowing rates have already gradually moved back to those levels since their recent low point in the middle of September 2024. Of course, the UK is not alone in this respect. Concerns prevail as to what the size of the budget deficit will be in the US, following the election of Donald Trump as President, and in France there are on-going struggles to form a government to address a large budget deficit problem too. Throw into the mix the uncertain outcome to German elections, and there is plenty of bond investor concern to be seen.

Staying with the US, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks continue to abound in Europe, the Middle East and Asia.

In the past month, the US Core CPI measure of inflation has indicated that inflation is still a concern (3.3% year on year, 0.3% month on month), as has the November Producer Prices Data (up 3.0 year on year v a market estimate of 2.6% year on year, 0.4% month on month v an estimate of 0.2% month on month) albeit probably insufficient to deter the FOMC from cutting US rates a further 0.25% at its December meeting. However, with Trump's inauguration as President being held on 20 January, further rate reductions and their timing will very much be determined by his policy announcements and their implications for both inflation and Treasury issuance.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. More recently, however, 10 year gilt yields have spiked back up to 4.35%.

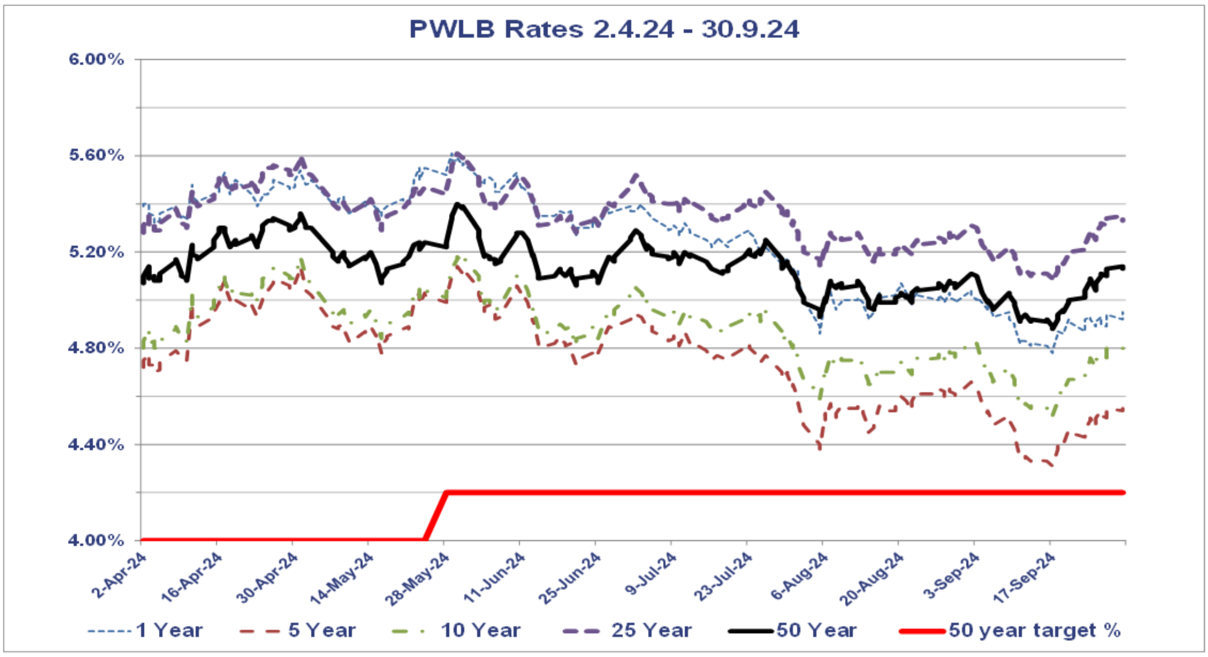
The FTSE 100 reached a peak of 8,380 in the third quarter of 2024 (currently 8.304), but its performance is firmly in the shade of the US S&P500, which has breached the 6,000 threshold on several occasions recently, delivering returns upwards of 25% year on year. The catalyst for any further rally (or not) is likely to be the breadth of AI's impact on business growth and performance.

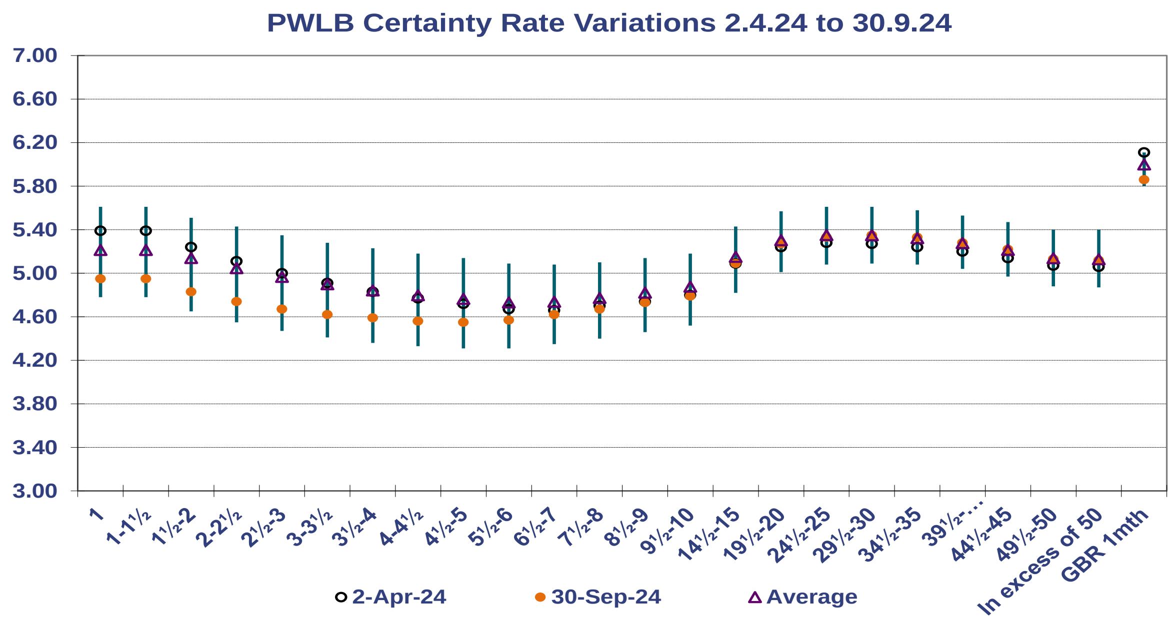
MPC meetings: 9 May, 20 June, 1 August, 19 September, 7 November 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

PWLB RATES 02.04.24 - 30.09.24





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

5.2 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Qatar

AA-

- Belgium
- France
- **U.K.**

5.3 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Audit Governance & Standards Committee/ Cabinet / Full Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Governance & Standards Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.4 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe covering at least the next ten years.
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

MAIDSTONE BOROUGH COUNCIL
CAPITAL STRATEGY 2025/26

CONTENTS

1. INTRODUCTION

1.1. CIPFA's Prudential Code, which governs the Council's capital investment and borrowing, requires councils to have a Capital Strategy. This document should provide a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with a description of how associated risk is managed and the implications for future financial sustainability.

1.2. Accordingly, the Capital Strategy articulates in a single place a number of strategies and policies that the Council already addresses elsewhere: it is an overarching document linking the Corporate Strategy, the Medium-Term Financial Strategy, the Treasury Management Strategy and the Asset Management Plan.

1.3. The strategy focuses upon the long-term ambition of the Council for its local area, residents and business, and is aligned with the Corporate Strategy in this regard. It is not purely a financial document but a whole organisation approach setting out how investment will support the delivery of the Council's strategic outcomes.

2. CAPITAL EXPENDITURE AND LINKS TO OTHER CORPORATE STRATEGIES

Corporate Strategy

2.1. Capital expenditure at Maidstone Borough Council plays a vital part in the Council's Corporate Strategy, since long term investment is required to deliver many of the objectives of the strategy.

2.2. The Corporate Strategy is going through an approval process and is due to be approved as part of the budget at the 19th February 2025 Council meeting. It sets out four objectives, as follows:

- A high quality place adapted for a changing climate.
- Resilient Communities.
- Quality Homes.
- Fairer Economy for people and planet.

The ways in which capital expenditure can support these priorities are described below.

A high quality place adapted for a changing climate

2.3. Taking action to mitigate and adapt to our changing climate, to ensure the borough is resilient and continues to thrive for future generations.

2.4. Protecting and restoring our environment and to create a better place that meets the social environmental and economic needs

Resilient Communities

2.5. Recognising and respecting equality, diversity and inclusion and engaging effectively with marginalized communities to understand the challenges they face and improve our policy and practice. Understanding and reducing poverty across our Borough and supporting our residents to live, good independent and healthy lives. This involves Engage with our underrepresented and unheard communities to understand their unique views and meet their needs.

2.6. Improving health and quality of life through strengthening communities and building trust.

Quality Homes

2.7. Reducing the number of people who are living in temporary accommodation or are homeless and the length of time people are on the housing waiting list. Expanding the stock of social and other affordable housing to our residents.

2.8. Improving the quality of types of accommodation and housing, reinforcing our residents' rights to safe, warm and dry homes.

- *Fairer Economy for people and planet*

2.9. Regenerative town and rural strategies, balancing ecology, community and economy to develop a circular, local economy that provides fulfilling jobs and improves the local environment

Capital Programme Proposals

2.10. Capital Programme proposals have been developed based on the principles set out above and reflect the strategic priorities agreed by Council when it set the current Strategic Plan. The Capital Programme 2025/26 to 2029/30 sets out the recommended programme for schemes which were programmed within the existing capital programme together with new schemes that it is now proposed to include within the capital programme. Details of some of the larger schemes are set out below.

Climate Transition

Carbon Reduction to Maidstone Borough Council Estate - £7,700,000

This includes the costs of a revised plan for decarbonisation of Maidstone House. The scope and cost are still being reviewed. When costs and a more detailed plan are ready, they will form part of the business case to assess benefits and cost.

Climate Change and Biodiversity Projects - £2,500,000

Funding to support projects in this area. This will encompass activity such as improving wildlife corridors and habitat connectivity, ecological enhancements and other nature-based solutions to mitigate flood and drought-induced low flow impacts.

Parkwood Property Investment to meet EPC targets - £2,000,000

The industrial estate is aging and needs modernising. A comprehensive schedule of works (modernisation, H&S and carbon) will be required to keep the assets in lettable condition and to attract and maintain tenants.

Corporate Services

Archbishop's Palace - £1,650,000

Costs of updating the property so that the potential new operator of the function can use the facility.

Corporate Property Acquisitions - £7,650,000

The is funding to support the purchase of new commercial properties that would provide support the economic development strategy.

Maidstone House - Improvements to Core Areas/Floor 4 - £2,100,000

Funding to ensure the 4th floor is modernised, such that it can be let as self-contained office units. The core areas (WC facilities) require updating and modernising throughout the building to continue to attract tenants.

Maidstone House - Lighting - £100,000

Funding to support the renewal of lighting to enhance visibility and to use LED lights and motion activation to reduce the cost of running them.

Environmental Services

Fleet Vehicle Replacement Programme - £1,400,000

Costs for replacing the current vehicle fleet as they come to the end of their useful life.

Alternative Fuel Vehicles - £750,000

Funding to allow the move over to electric vehicles where there is a suitable and sustainable solution.

Open Spaces – Section 106 funded works - £2,000,000

The Council currently uses S106 funding to improve access to the Borough's parks and open spaces. This often funds maintenance and improvement to the park’s infrastructure including pathways and fencing.

Housing

Quality Homes for Life - £170,267,000

The capital programme will deliver the corporate strategy priority of quality homes for life. Costs shown in the capital programme include completion of schemes where we are already on site (such as the Bathstore) and costs for delivery of Maidstone East and Springfield Library.

Temporary Accommodation - £30,000,000

The Council plans to continue buying homes on the open market for use as temporary accommodation, thus reducing the cost of the service. This line reflects both funding to support the final current TA purchases that are going through the legal process, where the offer of purchase has been agreed and will become available for use in the first quarter of 2025/26, together with the next phase of 81 further TA properties over a 3-year period.

Housing - Disabled Facilities Grants Funding - £7,000,000

The Council works with Kent County Council to deliver essential home modifications to enable people to continue living independently in their own homes. Assistance under this budget is funded by the government through the Better Care Fund.

Planned Preventative Maintenance - General Fund - £1,110,000

Funding to support PPM works on the housing stock in the general fund, ie properties used for temporary accommodation. The funding ensures that the properties are maintained and continue to be suitable for accommodation.

Gypsy, Romany and Traveller site - £4,000,000

This budget has been created with a view to the creation of a new high quality, well landscaped public Gypsy, Romany, Traveller site. Specific costings will be developed when a suitable location has been identified.

<u>Healthier, Stronger Communities</u>

Leisure Provision - £1,245,000

As part of the Maidstone Leisure Centre contractual extension, the Council committed to an investment programme to ensure that the facility remains fit for purpose and its income generating potential is maximised.

New Leisure Centre - £2,950,000

Funding to support the building of a new leisure centre. This will require development of options for a location and a specification of the Council's requirements. The majority of the likely costs, including the cost of any new building, are expected to fall outside the 5-year planning period.

Garden Community - £2,500,000

The Council is working in partnership with Homes England to promote the Heathlands Garden Community. Both partners are sharing the promotional and planning costs 50:50. The £2.5m in the capital programme reflects Maidstone's share of these costs.

Infrastructure Delivery including New Green Spaces - £2,500,000

Funding to support future infrastructure projects to be delivered by KCC and others. This funding gives us an opportunity to support and provide seed funding to the enable the projects to start.

A full list of the Council's Capital Programme can be found within Table 1 on page 14.

Medium-Term Financial Strategy

2.11. The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Corporate Strategy over the next five years. The new MTFS will continue to reflect the Corporate Strategy priorities.

2.12. The Corporate Strategy depends on the Council's financial capacity and capability. Accordingly, the MTFS considers the economic environment and the Council's own current financial position. The external environment is challenging because of low economic growth and the state of the UK's public finances. In assessing the Council's own financial position, attention is paid to its track record of budget management, current financial performance and the level of reserves that it holds. It is imperative that the MTFS both ensures Maidstone Council's continuing financial resilience and is sufficiently flexible to accommodate a range of potential scenarios. The Council has prepared financial projections under different scenarios, continuing a practice that has been followed for several years. The MTFS sets out financial projections based on the assumption that there will be no real terms increase in budgets and the constraints faced by the Council mean that its focus will be on maintaining existing services. The MTFS sets out a proposed approach which will address the budget gap in 2025/26. The position in future years is much more challenging and will require a more radical approach.

2.13. The Council's strategic priorities are met not only through day-to-day revenue spending but also through capital investment. The MTFS makes clear that the council's programme of building Quality Homes for Life will be the principal element of the Capital Strategy.

2.14. The approach to drawing up the MTFS and budget for 2025/26 was presented to the Climate Transition, Corporate and Environmental Services Policy Advisory Committee on 8th July 2024. No material amendments were proposed by this Committee or subsequently by the Cabinet 24th July 2024. The latest draft capital programme to be considered by Council on 19th February 2025 can be found at page 14 of this Strategy.

Treasury Management Strategy

2.15. The Treasury Management Strategy sets out how the Council manages its investments and cash flows, including banking, money market and capital market transactions, and how optimum performance is assured whilst managing the risks associated with these activities.

2.16. These specific aspects of the Treasury Management Strategy address the Council's capital expenditure plans and how borrowing needs are met. Capital expenditure is funded from internal resources, borrowing and third party contributions such as Section 106 and Community Infrastructure Levy (CIL) payments on new developments and grant funding, e.g. from Homes England. The Council allocates some internal resources to fund capital expenditure, including revenue funding and internal borrowing, along with external funding via grant funding and borrowing externally. Long term borrowing costs have been budgeted for within the MTFS. The Council currently has £5m of long-term loans with the PWLB, and has also committed to £80m long term funding through Aviva Life & Pensions UK

Limited, paid in tranches over the next 3 years, the first £40m being drawn down in February 2024.

2.17. The Prudential Code 2021 requires that Authorities include a long-term projection of external debt and the capital financing requirement (CFR). This projection should enable review of how the level of underlying borrowing for capital purposes (the CFR) is offset by other cash flows and balances, which (in nearly all authorities) reduce the level of actual debt required. This can be found within the Treasury Management Strategy Statement (TMSS) 2025/26.

Asset Management Plans

Housing

2.18. The longer term maintenance of the Council's capital assets is addressed by the Council's Asset Management Plan. Following the condition surveys carried out by Baily Garner of various properties within Maidstone Borough Council's (MBC's) portfolio, we now have the survey data and have produced a planned preventative maintenance programme covering a period of 30 years. The planned preventative maintenance programme enables a higher-level overview of the maintenance requirements for the portfolio and details the level of investment required over the next 30 years to maintain the assets.

Property

2.19. The asset plans for these are still being developed. We have considered some of the commercial assets and the need to maintain them. These are considered within the draft capital programme and all details are then reviewed on a case by case basis. The key projects will ensure we maintain them and in some case improve the assets are :

- Carbon Reduction to Maidstone Borough Council Estate - £7,700,000
- Parkwood Property Investment to meet EPC targets - £2,000,000
- Asset Management / Corporate Property - £875,000
- Maidstone House - Improvements to Core Areas/Floor 4 - £2,100,000
- Maidstone House - Lighting - £100,000
- Leisure Provision - £1,245,000
- Museum Development Plan - £480,000
- Lockmeadow Ongoing Investment - £500,000

The main property assets are operational or investment so are maintained to suitable standards to meet :

- Health & Safety standards
- Environmental standards
- Market conditions the maximise our commercial return.

3. GOVERNANCE FRAMEWORK

Background

3.1. Capital expenditure proposals are developed in response to the Council's Corporate Strategy, as described in the previous section. Individual schemes are incorporated in the capital programme, which is included within the Council's Medium Term Financial Strategy.

3.2. The MTFS states that capital schemes will be reviewed and developed so that investment is focused on the Corporate Strategy. The MTFS is updated on an annual basis, as part of the annual budget cycle.

3.3. Subsequent to preparation of the MTFS and its approval by Council each year, capital estimates form part of the annual budget that is submitted to Council for approval.

Developing capital expenditure proposals

3.4. The development of capital expenditure proposals follows certain core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:

(i) Required for statutory reasons, e.g. to ensure that Council property meets health and safety requirements;
(ii) Self-funding schemes focused on Corporate Strategy outcomes;
(iii) Other schemes focused on Corporate Strategy outcomes; and
(iv) Other priority schemes which will attract significant external funding.

3.5. All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:

(a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.

(b) Where schemes require the use of prudential borrowing, a business case must first be prepared setting out the viability and justification in terms of necessity or contribution to the delivery of strategic goals.

(c) Where schemes might improve the Environmental, Social and Governance (ESG) issues that are important to the Council. Some examples would be:

- Promoting greater environmental sustainability
- Local Community benefits
- Ethical sourcing practices

3.6. Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed, they may still be included within the programme if they fall within one of the four categories set out above.

3.7. If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme, a prioritised list of schemes that can be added to the programme as future resources permit will be created and approved by the relevant decisionmaker, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.

3.8. The MTFS requires the Council to identify actual funding before commencement of schemes. Accordingly, while schemes may be prioritised for the programme, ultimately commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.

3.9. The MTFS principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:

(a) The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies;
(b) Opportunities to obtain receipts from asset sales as identified in the Asset Management Plan and approved for sale by Cabinet;
(c) The approval of prudential borrowing when the following criteria also apply to the schemes funded by this method:

i. financial viability of the schemes can be clearly evidenced;
ii. the outcome returns economic value commensurate to the cost incurred by borrowing to fund the schemes;
iii. after covering the cost of funding, a further benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan or the medium term financial strategy.

(d) The use of residual one-off funding such as New Homes Bonus or Funding Guarantee for capital purposes (after any topslice to support the revenue budget), in line with the Council’s strategic plan priorities;
(e) The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.

3.10. Service managers submit proposals to include projects in the Council's capital programme. Bids are collated by the Finance Section who calculate the financing cost (which can be nil if the project is fully externally financed). The relevant decision maker appraises the proposals with reference to the Corporate Strategy. The Cabinet recommends the capital programme which is then presented to Council in February each year for approval as part of the budget.

3.11. Items in the capital programme are not approval to spend, they will require a business case to justify the approval to progress. This requires a business case before any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections is considered by the relevant service committee and approved by Cabinet.

3.12. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). Further details are set out in section 4 of the Capital Strategy.

Performance Monitoring

3.13. The Council has a corporate project management framework that applies to most of the projects included within the capital programme. This provides for designation of a project manager and sponsor, and includes a mechanism for progress on corporate projects to be reported quarterly at the Finance Quarterly Reviews led by the s151 officer.

3.14. The delivery of the capital programme and emerging schemes are also subject to oversight by the Strategic Investment Board, which meets regularly throughout the year. Membership of the board includes the Chief Executive (Chair), Director of Finance, Resources and Business Improvement, Director of Regeneration and Place, Monitoring Officer and Head of Finance.

3.15. Financial monitoring of capital projects is addressed by the Council's Financial Procedure Rules. Members of Policy Advisory Committees receive quarterly reports on capital expenditure for the services for which they are responsible, which is then also reported to Cabinet.

Capitalisation

3.16. Accounting principles govern what counts as capital expenditure. Broadly, it must yield benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets which are charged directly to service revenue accounts.

3.17. The Council has adopted a minimum threshold of £10,000 for capitalisation.

Asset Disposals

3.18. The Council's policy for asset disposals is set out in a policy adopted by the former Policy and Resources Committee at its meeting on 25th July 2017.

3.19. The policy distinguishes between the following categories.

- Operational Property held and used by the Council for the direct delivery of services for which it has either a statutory or discretionary responsibility. Assets may be disposed of if they have reached the end of their economic or useful life.

- Investment Property held by the Council for revenue generation purposes, which should be assessed by its potential for improved rates of return by either better asset management, or disposal and re-investment of the receipt.

- Community assets such as open space. The Council will not usually dispose of areas of parks or other areas which are classed as public open space.

3.20. Certain schemes within the capital programme are partially funded through sale of some of the completed asset(s) to partner organisations. In this case, the capital scheme value is shown net of these receipts in the capital programme, as the receipt is ringfenced for this purpose.

4. FINANCING THE CAPITAL PROGRAMME

4.1. Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, however there are various borrowing options within the commercial sector which are open to the Authority. All capital expenditure must be financed, either from external sources (government grants including Brownfield Release Fund, Homes England and New Homes Bonus, and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and other long-term liabilities). The planned Capital Programme 2025/26 to 2034/35 is set out in Table 1 below along with the planned funding for the programme in Table 2.

Table 1: Capital Programme 2025/26 to 2034/35

Scheme Name	2024/25 (Revised)	2025/26	2026/27	2027/28	2028/29	2029/30	5 Year Total	2030/31	2031/32	2032/33	2033/34	2034/35	10 Year Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Housing and Community Cohesion PAC													
Private Rented Sector Housing	745		1,478				**1,478**						**1,478**
Affordable & Social Housing Programme	20,113	18,791	40,600	42,887	33,905	33,574	**169,759**	28,900	21,837	10,023	14,288	11,939	**256,745**
Low Cost Home Ownership	817	412	96				**508**		3,750	3,010	6,123	5,117	**18,508**
Other Property - Community and Commercial	325												
Temporary Accommodation	9,000	3,000					**3,000**						**3,000**
Temporary Accommodation - new scheme		9,000	9,000	9,000			**27,000**						**27,000**
Housing - Disabled Facilities Grants Funding	1,400	1,400	1,400	1,400	1,400	1,400	**7,000**	1,400	1,400	1,400	1,400	1,400	**14,000**
Planned Prevenative Maintenance - General Fund		151	208	22	10	719	**1,110**	1,633	863	1,285	851	703	**6,445**
Gypsy, Romany and Traveller site.		500	1,500	2,000			**4,000**						**4,000**
Sub-Total	**32,400**	**33,254**	**54,282**	**55,309**	**35,315**	**35,693**	**213,855**	**31,933**	**27,850**	**15,718**	**22,662**	**19,159**	**331,176**
Planning and Healthier Stronger Communities PAC													
Leisure Provision	3,557	250	362	241	200	191	**1,245**	141	141				**1,528**
New Leisure Centre	50			50	900	2,000	**2,950**	15,000	29,000	13,000			**59,950**
Mote Park Kiosk Refurbishment & Extension	274	60					**60**						**60**
Kent Medical Campus - Innovation Centre	150												
Lockmeadow Ongoing Investment	11	100	100	100	100	100	**500**	100	100	100	100	100	**1,000**
Museum Development Plan	146	125	150	50	75	80	**480**	90	90	90	90	90	**930**
Garden Community	271	1,000	1,000	500			**2,500**						**2,500**
Tennis Courts Upgrade	21												
UKSPF Street Lighting & Greening Programme	300												
Public Realm & Greening relating to the Town Centre													
Infrastructure Delivery Including New Green Spaces		500	500	500	500	500	**2,500**	500	500	500	500	500	**5,000**
Skate Park / Pump Track			500				**500**						**500**
Flood Barrier		206					**206**						**206**
Sub-Total	**4,780**	**2,241**	**2,612**	**1,441**	**1,775**	**2,871**	**10,941**	**15,831**	**29,831**	**13,690**	**690**	**690**	**71,674**

Scheme Name	2024/25 (Revised)	2025/26	2026/27	2027/28	2028/29	2029/30	5 Year Total	2030/31	2031/32	2032/33	2033/34	2034/35	10 Year Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Climate Transition, Corporate and Environmental												ppendix D	
Asset Management / Corporate Property	781	175	175	175	175	175	**875**	175	175	175	175	175	**1,750**
Archbishop's Palace		1,600	50				**1,650**						**1,650**
Corporate Property Acquisitions	4,100	1,400	1,500	1,750	1,750	1,250	**7,650**	1,250	1,250	1,250	1,250	1,250	**13,900**
Other Property Works	606												
Biodiversity & Climate Change	355												
Photovoltaic Panels													
Carbon Reduction to Maidstone B.C. Estate		3,850	3,850				**7,700**						**7,700**
Feasibility Studies	56	50	50	50	50	50	**250**	50	50	50	50	50	**500**
Digital Projects	30	30	30	30	30	30	**150**	30	30	30	30	30	**300**
Software / PC Replacement	186	250	200	200	200	200	**1,050**	200	200	200	200	200	**2,050**
Maidstone House Works	5												
Maidstone House - Improvements to Core Areas/Floor 4		600	500	500	500		**2,100**						**2,100**
Maidstone House - Lighting		100					**100**						**100**
Café and Toilet facilities at Brenchley Gardens		100					**100**						**100**
Fleet Vehicle Replacement Programme	965	300	200	300	300	300	**1,400**	300	300	300	300	300	**2,900**
Alternative Fuel Vehicles		150	150	150	150	150	**750**	150	150	150	150	150	**1,500**
Flood Action Plan	58	150					**150**						**150**
Continued Improvements to Play Areas	185	60	70	80	80	80	**370**	80	80	80	80	80	**770**
Parks Improvements	260	70	80	90	100	100	**440**	100	100	100	100	100	**940**
Parks Improvements - Infrastructure Maintenance	200	200	200	200	200	200	**1,000**	200	200	200	200	200	**2,000**
Grounds Maintenance Machinery Replacement Programme		65	105	123	42	75	**410**	75	75	75	75	75	**785**
Waste Crime Team - Additional Resources	41	10	10	10	10	10	**50**	10	10	10	10	10	**100**
Open Spaces - Section 106 funded works	400	400	400	400	400	400	**2,000**	400	400	400	400	400	**4,000**
Improvements to Cemetery	154	38					**38**						**38**
Purchase of New Waste Collection Vehicles	2,805	250					**250**	6,380					**6,630**
Automation Projects													
New Ways of Working - Make the Office Fit for Purpose													
Automation of Transactional Services													
Expansion of Crematorium	194												
Medway Street Car Park													
Customer Contact Access Point.		250					**250**						**250**
Sub-Total	**11,380**	**10,848**	**8,320**	**5,058**	**4,987**	**4,020**	**33,232**	**9,700**	**3,320**	**3,320**	**3,320**	**3,040**	**55,932**
TOTAL	**48,560**	**46,343**	**65,214**	**61,808**	**42,078**	**42,585**	**258,028**	**57,464**	**61,002**	**32,728**	**26,672**	**22,889**	**458,782**

Table 2: Capital Financing

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000	Total 25/26 to 34/35 £000
External sources	9,821	14,050	3,238	15,363	27,738	9,488	12,425	12,425	1,800	24,113	20,113	140,750
Own resources - incl Internal borrowing/MRP	2,250	2,445	2,250	2,250	2,250	3,950	2,250	2,250	2,250	2,250	2,250	24,395
External Borrowing	36,489	29,848	59,726	44,196	12,090	29,147	42,789	46,327	28,678	310	526	293,637
TOTAL	**48,560**	**46,343**	**65,214**	**61,808**	**42,078**	**42,585**	**57,464**	**61,002**	**32,728**	**26,672**	**22,889**	**458,782**

4.2. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP is set out below; no assumptions have been made here about capital receipts.

Table 3: Replacement of debt finance

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000	Total 25/26 to 34/35 £000
MRP	1,971	1,863	2,126	2,686	3,109	3,260	3,571	4,016	4,510	4,866	4,983	34,989
Capital receipts	0	1,000	0	0	7,000	0	0	0	0	11,375	7,375	26,750
TOTAL	**1,971**	**2,863**	**2,126**	**2,686**	**10,109**	**3,260**	**3,571**	**4,016**	**4,510**	**16,241**	**12,358**	**61,739**

4.3. The Council's full minimum revenue provision statement is included within the Treasury Management Strategy.

4.4. The cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £258.6m over the next 10 years. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000
Brought forward	93,690	128,208	156,193	213,793	255,303	264,284	290,171	329,389	371,700	395,869	391,312
Capital Expenditure	48,560	46,343	65,214	61,808	42,078	42,585	57,464	61,002	32,728	26,672	22,889
External funding	-9,821	-14,050	-3,238	-15,363	-27,738	-9,488	-12,425	-12,425	-1,800	-24,113	-20,113
Own resources	-2,250	-2,445	-2,250	-2,250	-2,250	-3,950	-2,250	-2,250	-2,250	-2,250	-2,250
MRP	-1,971	-1,863	-2,126	-2,686	-3,109	-3,260	-3,571	-4,016	-4,510	-4,866	-4,983
TOTAL CFR	**128,208**	**156,193**	**213,793**	**255,303**	**264,284**	**290,171**	**329,389**	**371,700**	**395,869**	**391,312**	**386,856**

Borrowing Strategy

4.5. The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. Due to increasing interest rates, the Council secured £80m of long term borrowing through Aviva Life & Pensions UK Limited to fund the increasing capital programme at a cost of 2.87%. The first tranche totalling £40m was received in February 2024, with the remainder on the following dates:

- February 2025 £20m
- February 2026 £20m

4.6. Projected levels of the Council’s total outstanding debt (which comprises borrowing and other long-term liabilities) are shown below, compared with the capital financing requirement

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.03.25 budget £000	31.03.26 budget £000	31.03.27 budget £000	31.03.28 budget £000	31.03.29 budget £000	31.03.30 budget £000	31.03.31 budget £000	31.03.32 budget £000	31.03.33 budget £000	31.03.34 budget £000	31.03.35 budget £000
Debt (excl.PFI & leases)	81,489	111,337	171,063	215,259	227,349	256,496	299,285	345,612	374,290	374,600	375,126
Capital Financing Requirement	128,208	156,193	213,793	255,303	264,284	290,171	329,389	371,700	395,869	391,312	386,856

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 5, the Council expects to comply with this.

4.7. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 6: Prudential Indicators: Authorised limit and operational boundary

Authorised Limit

	31.03.25 budget £m	31.03.26 budget £m	31.03.27 budget £m	31.03.28 budget £m	31.03.29 budget £m	31.03.30 budget £m	31.03.31 budget £m	31.03.32 budget £m	31.03.33 budget £m	31.03.34 budget £m	31.03.35 budget £m
Borrowing	96.489	126.337	186.063	230.259	242.349	271.496	314.285	360.612	389.290	389.600	390.126
Other Long Term Liabilities	0.309	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	**96.798**	**126.337**	**186.063**	**230.259**	**242.349**	**271.496**	**314.285**	**360.612**	**389.290**	**389.600**	**390.126**

Operational Boundary

	31.03.25 budget £m	31.03.26 budget £m	31.03.27 budget £m	31.03.28 budget £m	31.03.29 budget £m	31.03.30 budget £m	31.03.31 budget £m	31.03.32 budget £m	31.03.33 budget £m	31.03.34 budget £m	31.03.35 budget £m
Borrowing	86.489	116.337	176.063	220.259	232.349	261.496	304.285	350.612	379.290	379.600	380.126
Other Long Term Liabilities	0.309	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	**86.798**	**116.337**	**176.063**	**220.259**	**232.349**	**261.496**	**304.285**	**350.612**	**379.290**	**379.600**	**380.126**

4.8. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

4.9. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 7: Treasury management investments

	31.03.25 budget £000	31.03.26 budget £000	31.03.27 budget £000	31.03.28 budget £000	31.03.29 budget £000	31.03.30 budget £000	31.03.31 budget £000	31.03.32 budget £000	31.03.33 budget	31.03.34 budget	31.03.35 budget £000
Short-term investments	41,149	31,563	15,421	9,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Longer-term investments	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total	**46,149**	**36,563**	**20,421**	**14,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**

4.10. In years 2023/24 to 2025/26, it is envisaged short term balances will be high due to the forward loans with Aviva Life & Pensions UK Ltd which will be received in February of each financial year. This is expected to be short term as the funds will be utilised within the capital programme.

4.11. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance, Resources and Business Improvement and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are included within the budget monitoring reports which are presented to the Council's Corporate Services Policy Advisory Committee with the half yearly and annual reviews which are scrutinised by Audit, Governance and Standards Committee then recommending to Full council. The Audit, Governance and Standards Committee is responsible for scrutinising treasury management decisions.

4.12. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. Full budget provision is made for capital financing costs within the Council's revenue budgets. This is based on estimates derived from the capital programme, and projected 50 year borrowing costs.

Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget	2029/30 budget
Financing costs (£m)	-0.329	0.400	3.178	5.196	5.673	6.699
Proportion of net revenue stream (%)	-1.205	1.432	11.090	17.850	19.136	22.118

4.13. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend beyond 5 years into the future. The Director of Finance, Resources and Business Improvement is satisfied that the proposed capital programme is prudent, affordable and sustainable.

4.14. The Authority is required to estimate and measure the Liability Benchmark which is based on 3 month SONIA (Sterling Overnight Index Average) Rate.

Other Long Term-Liabilities

4.15. This section deals with other long term liabilities to which the Council has committed itself in order to secure capital investment. The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.

4.16. The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council then repaid this loan over a 15 year term, by equal monthly instalments which ended in 2024/25. Ongoing investment in the Leisure Centre is now funded directly by the Council as it can access capital finance at relatively low cost.

4.17. The CIPFA LAASAC Local Authority Accounting Code Board deferred implementation of IFRS16 until 1st April 2024, the 2024/25 financial year, which brings leases that have a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration on to the balance sheet as long term liabilities. The Council has reviewed the assets that would fit this criteria, assets such as temporary accommodation properties, private sector landlords and printing Multi Functional Devices (MFD's) are deemed to be di-minimis and are not included at this time until a full exercise is undertaken. If there are any material effects from this, these will be reported to the Committees in mid 2025.

5. Investment Strategy

Service Investments: Loans

5.1. The Council can make investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, Charities and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to provide value for money to the tax payer.

5.2. The Council has made a loan to Kent Savers (now part of Wave Community Bank) for £25,000 in 2017/18 which is repayable in 2032/33 at an interest rate of 1%. A loan to Cobtree Manor Estates Trust towards the construction of the new car park has been repaid in 2024/25. There has been no agreement to enter into further service loans in the immediate future.

5.3. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. As these loans are very small materially, no loss allowance is required to be accounted for.

5.4. The Authority assesses the risk of loss before entering into a loan agreement assessing the borrower's ability to repay the loan, based on past financial performance. This is monitored over the period of the loan in line with the agreed repayment terms.

Commercial Investments: Property

5.5. The Council does not currently have any investments in property that are considered to be purely commercial in nature, i.e. primarily for yield. Acquisitions are limited to properties situated within the borough, with the intention of supporting the local community, housing and regeneration objectives rather than for the exclusive purpose of generating profits. All property investments are therefore classified as general fund capital projects.

5.6. The Director of Finance, Resources and Business Improvements confirms the authority has complied with paragraphs 51 to 53 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest for the primary purpose of financial return.

6. KNOWLEDGE AND SKILLS

6.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Director of Finance and Business improvement is a qualified accountant with over 20 years' experience in local government, the Head of Property and Leisure is a RICS qualified surveyor and her team are experienced in Property Management. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), and ACCA.

6.2. The Council also employs Link Asset Services for Treasury Management advice, who support with the provision of training to members.

6.3. Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance, Resources and Business Improvement and relevant committee (where appropriate) and must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.

6.4. Staff are kept updated on latest developments on Treasury, Non-Treasury and Capital through email bulletins and training courses through the

Council's advisors Link Asset Services. The Council is also part of the Kent Treasury Benchmarking Group which meet to discuss ongoing issues every 6 months.

6.5. Training is offered to all Members on Treasury, Non-Treasury and Capital to prior to decision making on the relevant Strategies. Training is arranged at least every year, maybe earlier for new Members.

7. RISK MANAGEMENT

7.1. The capital programme forms an increasingly important part of the Council's strategy for delivering its overall priorities. Accordingly, it is of fundamental importance that the associated risks are managed actively. The Council has a comprehensive risk management framework, through which risk in relation to capital investment is managed at all levels.

Corporate

7.2. Corporate risks are identified and reported on a quarterly basis to the Corporate Leadership Team and Corporate Services PAC. Risks are owned by named Directors and controls developed to mitigate risk. Risks at this level may be generic, relating to a number of capital projects, although it is possible that a single capital project could pose a corporate risk.

Financial

7.3. A Budget risk register seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.

7.4. Typically, risks in this area would relate to funding of the capital programme and over/underspending on individual capital projects.

7.5. For all risks shown on the Budget Risk Register, appropriate controls have been identified and their effectiveness is monitored on a regular basis.

Service

7.6. Individual service areas maintain risk registers, with identified risk owners and details of controls to mitigate risk.

Project

7.7. The Council's project management framework requires managers to maintain risk registers at a project level.