

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 2021/22 and setting next year's Council Tax. Following consideration by this Committee at its meeting on 15 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

Meeting	Date
Economic Regeneration and Leisure Committee	26 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
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 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> <p>Appropriate remedial action should be taken if at any time it appears likely that expenditure will exceed available resources. The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Having received a S114 report, members are obliged to take all reasonable practical measures to bring the budget back into balance</p>	
Privacy and Data Protection	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Policy and Information Team
Equalities	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 found.	Equalities and Corporate Policy Officer
Public Health	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Public Health Officer
Crime and Disorder	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
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2. INTRODUCTION AND BACKGROUND

Medium Term Financial Strategy

- 2.1 At its meeting on 15 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
Budget gap (-) / surplus as reported on 01/12/20	-2.4	0.0	0.2	0.7	0.3
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
Updated budget gap (-) / surplus	-1.6	-0.3	0.3	0.8	0.4

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.

In pursuing these lines of inquiry, it was made clear that no service could be exempt from the requirement to consider the need for transformation. Budget savings in relation to 5 have been identified within the remit of this Committee and are described below. Additionally, budget growth needs to be accommodated as 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 Reprioritisation of Strategic Plan

As reported to this Committee on 12th November 2020, in light of the reprioritisation of the Strategic Plan, options to deliver savings at the museum have been identified. A savings package totalling £152,000 over two years was agreed by the Committee.

2.13 Capital investment to generate revenue savings

Two officers within the Regeneration and Economic Development team spend 80% plus of their time on capital projects. Some of this time is already charged to capital, with the cost recovered over time through the financial return on capital projects. It is proposed that this proportion is increased to 80%, generating a saving of £38,000.

2.14 Other savings and growth

Growth items

- Museum

A budget saving of £119,000 was previously agreed relating to a potential reduction in business rates arising from an appeal about the museum's business rates status. Similar appeals are being challenged by HMRC and it cannot be assumed that this will lead to a saving.

- Mote Park Adventure Zone

Income from the Adventure Zone was originally estimated to be £114,000 per annum plus profit share. However, the agreement actually entered into with the operator is for £36,000 less than this. The operator, Serco, revised their offer downwards before entering into contract.

- Mote Park Café

The Mote Park Café is currently closed, so the income target of £64,000 for 2021/22 will not be reached. Experience with the existing café indicates that the original income target for a new café, due to be open by April 2022, is unsustainable. The potential for the new café will become clearer as an operator is sought and they project likely income levels, but in the meantime the income target has been reduced by £30,000.

- Parks Leisure activities

There has been an historic income budget of £22,000 for leisure activities such as fairs and circuses in the Council's parks. Cultural changes and expectations mean that these types of activity have reduced and the budget is no longer deliverable.

Other savings

- Economic Development team

It is proposed to delete the budgets for two vacant posts within the Economic Development team, saving £72,000.

- Increased digital marketing

As part of our work to support the visitor economy, we produce an annual pocket guide and what's on leaflets. Whilst it is desirable to maintain some printed material, the reach of digital marketing and promotion offers a better use of internal resources and £10,000 can be saved by reducing the production of printed material.

- 2.15 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

- 2.16 Capital investment helps the Council to deliver its strategic priorities. Accordingly, the capital programme includes a number of projects that support the 'Thriving Place' and 'Safe, Clean and Green' priorities that are of particular concern to this Committee. Capital budget proposals were considered 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.

- 2.17 Mote Park Visitor Centre and Estate Services Building - £2.8 million

The project consists of three parts: 1. The demolition of the existing café and construction of a new larger one nearby 2. The demolition of the existing toilets serving Mote Park and the construction of a new toilet block with more capacity and a changing places facility, 3. The demolition of the existing Parks buildings and construction of a new Estates Services Building behind the Leisure Centre.

All parts of the project have planning permission. An Employers Agent has been appointed. An Invitation to Tender was sent out in late October and contractor prices were expected before Christmas. If costs are within the budget the contractor could start in April 2021 with the aim that the new Café would be open by April 2022.

2.18 Mote Park Dam Works - £682,000

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'. These works are now substantially completed.

2.19 Mall Bus Station Redevelopment - £690,000

£400,000 has been allocated for this scheme in 2020/21 and this is the residual budget. The scheme is being progressed with an employer's agent and architect now appointed. Works are planned to commence in February/March 2021 with the bus station being closed for 12 weeks to ensure the works are completed within the agreed timeframe.

2.20 Museum Development Plan - £389,000

The project stems from the work on the Museum's 20 year plan. In 2019 Innes Architect was appointed to set out how this vision could be realised within the building. After extensive consultation, this formed the basis of a National Lottery Heritage Fund bid, which although unsuccessful, is still accepted by ERL Committee as the preferred long term aspiration for the Museum. The vision is achievable in discrete phases. The first phase is estimated to cost £1.5m. Due to Covid, uncertainty over the availability of external funding source and the need to resolve the concerns of the Bentlif Trust, the capital project has been deferred, although a budget is being retained for 2022/23 for any works that are identified.

3. AVAILABLE OPTIONS

- 3.1 Agree the budget proposals relating to this Committee as set out in Appendices 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 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.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
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

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 – 2025/26
 - Appendix B: Capital Budget Proposals 2021/22 – 2025/26
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9. BACKGROUND PAPERS

There are no background papers.