

**Medium Term Financial Strategy and Budget Proposals**

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

**Executive Summary**

This report forms part of the process of agreeing a budget for 2021/22 and setting next year's Council Tax. Following consideration by this Committee at its meeting on 1 December 2020 of the draft Medium Term Finance Strategy for 2021/22 – 2025/26, this report sets out budget proposals for services within the remit of the Committee. These proposals will then be considered by Policy and Resources Committee at its meeting on 10 February 2021, 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**

<b>Meeting</b>	<b>Date</b>
Communities, Housing and Environment Committee	5 January 2021
Policy and Resources Committee	10 February 2021
Council	24 February 2021

# Medium Term Financial Strategy and Budget Proposals

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	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
<b>Cross Cutting Objectives</b>	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
<b>Risk Management</b>	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
<b>Financial</b>	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
<b>Staffing</b>	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
<b>Legal</b>	<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 legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.</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</p>	[Principal Solicitor Corporate Governance]

	<p>with the requirements of sections 31A and 31B to the Local Government Finance Act 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>	
<b>Privacy and Data Protection</b>	<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>	<p>Policy and Information Team</p>
<b>Equalities</b>	<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>	<p>Equalities and Corporate Policy Officer</p>
<b>Public Health</b>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	<p>Public Health Officer</p>
<b>Crime and Disorder</b>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	<p>Section 151 Officer &amp; Finance Team</p>
<b>Procurement</b>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	<p>Section 151 Officer &amp; Finance Team</p>

## **2. INTRODUCTION AND BACKGROUND**

### **Medium Term Financial Strategy**

- 2.1 At its meeting on 1 December 2020, this Committee considered a draft Medium Term Financial Strategy (MTFS) for the next five years. No material amendments were proposed to the Strategy by this Committee or the other Committees which considered it in December, so it will now go forward to Council for approval at its meeting on 24 February.
- 2.2 The MTFS sets out in financial terms how the Strategic Plan will be delivered, given the resources available. The MTFS builds on the previous year's MTFS, but reflects the impact of Covid-19 by incorporating a re-prioritisation of Strategic Plan objectives, together with proposals for transformational budget savings to address the financial challenges that the Council now faces.
- 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 2021/22. Existing budget savings proposals are shown in Appendix A for this Committee and total £1.7 million for all Committees over the MTFS period.

### **Local Government Finance Settlement 2021/22**

- 2.4 The Provisional Local Government Finance Settlement for 2021/22 was announced on 17 December 2020. This confirmed several of the key assumptions incorporated in the MTFS.
- The Council Tax referendum limit will be 2%.
  - The existing Business Rates regime will remain in place. Whilst the business rates multiplier will be frozen for ratepayers, local authorities will be compensated for the consequent loss of an inflationary increase.
  - There will be no negative Revenue Support Grant.
- 2.5 Additionally, the Finance Settlement recognised the likely continuing impact of Covid-19 in 2021/22, and included a number of measures intended to support local government:
- a further £1.55 billion unringfenced grant to manage the immediate and long-term impacts of the pandemic;
  - £670 million to help address the loss of Council income arising from more taxpayers requiring Council Tax Support;
  - ongoing compensation for 75% of lost sales, fees and charges for the first three months of 2021/22.

The government expects councils to use the £1.55 billion unringfenced grant for priority pressures such as household waste collection, homelessness and rough sleeping, support for re-opening the country and the additional costs associated with local elections in May 2021. Councils have been told to plan on the basis of not receiving any additional funding for these pressures, so a careful assessment is needed of the financial impact of the pressures before concluding that any of the grant can be released to support general spending.

- 2.6 As announced in the Chancellor’s Spending Review on 25 November, Public Works Loan Board (PWLB) lending terms have been altered to prevent the use of PWLB borrowing for investment property bought primarily for yield. In return lending rates have been reduced by 1%, reducing the cost of borrowing.
- 2.7 There will be a new round of New Homes Bonus (NHB) payments in 2021/22, but there will be no ongoing payments in future years (as envisaged when NHB was introduced originally). In Maidstone’s case, this means that New Homes Bonus will fall from £4.4 million in 2020/21 to £3.8 million in 2021/22. Other authorities have seen much bigger reductions, so to prevent those authorities seeing an overall reduction in their Core Spending Power, the government is using a new grant, the Lower Tier Services Grant (LTSG), to cushion the impact.
- 2.8 The outcomes for the Council’s budget gap of the above measures, before allowing for any further growth or savings, are set out below.

	21/22	21/22	22/23	23/24	24/25
	£m	£m	£m	£m	£m
<b>Budget gap (-) / surplus as reported on 01/12/20</b>	<b>-2.4</b>	<b>0.0</b>	<b>0.2</b>	<b>0.7</b>	<b>0.3</b>
Adjustments:					
Local Council Tax Support grant (note A)	0.3	-0.3			
Sales Fees and Charges compensation (note A)	0.1	-0.1			
Business Rates indexation	0.2				
Reduction in borrowing costs (note B)	0.2	0.1	0.1	0.1	0.1
<b>Updated budget gap (-) / surplus</b>	<b>-1.6</b>	<b>-0.3</b>	<b>0.3</b>	<b>0.8</b>	<b>0.4</b>

Notes:

- A. See para 2.5 above. One-off grants are shown as reversing out in 21/22, to reflect the fact that they will only offset the ongoing budget gap for one year.
- B. The reduction in borrowing costs is assumed to be sustained over the five year MTFS planning period. It benefits every year, reflecting the fact that further

borrowing is planned every year.

- C. The above table does not include Maidstone's share of the £1.55 bn unringfenced Covid-19 grant, amounting in our case to £860,000, on the basis that it will be required to deal with Covid-19 related pressures. The position will be monitored carefully during the course of the year to confirm whether this is in fact the case. If not, the Council may decide to release some of the grant to address general budget pressures.
- D. It is assumed that Maidstone's share of the LTSG, amounting to £139,000, is treated in the same way as New Homes Bonus, ie it is ringfenced for capital expenditure unless required to bridge the budget gap over the coming three years.
- E. Final projections for the MTFS planning period will be set out in a Strategic Revenue Projection, to accompany the budget proposals to be considered by P & R Committee on 10 February 2021.

2.9 It can be seen from the table above that the effect of the government's announcements is to reduce the budget gap and to defer some of the impact to future years. It remains the case that the Council needs to continue planning for a significant reduction in resources over the next three years.

2.10 As explained in the draft MTFS, it may take 3 – 4 years to deliver savings to cover the budget gap. It is therefore proposed that any budget gap not covered within the year that it arises will be covered by revenue resources hitherto earmarked for other purposes, starting with New Homes Bonus.

### **Revenue Budget Proposals**

2.11 The MTFS outlined an approach to addressing the budget gap that combined a re-prioritisation of Strategic Plan objectives, together with proposals for transformational budget savings. Members considered at Policy and Resources Committee on 16th September 2020 a number of ways in which the Strategic Plan could be re-prioritised, including:

- A more modest direction of travel in developing the museum
- Reconsidering the sustainability of the Hazlitt Theatre
- Reviewing the scope of our community safety work.

At the same time, a number of lines of inquiry, to include radical initiatives to change the way the Council works, would be explored, as follows:

1. Review of office accommodation
2. Better use of technology
3. Better use of external grant funding
4. Identifying further opportunities for income generation
5. Capital investment to generate revenue savings
6. Service improvements, eg better service commissioning
7. Review of shared service arrangements
8. Review of staff reward packages
9. Review of the structure of democratic representation
10. Exploit synergies between service areas.

Budget savings in relation to 3, 4, 5 and 6 have been identified within the remit of this Committee and are described below. Additionally, other potential budget changes have been identified which are described below under the heading 'Other savings and growth'. All proposed revenue budget savings and growth items are also set out in in Appendix A.

#### 2.12 Better use of external grant funding

In recent years, core MBC funding has been increased to deal with the rising level of homelessness. Subsequently, the government has provided a range of grants to address this issue, principally the Homelessness Prevention grant. It is therefore estimated that £190,000 of grant funding can be used to substitute for core council funding.

#### 2.13 Identifying further opportunities for income generation

As reported to this Committee at its meeting on 1 December, as part of its consideration of fees and charges, it is appropriate to increase the charge for the Council's garden waste service. The current charge of £40 for a 240 litre bin is below the average charged by other Kent authorities. The service is well-liked by residents, so there is a low risk of perceived loss of value. An increase to £45 would generate an additional £145,000 of income.

#### 2.14 Capital investment to generate revenue savings

The net budget for third party temporary accommodation (mostly Nightly Paid) is approximately £500K. This can be reduced by continuing with the purchase of housing in the open market for temporary accommodation through the capital programme. A capital bid has been submitted for the purchase of 20 further units, which it is estimated would generate a saving of £150,000 per annum.

#### 2.15 Service improvements

Outsourcing the fleet workshop operation at the Council's depot has allowed efficiency savings to be made, principally in the form of reduced costs for hiring in vehicles when the Council's own vehicles are unavailable.

#### 2.16 Other savings and growth

- Community Safety

This was recognised as an area for review when re-prioritising strategic objectives. It is proposed to delete an un-used budget of £23,000, arising from a previous reorganisation, and to restructure the community liaison function, for which there is a budget of £34,000, as this is now largely being delivered as part of the Policy, Communications and Governance service.

- Homefinder

This scheme, which pays grants to landlords to take on homeless families, has now been largely superseded by the government's Private Rented Sector Access Fund. This has led to an underspend on the Homefinder budget. A reduction in the Homefinder budget of 50% (ie £80K) is therefore considered to be feasible.

- Parks Grounds Maintenance

It is proposed to create a combined parks management structure, removing the duplicated arrangements for MBC parks and open spaces and those for Cobtree Manor Park. This will generate efficiency savings of £30,000 per annum.

- Local Nature Reserves

This is a growth proposal, intended to progress a programme for creating new and extending existing local nature reserves. This Committee, at its meeting on 16 December 2019, considered a feasibility report and endorsed the proposed programme. The proposed budget would provide ongoing officer support for six new LNRs at a cost of £2,000 each. Initial set-up costs would be funded from one-off resources.

2.17 Budget proposals have been developed, following the same principles, for services within the remit of the other Service Committees. Taken in total, it is projected that the savings proposals will allow the budget to be balanced over the three years 2021/22 to 2023/24.

### **Capital Budget Proposals**

2.18 Capital investment helps the Council to deliver its strategic priorities. Accordingly, the capital programme includes a number of projects that support the 'Homes and Communities' and 'Safe, Clean and Green' priorities that are of particular concern to this Committee. Capital budget proposals will be considered formally by Policy and Resources Committee at its meeting on 20 January. They are also set out in Appendix B to this report and are summarised below.

#### *Homes and Communities*

- The Council will continue to deliver the government funded Disabled Facilities Grants programme.
- Further direct investment in property for temporary accommodation of £3.63 million is proposed, which would allow the purchase of 20 further units.
- A number of housing and regeneration schemes for which Committee approval has already been granted will go ahead, including Russet Grove, Springfield Mill Block 6, Granada House, Heather House and King Street.

- A capital budget has been set aside, described as 'Indicative Schemes', for further mixed tenure housing developments.
- The Council also plans to deliver an Affordable Housing Programme, as discussed on several occasions by this Committee.
- A major refurbishment of the Council's Gipsy and Traveller Sites is planned for 2021/22.

*Safe, Clean and Green*

- A capital budget of £1 million was set aside for a flood action plan following the last major floods in the Maidstone area in winter 2013/14. No large scale flood mitigation scheme was found to be feasible and individual household flood mitigation measures have been funded through central government grants. It is proposed to carry forward and re-profile the residual budget to future years for further schemes that may be developed, including natural flood management schemes.
- An existing capital budget of £230,000 exists for cemetery improvement works. In addition to the new welfare facility for staff and extension of the cremated remains sections (which are already underway) a further £170,000 is required for the refurbishment and reopening of the Chapel.
- The Council operates 52 fleet vehicles ranging from refuse collection vehicles to precinct sweepers and supervisor vans. There is a significant opportunity to monitor fuel usage and therefore reduce emissions and cost through improved driver behaviour and route efficiencies. A budget of £35,000 is proposed for telematic units and cameras that provide the opportunity to deliver these benefits.
- Existing capital budgets for improvements to play areas, street scene investment, and parks improvements will be retained.
- It is anticipated that significant spend may be required on trees in parks and open spaces owing to Ash Dieback. This will be treated as a revenue cost rather than being funded through the capital programme.

Capital budget proposals are set out in Appendix B. Note that profiling of capital schemes is still subject to amendment by the sponsors.

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### **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.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The Policy and Resources Committee must recommend to Council at its meeting on 10 February 2021 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 21 July 2020 and it agreed the approach set out in that report to development of an MTFS for 2021/22 - 2025/26 and a budget for 2021/22.
- 6.2 Service Committees and Policy and Resources Committee then considered a draft MTFS at their meetings in December 2020.
- 6.3 Public consultation on the budget has been carried out. Details were reported to this Committee at its meeting in December 2020.
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#### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The timetable for developing the budget for 2021/22 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
January 2021	All Service Committees	Consider 21/22 budget proposals
10 February 2021	Policy and Resources Committee	Agree 21/22 budget proposals for recommendation to Council
24 February 2021	Council	Approve 21/22 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 2021/22 – 2024/25
- Appendix B: Capital Budget Proposals 2021/22 – 2024/25

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## **9. BACKGROUND PAPERS**

There are no background papers.