

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 7 February 2024

Medium Term Financial Strategy 2024 to 2029 - Funding Settlement and Final Saving Proposals

Issue for Decision

To consider the proposed budget for 2024/25 that brings together revenue and capital budget proposals for 2024/25, including a proposed level of Council Tax, so that a balanced budget may be approved, alongside the proposed capital programme for 2024/25 to 2033/34, the Treasury Management Strategy and associated Strategies and Council's level of reserves.

The budget proposals are consistent with the Medium Term Financial Strategy approved by Cabinet on 20 September 2023 and individual revenue and capital budget proposals have been considered by the relevant Policy Advisory Committees and Overview and Scrutiny Committee.

Decision Made

That

1. The outcomes of consideration of budget proposals by the Policy Advisory Committees be noted;
2. The Budget Growth and Savings Proposals set out in Appendix A of the report, be agreed;
3. £139,000 of the unringfenced government grant described in paragraphs 2.5 and 2.6 of the report be used for one-off support to financial inclusion and food larder services, be agreed, and that the call on on-off funding for financial inclusion by £59,000 is reduced in recommendation 15, be noted;
4. The maximum use is of made of other residual one-off funding from other relevant council budgets to further sustain financial inclusion and food larder services, be agreed, and the position to be kept under review so that the Council can respond to changes in circumstances and future funding opportunities;
5. The balance of the unringfenced government grant described in paragraphs 2.5 and 2.6 of the report be transferred to the Housing Investment Fund, to be used to subsidise the Council's Affordable Housing programme, be agreed;
6. The updated Strategic Revenue Projection set out in Appendix B of the report, be agreed;
7. A £8.46 annual increase in Band D Council Tax for 2024/25 be

- recommended to Council;
8. The Revised Estimates for 2023/24 and the Budget Estimates for 2024/25 set out in Appendix C of the report be recommended to Council;
 9. The Capital Programme set out in Appendix D of the report be recommended to Council;
 10. The Treasury Management Strategy, Investment Strategy and Capital Strategy set out in Appendix E of the report be recommended to Council;
 11. The projected level of General Fund balances in Appendix F of the report exceeds the agreed minimum level of £4 million, be noted;
 12. The updated Medium Term Financial Strategy set out in Appendix G, be agreed;
 13. The appropriate matters for decision to set a balanced budget for 2024/25 and the necessary level of Council Tax in accordance with the Local Government Finance Act 1992 and the Localism Act 2011 including the decisions made above, be recommended to Council;
 14. The measures in the Regeneration and Levelling-up Act to reduce the period before charging a Council Tax premium on empty property from two years to one and to charge a Council Tax premium on second homes, be recommended to Council to be implemented from 1 April 2025;
 15. It utilises the £92,000 budget surplus referenced in paragraph 2.34 for financial inclusion (Welfare Officer and dashboard for tracking low income families - £59,000) and at least one issue per annum of Borough Insight (£33,000);
 16. An amendment to the repayment date for the loan to Kent Savers referenced on Page 97 from 2027 to 2032, be noted.
 17. The officers be thanked for their work on the Budget over the last year.

Reasons for Decision

Background

The framework for the annual budget setting process is set out in the Medium Term Financial Strategy (MTFS). The MTFS 2024/25 – 2028/29 was considered by the Corporate Services Policy Advisory Committee on 11 September 2023 and subsequently approved by the Cabinet at its meeting on 20 September 2023.

The core MTFS scenario (Scenario 4) assumed that, even after increasing the Council Tax by the maximum possible within the referendum threshold, there would still be a budget gap of £ £925,000 in 2024/25, mainly owing to the impact of inflation on the Council's costs, with a steadily increasing budget gap in subsequent years. Following consideration of budget savings proposals and

other developments, as detailed in the table at paragraph 2.34, it is now possible to recommend a balanced budget, provided that the savings proposals are adopted and Council Tax is increased up to the referendum threshold of 3%. However, the longer term position remains challenging, and further work will be needed to address this the budget gaps forecast for future years.

Local Government Finance Settlement

Separately from ongoing income from Council Tax and Business Rates, the Local Government Finance Settlement announced on 18 December 2023 confirmed the following un-ringfenced government grants:

	2024/25
	£000
New Homes Bonus	1,492
Funding Guarantee	3,329
Total	4,821

Although New Homes Bonus has reduced from £1.9 million in 2023/24 to £1.5 million in 2024/25, this is compensated for by an increase in the Funding Guarantee. The Funding Guarantee is intended to ensure that all councils see a minimum increase in Core Spending Power of 3%, before any increase in Council Tax. The Funding Guarantee has been a feature of the Local Government Finance Settlement for the past two years, but no commitment has been made that it will continue and so it must be treated as one-off funding.

A further announcement was made by the Secretary of State for Levelling Up, Housing and Communities on 24 January 2024, in which it was stated that there would be a further increase of 1% in Core Spending Power. Individual local authority allocations have not been announced yet, but to the extent that the effect of this announcement will be to increase the Funding Guarantee, it is proposed that recommendations in the report relating to the Funding Guarantee will apply to any extra funding received.

One-off funding provides additional resources which it is appropriate for the Council to invest in order to deliver its strategic objectives. Details of relevant budget proposals are set out below.

Deprivation and Health Inequalities

The Council has been successful in securing funding from third parties for services to address financial inclusion and health inequalities including the food ladders for the last two years, principally from the government's Household Support Fund, (allocated by the Department for Work and Pensions to Kent County Council who then passport an allocation to district councils) and from the West Kent Health and Care Partnership (health inequalities funding stream). Implementing these services is consistent with MBC's Strategic Plan particularly our cross-cutting objectives of tackling deprivation and reducing health inequalities.

At the time of writing the government has made no commitment to continue the Household Support Fund. Furthermore, the Council has been advised that the funding stream that has established food ladders via the West Kent Health

and Care Partnership will be redirected by the Integrated Care Board.

It is proposed that the Council supports continuation of financial inclusion services and the food larders by making an allocation of £198,000 from the Funding Guarantee provided by government for 2024/25. This would enable short term continuation of the council's welfare offer and food larders. It is further proposed that residual one-off funding from other relevant council budgets is maximised to further sustain these services. The position will be kept under review so that MBC can respond to changes in circumstances and future funding opportunities.

Housing Investment Fund

The Council has had a longstanding policy of deploying New Homes Bonus and Funding Guarantee to support the capital programme. This will help the Council to implement its ambitious programme, including new developments at Corben's Yard, Britannia House, Maidstone East and Springfield Library, whilst minimising external borrowing and containing pressure on the revenue budget.

In the Autumn of 2021, the Leader of the Council announced his ambition for the council to build 1,000 affordable homes in the shortest period possible. This will require external borrowing on a scale not previously undertaken by the Council. In order to ensure the availability of funds for the first phase of this programme at a guaranteed cost, the Council has committed to forward borrowing of £80 million, to be drawn down between 2024 to 2026. Any such borrowing must meet the Prudential Code requirement to be sustainable and affordable.

The provision of affordable housing involves an inherent requirement for subsidy, as the level of borrowing required could not be sustained by affordable rents alone. It is anticipated that some of this subsidy will be met through external grant, but there will be a residual requirement for the Council to provide a subsidy, which has been estimated as £50,000 per unit.

Accordingly, it is envisaged that the balance of the 2024/25 un-ringfenced government grants referenced in paragraphs 2.5 and 2.6 will be transferred to the Housing Investment Fund. This is consistent with previous decisions of the Council and with the Medium Term Financial Strategy, which has been considered regularly by the Policy Advisory Committees and the Cabinet throughout the last 12 months.

Feedback from Policy Advisory Committees and Overview and Scrutiny Committee on Budget Proposals

Corporate Services Policy Advisory Committee (11 September 2023)

The revenue budget proposals for services within the remit of the Committee were approved, with the exception of the two growth items relating to biodiversity and climate change, which would need further review by the Committee in conjunction with a further report on the Biodiversity and Climate Change Action Plan. Following further review, these growth proposals have now been included in the final budget proposals.

There was no other substantive feedback from the Policy Advisory Committees or the Overview and Scrutiny Committee.

Updates to Budget Proposals

Council Tax

The Cabinet agreed at its meeting on 17 January 2024 that the Council Tax Base for 2024/25 would be 68,263.55. The agreed Council Tax Base will yield total Council Tax income of £19,997,807 if Band D Council Tax is increased by 3% (£8.46). This is marginally more than the original MTFS assumption of £19.967 million.

Assuming the maximum potential increases in precepts from other organisations, the overall level of Band D Council Tax would be as follows:

	% change from last year	£
Kent County Council	5.0	1,610.82
Maidstone Borough Council	3.0	292.95
Kent Police and Crime Commissioner	5.4	256.15
Kent Fire and Rescue Service	3.0	89.91
ANNUAL CHARGE FOR 2024/25	4.7	£2,249.83

The Council Tax base report to the Cabinet on 24 January 2024 projected a deficit of £301,992 as at 31 March 2024, which will be debited to the Funding for Future Collection Fund Deficits Reserve in 2024/25.

Within the Council Tax base, allowance has been made for the Council Tax that may currently be collected on empty homes and second properties. With effect from 1 April 2024 the Regeneration and Levelling-Up Act 2023 will allow Councils to collect further Council Tax on such properties.

Currently, if a property has been unoccupied and unfurnished for 2 years but less than 5 years, then a 100% council tax premium can be applied to the property. The Act provides for this 2-year period to be shortened to 1 year. This will encourage owners to bring properties back into use so they are not left empty for extended periods.

So far as second homes are concerned, it will become possible to charge a council tax premium on second homes. Second homes are already liable for Council Tax, but the Act allows councils to apply a 100% council tax premium on second homes. This would mean an owner of a second home in the borough would pay double the normal council tax charge.

Approval is sought to implement these changes with effect from 1 April 2025.

Business Rates

The Business Rates income estimate for 2024/25 is based on the recently completed NNDR1 return that has to be provided to the Department for Levelling Up Housing and Communities each January.

The government's Settlement Funding Assessment, i.e. the notional amount that the government calculates as due to the Council, after payments to preceptors and the government's tariff, excluding any growth, is £4.456

million, as set out in the Provisional Local Government Finance Settlement. This includes an element for inflation, which at the relevant date was 6.4% per annum. Together with inflation on business rates growth, this is worth an additional £643,000 compared with the amount anticipated in the MTFS.

The NNDR1 return indicates that, as in previous years, business rates will be higher than the baseline, owing to growth in excess of inflation over the years since the baseline was set in 2013/14.

Kent County Council and eight of the Kent districts continue to pool their business rates growth, which has the effect of reducing the levy on business rates growth that would otherwise be payable to central government. As previously agreed by Council, Maidstone's 30% share of the saving on the levy is ringfenced for investment in the Council's economic development strategy. A further 30% represents a Growth Fund, which it has been agreed with Kent County Council will be split 50:50 for initiatives at Maidstone East. Neither of these amounts are reflected in the Strategic Revenue Projection, as they have been earmarked for specific purposes.

The NNDR1 indicates that there will be a deficit of £85,812 on the NNDR element of the collection fund as at 31 March 2024, which will be debited to the Funding for Future Collection Fund Deficits Reserve.

Fees and Charges

The level of fees and charges made by each Service Area was considered by Policy Advisory Committees and the Cabinet at their meetings in December 2023. As part of these decisions, it was agreed that there would be no increase in parking fees and there would be no charges for bin replacements. This has created additional pressures of £250,000 and £100,000 which have been reflected in the updated Strategic Revenue Projection at Appendix B to the report.

Inflation

For the purpose of the draft Medium Term Financial Strategy presented to the Cabinet in September 2023, it was assumed that the cost services would increase by 5% for the rate of inflation was assumed. The detailed budget proposals in the SRP at Appendix 2 to the report now include line-by-line estimates for individual categories of expenditure. In some cases the assumption is for a higher increase, e.g. where contract prices are linked to inflation indices.

The assumption in relation to pay costs in the Medium Term Financial Strategy is a 5% increase in the pay envelope, representing 5% for basic pay and 1% to allow for increments awarded as staff move up the spine points on their pay grade. Under the Constitution, responsibility for undertaking negotiations and consultation with staff through their trade unions on all matters relating to employment lies with the Chief Cabinet as the Head of Paid Service. These matters include the annual pay settlement, as the Council is not part of any national pay agreements.

An additional £1 million contingency for excess inflation was included in the strategic revenue projections when the Council set a budget for 2022/23, and

was retained in 2023/24, given the increasing rate of inflation at the time. The rate of inflation now appears to be on a downward trajectory and it is therefore proposed that this contingency be removed from the budget for 2024/25.

Revenue costs of capital programme

A review of the budget provision for the revenue costs of the capital programme, i.e. financing costs and Minimum Revenue Provision, in light of the 10-year capital programme proposals, has led to an increase of £30,000 as compared with initial projections. It will increase further in subsequent years in line with the expansion of the capital programme.

Updated savings proposals

There have been some changes in the savings proposals since the September meeting following further developments, as follows.

- Assuming that the numbers in temporary accommodation remain at the current levels, an additional provision of £250,000 is required (in addition to the existing growth of £200,000, which is net of £400,000 savings from accommodating families in our own stock).
- The budget includes provision for income of £125,000 from new commercial property acquisitions. None have been made so far in 2023/24, so this income needs to be removed from the budget. The corresponding borrowing costs have been included within the amendment to revenue costs of the capital programme (see above).
- Additional savings of £9,000 are expected from the proposed expansion of the Revenues and Benefits shared service.
- Savings of £25,000 and £50,000 respectively have been deferred by one year in Payroll Services and Transformation
- A restructure of the major projects team within Planning Services has allowed a saving of £86,000 to be made.

Summary

In summary, the impact of the above changes to the Strategic Revenue Projection for 2024/25, as compared with the position shown in the scenario 4 within the Medium Term Financial Strategy agreed by the Cabinet on 20 September 2023, is as follows:

	£000
Budget Gap as presented to Cabinet September 2023	-925
Funding	
CT funding assumptions - increase in property base (CTB)	31
BR funding assumptions - inflationary increase	643
Pressures	
Fees and charges shortfall - including £250k re no parking	-180

fee increase	
Refuse bins - new pressure from policy decision	-100
Change to cost inflation	106
Increased cost from Capital Programme Revenue Costs	-30
Savings	
New Savings - original figure	902
Temporary Accommodation - additional growth	-250
Commercial Property - reduced saving as no acquisitions likely in 23/24	-125
Revenues and Benefits - additional savings from expanded shared service	9
Savings deferred by one year (Payroll Services and Transformation)	-75
Major projects saving	86
Budget Surplus	92

It is recommended that the budget surplus be carried forward to 2025/26 to offset the budget gap anticipated in future years.

The updated Strategic Revenue Projections indicate that there will be a budget gap in 2025/26. The likely impact of a business rates reset and the implementation of fair funding means that a still larger deficit is projected in 2026/27, and this deficit will increase over the remaining term of the MTFS.

Revenue Estimates ('Budget Book')

Attached at Appendix C to the report is a summary of the revenue budget for 2024/25, based on the assumptions above. The summary shows the Original Estimate 2023/24 as approved by Council in February 2023; the Revised Estimate 2023/24 calculated as part of the budget development work completed this year; and the Estimate for 2024/25 based upon the details set out in the report. The Estimate for 2024/25 is analysed between gross expenditure, income and net expenditure, so that Members may see clearly how income generated by the Council contributes towards expenditure budgets.

Appendix C to the report presents the Committee with the budget structured in line with the relevant Policy Advisory Committees and separately structured in line with the strategic priorities set out in the Strategic Plan.

The Revised Estimate 2023/24 shown in Appendix C to the report totals £25.777 million. This figure is net of all income with the exception of the use of balances and the council tax requirement.

The Estimate for 2024/25 shown in Appendix C to the report totals £27.278 million. This incorporates all the items discussed above. The figure is net of all income with the exception of Council Tax and Business Rates income. It excludes precepts.

Capital Programme

A draft Capital Programme was reported to the Cabinet at its meeting on 24

January 2024. The Capital Programme totals £434 million over ten years. Details are set out Appendix D to the report.

It should be noted that the capital programme sets an overall framework for spending, and specific approval is required for individual schemes within the programme. Accordingly, for example, the balance between private rented sector housing and affordable housing within the capital programme may alter from that shown in Appendix D to the report.

Treasury Management Strategy

The framework for funding the capital programme and the Council's activities generally is set out in the Treasury Management Strategy. The Council has adopted CIPFA's Code of Practice for Treasury Management in Public Services, which requires the Council to produce three linked strategy documents: a Treasury Management Strategy, an Investment Strategy and a Capital Strategy. These are included as Appendix E to the report and have already been considered by the Audit, Governance and Standards Committee at its meeting on 15 January 2024.

In summary, the Treasury Management Strategy envisages that the capital programme will be funded by borrowing, as permitted subject to the guidance set out in the Prudential Code. The proposals set out in the report indicate a need for up to £327 million of prudential borrowing over the lifetime of the capital programme. The revenue costs of this borrowing are reflected in the Strategic Revenue Projections.

Balances / Earmarked Reserves

Attached at Appendix F to the report is a statement of general fund balances and details of earmarked reserves. The earmarked reserves incorporate a capital reserve that includes all of the retained New Homes Bonus and other revenue support to the capital programme available from previous years.

Unallocated General fund balances are estimated to remain at around the current level of around £15 million. In considering the level of reserves that should be maintained the Committee should consider the minimum below which the Committee cannot approve the use of balances without agreement by the Council. It was agreed by Council at its meeting on 22 February 2023 that the minimum level of balances be increased to £4 million and no change is proposed to this amount.

It can be seen that the level of reserves is comfortably in excess of the minimum level of £4 million. However, they still only represent around three months' worth of service expenditure, so are not excessive.

Medium Term Financial Strategy

Attached as Appendix G to the report is the Medium Term Financial Strategy, updated to reflect the latest position as described in the report.

The financial projection that complements the Medium Term Financial Strategy is the Strategic Revenue Projection given at Appendix B to the report. The financial projection considers the need for growth and savings over the period of the Medium Term Financial Strategy and incorporates assumptions about

inflation and changes in local and national pressures.

The financial projection that complements the Capital Medium Term Financial Strategy Statement is the capital programme given at Appendix D to the report.

Amendments to the Strategy may be recommended by the Policy Advisory Committee. The Strategy may require amendment following the Cabinet's consideration of the report or following consideration by Council on 21st February 2024. The final versions will be published as part of the budget documents on the Council's website following the Council meeting.

Consultation Results And Previous Committee Feedback

The Cabinet received an initial report on the MTFS at its meeting on 26 July 2023 and has subsequently received further reports on the development of the budget for 2024/25.

A Residents' Survey was carried out in Autumn 2023 to obtain their views on the issues to be considered when setting a budget. The findings were reported to Policy Advisory Committees and the Cabinet in December 2023.

Detailed budget proposals were considered by the Policy Advisory Committees and the Overview and Scrutiny Committee. The outcomes of this consultation are set out in this record of decision.

Following the Corporate Services Policy Advisory Committee on 5 February 2024, where it was recommended that all of the report recommendations be approved, an additional recommendation was outlined to the Committee to utilise the £92,000 budget surplus for financial inclusion, including the hiring of a welfare officer, a dashboard for tracking low income families and at least one issue per annum of the Council magazine, Borough Insight.

Alternatives considered and why rejected

To make recommendations for amendments to the budget as set out in this report, including the proposed increase in Council Tax.

This was not selected as the Council is statutorily required to set a balanced budget in time for the new financial year and in time for council tax billing to be achieved.

Background Papers

None.

I have read and approved the above decision for the reasons (including possible alternative options rejected) as set out above.



Signed: _____
Leader of the Council – Councillor David Burton

Full details of both the report for the decision taken above and any consideration by the relevant Policy Advisory Committee can be found at the following area of the [website](#)