

Medium Term Financial Strategy and Budget Proposals

Final Decision-Maker	Council
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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 2022/23 and setting next year's Council Tax. Following consideration by this Committee at its meeting on 7 December 2021 of the draft Medium Term Finance Strategy for 2022/23 – 2026/27, 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 9 February 2022, 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
Strategic Planning and Infrastructure Committee	11 January 2022
Policy and Resources Committee	9 February 2022
Council	23 February 2022

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>	
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>	<p>Policy and Information Team</p>
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>	<p>Equalities and Communities Officer</p>
Public Health	<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>
Crime and Disorder	<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 & Finance Team</p>
Procurement	<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 & Finance Team</p>
Biodiversity and Climate Change	<p>The resources to achieve the Council’s objectives are allocated through the development of the Medium Term Financial Strategy.</p>	<p>Biodiversity and Climate Change Manager</p>

2. INTRODUCTION AND BACKGROUND

Medium Term Financial Strategy

- 2.1 At its meeting on 7 December 2021, 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 23 February 2022.
- 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 also reflects new priority initiatives including a Town Centre Strategy and a commitment to invest in 1,000 new affordable homes.
- 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 2022/23. A further scenario will be considered that will incorporate the risk of inflation remaining at its current rate of around 5%.

Local Government Finance Settlement 2022/23

- 2.4 The Provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. 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 In addition, of the £1.5 billion increased funding previously announced in the Spending Review for local authorities, £822 million will be distributed directly to local authorities in the form of a new Services Grant. Maidstone will receive £225,000 in Services Grant.
- 2.6 There will be a new round of New Homes Bonus (NHB) payments in 2022/23, but payments will be made on the basis of two years' growth in housing numbers rather than three as in 2021/22. In Maidstone's case, because of the high number of housing completions in the borough last year, New Homes Bonus will nevertheless increase from £3.8 million in 2021/22 to £4.2 million in 2022/23. However, other authorities have seen significant reductions, so to prevent those authorities seeing an overall reduction in their Core Spending Power, the government is using the Lower Tier Services Grant (LTSG) to cushion the impact. Maidstone will receive an LTSG of £146,000.

2.7 The outcome for the Council's budget surplus / savings requirement of the above measures is to increase the projected budget surplus for 2022/23 previously reported to this Committee. Whilst this gives some scope for growth to accommodate new service priorities, it should be noted that much of this is one-off funding which will reverse out in 2023/24.

Revenue Budget Proposals

2.8 The draft MTFS describes a number of new priorities and budget pressures, as follows:

- The objective of delivering 1,000 new affordable homes may require a level of revenue subsidy, which would represent budget growth.
- Waste collection costs are likely to increase arising from the forthcoming contract relet in October 2023.
- The Serco leisure contract comes to an end in 2024. Depending on the scope of any new contract, budget growth may be required.
- The objective of making Maidstone Town Centre a thriving place may also require budget growth, eg to provide leisure and cultural activities in the town centre.
- In addition to core development management and spatial planning services, there is a requirement for more extensive planning policies and a Town Centre Strategy.
- Additional expenditure is likely to be required to support the new governance structure and to meet the Council's aspirations for better quality data analysis.
- Measures will be required to enable the Council's carbon reduction target to be met, including retrofitting and upgrading heating systems in Council buildings and electrifying the vehicle fleet.

Budget growth in relation to the Town Centre Strategy and new planning policies are within the remit of this Committee and are described below. Additionally, other potential budget changes for this Committee's portfolio of services have been identified and are described below under the heading 'Other savings and growth'. All proposed revenue budget savings and growth items are also set out in Appendix A.

2.9 Town Centre Strategy and new planning policies

As reported to this Committee at its meeting on 19th November 2021, it is proposed to develop a Town Centre Strategy for Maidstone, intended to deliver a 30 year vision to create new investment in jobs, infrastructure, housing, leisure and culture, within a framework which will seek to establish Maidstone as an exemplar of urban sustainability.

Alongside this, it is recognised that additional investment is required in the development of planning policies and the local plan process above and beyond that allowed for within existing budgets, for example, biodiversity improvement, design codes/guidance and specialist housing provision.

The draft Medium Term Financial Strategy, considered by this Committee at its meeting on 7th December 2021, envisaged that expenditure on the Town Centre Strategy and new planning policies would be funded from the New Homes Bonus. Accordingly, it will be proposed to Policy & Resources Committee that £1 million of the total £4.2 million New Homes Bonus for 2022/23 be transferred to an earmarked reserve, from which funds will be allocated as plans for delivering the Town Centre Strategy and other planning policies and initiatives are developed. Note that as this is one-off funding, not forming part of the ongoing revenue budget, it is not included in the schedule of growth and savings in Appendix A.

2.10 Other growth and savings

- Increase in planning staff resource - £80,000 growth

There has been substantial growth over the past year in the volume of work in the areas of non-major planning applications, enforcement and trees. This proposed increase in budget will allow staff recruitment to help accommodate this growth and build resilience.

- Migration of land charges register to HM Land Registry - £75,000 growth

The government has legislated to enable HM Land Registry (HMLR) to provide a single, standardised point of contact for provision of the Local Land Charges register. This means that the Council will no longer receive income from searches of the Local Land Charges Register, although we will continue to have responsibility for updating the register. The Council will receive one-off funding to facilitate the transition, but by the end of the transition period the Council will have suffered a cumulative ongoing loss of income of £75,000 per annum. Income will continue to be received for the CON29 elements of a standard search.

- Outsourcing of planning policy work - £55,000 saving

There is £55,000 of unutilised staffing budget within the Planning Policy team as a result of four longstanding vacancies. Local Plan Review work tends to be demand driven, so it is more appropriate for it to be funded flexibly rather than by gearing up with additional permanent staff. This budget is currently deployed to support work on the Local Plan Review through third parties. It is recognised that this type of work is likely to continue to be outsourced in the future, hence there will be a saving to the staff budgets of this amount.

- Park and Ride - £26,000 saving

This Committee considered a proposal in relation to the Park and Ride service at its meeting on 7th December 2021. It was agreed to take no further action, but this decision is subject to a call in request. To enable

members to consider potential budget options fully, it should be noted there would be a saving of £26,000 on operating costs from withdrawing the existing subsidy for the Park and Ride service.

Note that this figure does not include business rates on the two Park and Ride car parks or rent on the Allington site. If the service ceases and alternative uses are identified for the sites these costs could potentially also be saved.

- Neighbourhood grant - £20,000 saving

Government grant is available for work to support the preparation of Neighbourhood Plans. Hitherto the Council has not allocated the relevant proportion of in-house staff time against this grant. It is proposed to do so henceforth.

Budget proposals have been developed, following a similar approach, 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 in 2022/23.

Capital Budget Proposals

- 2.11 Capital investment helps the Council to deliver its strategic priorities. The biggest element of the capital programme concerns housing and regeneration, which is not directly within the scope of this Committee. However, there is one project focused on transportation and infrastructure, namely the Medway Street Flood Barrier. The Committee received a report on this project at its meeting on 9th November 2021 and it is anticipated that the project will be delivered in 2022/23. A capital budget of £206,000 is shown in Appendix B to this report (£86,000 to be carried forward from 2021/22 and £120,000 other unallocated resources from the Bridges Gyatory Scheme).

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 9 February 2022 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 Appendices A and B.

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.

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 2021 and it agreed the approach set out in that report to development of an MTFS for 2022/23 - 2026/27 and a budget for 2022/23.

6.2 Service Committees and Policy and Resources Committee then considered a draft MTFS at their meetings in November and December 2021.

6.3 Public consultation on the budget has been carried out. Details were reported to this Committee at its meeting in December 2021.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The timetable for developing the budget for 2022/23 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
January 2022	All Service Committees	Consider 22/23 budget proposals
9 February 2022	Policy and Resources Committee	Agree 22/23 budget proposals for recommendation to Council
23 February 2022	Council	Approve 22/23 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 2022/23 – 2024/25
 - Appendix B: Capital Budget Proposals 2022/23 – 2026/27
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9. BACKGROUND PAPERS

There are no background papers.