

Medium Term Financial Strategy and Budget Proposals

Final Decision-Maker	Council
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2020/21 and setting next year's Council Tax. Following agreement by Council of an updated Medium Term Finance Strategy at its meeting on 18 December 2019, this report sets out budget proposals for services within the remit of this Committee. These proposals will then be considered by Policy and Resources Committee at its meeting on 12 February 2020, with a view to determining a budget for submission to Council.

This report makes the following recommendations to this Committee:

1. That the revenue budget proposals for services within the remit of this Committee, as set out in Appendix A, be agreed for submission to Policy and Resources Committee.
2. That the capital budget proposals for services within the remit of this Committee, as set out in Appendix B, be agreed for submission to Policy and Resources Committee.

Timetable

Meeting	Date
Economic Regeneration and Leisure Committee	28 January 2020
Policy and Resources Committee	12 February 2020
Council	26 February 2020

Medium Term Financial Strategy and Budget Proposals

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
Cross Cutting Objectives	The MTFS supports the cross-cutting objectives in the same way that it supports the Council's other strategic priorities.	Section 151 Officer & Finance Team
Risk Management	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	<p>Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The Medium Term Financial Strategy demonstrates the Council's commitment to fulfilling its duties under the Act.</p> <p>The Council is required to set a council tax by the 11 March in any year and has a statutory obligation to set a balanced budget. The budget requirements and basic amount of Council Tax must be calculated in accordance with the requirements of sections 31A and 31B to the Local Government Finance Act</p>	Mid Kent Legal Services

	<p>1992 (as amended by sections 73-79 of the Localism Act 2011).</p> <p>The Council is required to determine whether the basic amount of council tax is excessive as prescribed in regulations - section 52ZB of the 1992 Act as inserted under Schedule 5 to the Localism Act 2011. The Council is required to hold a referendum of all registered electors in the borough if the prescribed requirements regarding whether the increase is excessive are met.</p> <p>Approval of the budget is a matter reserved for full Council upon recommendation by Policy and Resources Committee on budget and policy matters.</p>	
Privacy and Data Protection	<p>Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.</p>	Policy and Information Team
Equalities	<p>The MFTS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence based equalities impact assessment will be undertaken. Should an impact be identified appropriate mitigations will be identified.</p>	Equalities and Corporate Policy Officer
Public Health	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	Public Health Officer
Crime and Disorder	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	Section 151 Officer & Finance Team
Procurement	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	Section 151 Officer & Finance Team

2. INTRODUCTION AND BACKGROUND

Medium Term Financial Strategy

- 2.1 At its meeting on 18 December 2019, Council agreed an updated Medium Term Financial Strategy (MTFS) for the next five years. The MTFS sets out in financial terms how the Strategic Plan will be delivered, given the resources available.
- 2.2 The MTFS builds on the previous year's MTFS, which was developed in parallel with the Council's new Strategic Plan. There were relatively few new developments to be incorporated in the updated MTFS, given the recent adoption of a Strategic Plan and the delay in the introduction of a new local government funding regime from 2020/21 to 2021/22. This means that, broadly speaking, a real terms 'stand-still' budget could be set for 2020/21. Members have agreed that the principle of maintaining the level of Council Tax in real terms be adopted.
- 2.3 The financial projections underlying the MTFS were prepared under three different scenarios – adverse, neutral and favourable. All three scenarios assumed that budget proposals for future years which have already been agreed by Council will be delivered, and that Council Tax is increased by 2% in 2020/21. Existing budget savings proposals are shown in Appendix A for this Committee and total £3.4 million for all Committees over the MTFS period.
- 2.4 The Provisional Local Government Finance Settlement for 2020/21 was announced on 20 December 2019. This confirmed the key assumptions incorporated in the MTFS:
- Retained business rates income will be £3.260 million (the MTFS projection was £3.269 million)
 - New Homes Bonus has been retained for another year, giving £4.472 million to help fund our capital programme
 - The Council Tax referendum limit will be 2%
 - There will be no negative Revenue Support Grant.
- 2.5 The outcomes for the Council's budget gap, before allowing for any further growth or savings, are set out below.

	20/21	21/22	22/23	23/24	24/25
	£000	£000	£000	£000	£000

Scenario 1 – Favourable					
Budget gap / (surplus)	-179	774	1,121	1,385	1,177

Scenario 2 – Neutral					
Budget gap / (surplus)	-96	946	1,568	2,119	2,212

Scenario 3 – Adverse					
Budget gap / (surplus)	400	1,923	3,276	4,604	5,525

- 2.6 It can be seen that next year's budget showed a small surplus in the neutral scenario, given the various assumptions underlying the projections. However, in 2021/22 the budget gap will be significant under all three scenarios. It is essential that the Council starts planning now for 2021/22, taking account of announcements from central government about the likely shape of future local government funding.

Revenue Budget Proposals

- 2.7 As the MTFS 'neutral' revenue projections indicate a broadly balanced position for 2020/21, no specific targets were set for savings or increased income generation in this year. Service pressures, or new initiatives with revenue expenditure implications, will have to be funded from within the overall budget envelope, meaning savings or additional income growth to offset the expenditure growth.
- 2.8 In subsequent years, the projections indicate a likely requirement either to make savings or generate increased income. The MTFS strategic revenue projections include a contingency for future pressures of £1.6 million that can potentially be released in 2021/22 to avoid a cliff-edge where savings need to be made at short notice.
- 2.9 Amended and new budget proposals for services within the remit of this Committee are set out in Appendix A. As indicated above, they are confined to changes required to address new initiatives or budget pressures that cannot be accommodated.

Delays in existing savings

- A review of the existing savings for 2020/21 indicates that two of them will not be delivered until the following year. Additional income from a new café at Mote Park cannot be delivered until the building is complete. The business rates at the museum have been appealed, but the outcome is not yet known.
 - Proceeds from the Kent Business Rates pool are allocated to form a reserve that may be used by the Economic Development and Regeneration service. Accordingly, it is proposed that a contribution from this reserve is made to cover the shortfall arising from the delayed savings. This will be a one-off contribution, so it is shown in Appendix A as a saving in 2020/21 and as growth the following year.
- 2.10 Budget amendments have been developed, following the same principles, for services within the remit of the other Service Committees. Taken in total, the savings proposals will allow a balanced budget to be set for 2020/21.

Capital Budget Proposals

- 2.11 Capital investment helps the Council to deliver its strategic priorities. Accordingly, the capital programme includes a number of projects that support the 'Thriving Place' priority that is of particular concern to this Committee. The capital budget proposals are as follows:

Mote Park Visitor Centre - £2.7 million

Planning permission has recently been obtained for the new Visitor Centre at Mote Park and work is expected to get under way in 2020/21. The scope of the work has been expanded to include toilet facilities that meet 'Changing Places' standards.

Mote Park Dam Works - £1.8 million

Mote Park Lake is effectively a reservoir retained by a dam at its western end. A review of dam safety under the Reservoirs Act 1975 included a mandatory recommendation that the spillway capacity be increased to reduce the risk of dam failure due to overtopping. This work therefore comes under the first heading set out in paragraph 2.6, 'required for statutory reasons'. Consultants have designed a suitable scheme and planning permission has been obtained. Preliminary work is currently under way, with most of the work taking place in Summer 2020.

Museum Development Plan - £389,000

This amount represents the balance of funding set aside for development projects at Maidstone Museum. It will be used to complement funding sought via a Heritage Lottery Fund bid which was submitted in November 2019.

Capital budget proposals are set out in Appendix B.

3. AVAILABLE OPTIONS

- 3.1 Agree the budget proposals relating to this Committee as set out in Appendix A and B for onward submission to the Policy and Resources Committee.
- 3.2 Propose changes to the budget proposals.
- 3.3 Make no comment on the budget proposals.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Policy and Resources Committee must recommend to Council at its meeting on 12 February 2020 a balanced budget and a proposed level of Council Tax for the coming year. The budget proposals included in this report will allow the Policy and Resources Committee to do this. Accordingly, the preferred option is that this Committee agrees the budget proposals at Appendix A.
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5. RISK

- 5.1 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 of its meetings.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 23 July 2019 and it agreed the approach set out in that report to development of an MTFS for 2020/21 - 2024/25 and a budget for 2020/21.
- 6.2 Service Committees and Policy and Resources Committee then considered a draft MTFS at their meetings in November 2018, and this was agreed for submission to Council. Council agreed the MTFS at its meeting on 18 December 2019.
- 6.3 Public consultation on the budget has been carried out. Details are set out in Appendix C. It can be seen that slightly more residents agreed that the Council's budget provides value for money than disagreed.
- 6.4 There was resistance to the idea of Council Tax increases; this is an understandable stance to take, but if applied in practice would risk cuts to services, given that Council input costs continue to increase in line with inflation. The Council's position is that we will maintain a constant level of Council Tax in real terms, in other words it will increase by no more than the projected rate of inflation.
- 6.5 The most popular area for new investment was infrastructure. This is addressed as part of the updated capital programme.
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The timetable for developing the budget for 2020/21 is set out below.

Date	Meeting	Action
January 2020	All Service Committees	Consider 20/21 budget proposals
12 February 2020	Policy and Resources Committee	Agree 20/21 budget proposals for recommendation to Council

26 February 2020	Council	Approve 20/21 budget
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8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Revenue Budget Proposals 2020/21 – 2024/25
 - Appendix B: Capital Budget Proposals 2020/21 – 2024/25
 - Appendix C: Residents' Survey
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9. BACKGROUND PAPERS

There are no background papers.