

ECONOMIC REGENERATION AND LEISURE POLICY ADVISORY COMMITTEE

10 January 2023

Medium Term Financial Strategy and Budget Proposals

Timetable

Meeting	Date
Economic Regeneration and Leisure Policy Advisory Committee	10 January 2023
Executive	25 January 2023
Council	22 February 2023

Will this be a Key Decision?	Yes
Urgency	Not Applicable
Final Decision-Maker	Council
Lead Head of Service/Lead Director	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2023/24 and setting next year's Council Tax. Following consideration by this Committee at its meeting on 8 November 2022 of the draft Medium Term Finance Strategy for 2023/24 – 2027/28, this report sets out budget proposals for services within the remit of the Committee. These proposals will then be considered by the Executive at its meeting on 25 January 2023. The Executive will subsequently consider all elements of the budget for 2023/24 at its meeting on 8 February 2023, with a view to determining a final set of proposals for submission to Council on 22 February 2023.

Recommendation to the Economic Regeneration and Leisure Policy Advisory Committee

That the Committee recommends to the Executive that it approves:

1. The revenue budget proposals set out in Appendix A.
2. The capital budget proposals set out in Appendix B.

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	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. 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	Interim Team Leader (Contentious and 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 the Executive on budget and policy matters.</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 identified.	Equalities and Communities 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
Biodiversity and Climate Change	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Biodiversity & Climate Change Manager]

2. INTRODUCTION AND BACKGROUND

Medium Term Financial Strategy

- 2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council's Strategic Plan will be delivered over the next five years, given the resources available. In so doing, it establishes the framework for the annual budget setting process.
- 2.2 At its meeting on 8 November 2022, this Committee considered a draft MTFS for the five years 2023/24 to 2027/28. No material amendments were proposed to the MTFS by this Committee or subsequently by the Executive when it considered the MTFS at its meeting on 23 November 2022, so it will now go forward to Council for approval at its meeting on 22 February 2023.
- 2.3 The financial projections underlying the MTFS were prepared under a number of different scenarios, given uncertainty about local government funding and economic conditions generally. In the core scenario (Scenario 4) it was assumed that the Council would increase Council Tax by the maximum possible within the referendum threshold, but there would still be a budget gap of £2.5 million in 2023/24, mainly owing to the impact of inflation on the Council's costs, with a steadily increasing budget gap in subsequent years.
- 2.4 There is now better information about the funding context for 2023/24, given in particular the Chancellor's Autumn Statement on 17 November 2022 and the Provisional Local Government Finance Settlement, announced on 19 December 2022. In addition, savings proposals totalling £1.1 million for 2023/24 have been developed. Whilst the longer term position remains challenging, these recent developments have had a positive impact, such that it is now anticipated that the Council will be able to set a balanced budget for 2023/24, provided that the savings proposals are adopted and Council Tax is increased up to the referendum threshold. Further details are set out below.

Autumn Statement 2022

- 2.5 The Chancellor announced the Autumn Statement on 17 November 2022. The background was the need to demonstrate that the government had a clear plan to meet a shortfall in the public finances of around £55 billion. The shortfall was met through a mix of tax rises and spending cuts, although the real impact of the cuts will not be felt until after 2024.
- 2.6 The key points from the Autumn Statement for local government were as follows.
 - Council Tax referendum limit - The core threshold was increased from 1.99% to 2.99%, and the Adult Social Care precept will be 2% in 2023-24.

- Business rates - The multiplier will be frozen in 2023-24, rather than increasing by inflation as in the past. Local authorities will be fully compensated for the loss of income arising.
 - Business rates reliefs - Retail, Hospitality and Leisure reliefs were extended into 2023-24, and a Supporting Small Business Scheme has been introduced.
 - Business rates revaluation – The revaluation scheduled for April 2023 will go ahead but there will be a more generous transitional scheme.
- 2.7 The effect of the increase in Council Tax referendum thresholds is that lower tier authorities like Maidstone may put up Council Tax by up to 2.99%, whilst upper tier authorities may increase their Council Tax by up to 4.99%. If both Maidstone BC and Kent County Council increase Council Tax by the maximum possible, the additional amounts payable by a Band D Council Tax payer would be as follows:
- Maidstone Borough Council - £8.20
 - Kent County Council - £72.90
- 2.8 Maidstone Borough Council retains around 10% of the business rates that it collects and the baseline contribution to the Council's overall budget is approximately £4 million. The announcement in the Autumn Statement that government will compensate councils for the loss of income from freezing business rates for ratepayers means that, broadly, MBC's share of business rates will increase in line with inflation.

Local Government Finance Settlement 2023/24

- 2.9 The Provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022. This reiterated the key measures in the Chancellor's Autumn Statement relevant to local government. The main items of new information relevant to Maidstone Borough Council are as follows.

New Homes Bonus will be paid in 2023/24, but will be based on housing completions in 2021/22 only. Formerly NHB also included a legacy payment based on historic housing completions.

Services Grant will reduce in 2023-24, in part because there will no longer be an increase in National Insurance Contributions and no related compensation (the increase in NICs was originally planned by Chancellor Sunak, then reversed).

Lower Tier Services Grant – not payable in 2023/24 – the funding will be used along with New Homes Bonus to pay for the Funding Guarantee (see below).

- 2.10 It is proposed to create a new one-off Funding Guarantee, which will ensure that all authorities see at least a 3% increase in their Core Spending Power, before any decision they make about organisational efficiencies, use of reserves, and council tax levels. Core Spending Power is the measure used by government to evaluate what they consider to be the underlying financial

position of local authorities. This guarantee relates to 2023/24 only and there is no indication as to whether a similar guarantee will be offered in 2024/25.

2.11 The following table shows Maidstone Council's Core Spending Power for 2022/23 and 2023/24.

	2022/23	2023/24	Change	
	£000	£000	£000	%
Council Tax	18,207	19,124 ¹	+917	+5.0%
Retained Business Rates ²	3,594	4,186	+592	+16.5%
<i>Sub-total – Core Funding³</i>	<i>21,801</i>	<i>23,310</i>	<i>1,509</i>	<i>6.9%</i>
New Homes Bonus	4,216	1,889	-2,327	-55.2%
Services Grant	225	127	-98	-43.6%
Lower Tier Services Grant	149	0	-149	-100.0%
Funding Guarantee	0	2,640	+2,640	N/A
<i>Sub-total – One-off Funding</i>	<i>4,590</i>	<i>4,656</i>	<i>66</i>	<i>1.4%</i>
Core Spending Power	26,391	27,966	+1,575	+6.0%⁴

Notes

¹ Assumes Council Tax increased to the referendum threshold. Notwithstanding that the Funding Guarantee is calculated before allowing for any Council Tax increases, the government's Core Spending Power calculations assume that all authorities will increase Council Tax by the maximum permitted.

² Notional Business Rates income based on the government's baseline. Growth above this baseline is not included here.

³ Council Tax and Business Rates are treated as part of the Council's core funding, whereas New Homes Bonus and other unringfenced government grants have historically not been used by the Council to fund ongoing revenue expenditure.

⁴ The government has advertised the Local Government Finance Settlement as giving local authorities an extra 9%. This is a national average and district councils like Maidstone are generally seeing a lower increase.

2.12 It can be seen that the Funding Guarantee has protected the Council against the reduction in the following elements of Core Spending Power:

- New Homes Bonus
- Services Grant
- Lower Tier Services Grant.

Specifically, the main benefit of the Funding Guarantee from Maidstone's perspective is that the Council is protected against the reduction in New Homes Bonus.

2.13 The Council agreed last year to set aside £1 million of New Homes Bonus for strategic policy and plan making and £3.2 million for the 1,000 Affordable Homes Programme, given the requirement over the 10 year life of the programme for a total revenue subsidy of £50,000 per unit. Within

the overall budget proposals for 2023/24, it is now proposed that £300,000 of the one-off funding will be set aside for strategic policy and plan making, with this sum being built into the revenue budget on an ongoing basis. The balance of one-off funding will be set aside for the 1,000 Affordable Homes Programme.

Revenue Budget Proposals

- 2.14 The draft MTFS described how, in bridging the budget gap, the Council would need to balance the requirement to make savings or generate increased income against the key priorities set out in the Council's Strategic Plan, namely:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

- 2.15 It was explained that all budgets would be reviewed in detail to identify opportunities for savings, or increased income, which can be delivered with the minimum impact on the strategic priorities. To the extent that further growth is planned, above and beyond existing budgets, this would need to be offset by further savings.

- 2.16 The following growth and savings have been identified in the services falling within the remit of the Economic Regeneration and Leisure Committee.

- Economic Development – recharge of salaries to Business Rates Pool - £100,000 saving

The current local government funding regime gives authorities the opportunity to pool their business rates income and retain a higher share of growth as compared with their notional baseline income. Maidstone is a member of the Kent Business Rates Pool and has followed a policy of using its share of growth arising from membership of the pool to support the Council's economic development strategy.

Strong business rates growth means that Pool income is now sufficient to fund not only one-off projects (as hitherto) but also the core salary budget for the Economic Development team. As Pool income is not treated as part of the base budget, this generates a saving.

- Mote Park café - £30,000 saving

The Mote Park café is due to reopen in 2023. It is anticipated that as the café becomes established there will be net income from the operator under the terms of the agreement, amounting to £30,000 per annum ongoing.

- Reduce Market income budget - £45,000 growth

In spite of a reduction in the income budget last year, the market's income continues to fall short of targets. It was proposed in the Fees and Charges report that came to this Committee in December 2022 that charges to stallholders be reduced in order to make it a more attractive trading opportunity. Whilst it is hoped that this will have a positive impact in the longer term, a further reduction in income is budgeted for in 2023/24.

Budget proposals have been developed, following a similar approach, for services within the remit of the other Policy Advisory Committees. Taken in total, it is projected that the savings proposals will allow the budget to be balanced in 2023/24 provided that Council Tax is increased up to the referendum threshold.

Capital Budget Proposals

- 2.17 Capital investment helps the Council to deliver its strategic priorities. Capital programme schemes falling within the remit of this Policy Advisory Committee are as follows.

- Museum Development Plan - £389,000

This capital budget exists to support implementation of the Museum's 20 year plan. A key element of this plan is to improve the quality of displays and storytelling in the Museum's permanent galleries through a rolling programme of refurbishment and redisplay. The first phase of this work will be a new gallery telling the story of Maidstone from pre-history to the end of the medieval period. Work is under way on planning this gallery, with a target opening date of Summer 2024. Although included in the capital budget for 2022/23, most of the planned expenditure of £389,000 is now expected to slip to 2023/24. The Council's funding is expected to be matched by external fundraising by the Maidstone Museums Foundation.

- Leisure Provision - £7 million

Options for the future of the Leisure Centre were presented to this Committee in December 2022. This is an indicative budget at this stage, allowing for practical improvements to be made to the Leisure Centre in the short term, pending a refurbishment or replacement of the existing facilities in the medium term.

- Tennis Courts Upgrade - £20,000

This funding is required to bring the courts in the parks back up to an acceptable playing standard.

- Riverside Walk - £500,000

Proposals are under consideration for a riverside walk alongside the Medway by the Lockmeadow Millennium Bridge. Better access to the

river would be created from the Maidstone road bridge and other areas of interest along the river would be linked, such as the memorial park and Archbishop's Palace. Improvements to the riverside path would increase safety and reduce antisocial behaviour. Costings and detailed proposals are still to be developed and third party funding will be sought for the project. Specific proposals will be brought forward in due course but for the purpose of developing the capital programme an indicative budget was included in the capital budget for 2022/23. The planned expenditure of £250,000 is now expected to slip to 2023/24.

- Mote Park Kiosk Refurbishment & Extension- £200,000

Following the opening of a new visitor centre on the southern side of Mote Park Lake, this project is intended to provide clean and safe facilities to replace the existing toilet block on the northern side.

- Town Centre Strategy - £5.5 million

The emerging Town Centre strategy action plan will present short, medium and long term projects for improvements in the Town Centre, as part of a wider package of town centre projects. The capital programme includes an indicative sum of £5.5m to assist with delivery of these projects.

Details are set out in Appendix B to this report for the next five years. Amongst the Council's capital schemes, the Affordable Homes programme has a ten year life cycle, so a ten year programme will be presented for the Council as a whole.

3. AVAILABLE OPTIONS

- 3.1 Recommend the budget proposals relating to this Committee as set out in Appendices A and B for approval by the Executive.
- 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 Executive must recommend to Council at its meeting on 8 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 Executive 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 finances are subject to a high degree of risk and uncertainty. The draft MTFS includes an evaluation of the Council's financial resilience,

from which it can be seen that it has adequate, but not excessive, reserves and is positioned well to manage the financial challenges that it faces.

- 5.2 In order to address risk on an ongoing basis 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 The Executive received an initial report on the MTFS at its meeting on 20 July 2022 and it agreed the approach set out in that report to development of an MTFS for 2023/24 - 2027/28 and a budget for 2023/24.
- 6.2 Policy Advisory Committees and the Executive then considered a draft MTFS at their meetings in November 2022.
- 6.3 Public consultation on the budget has been carried out. Details are set out in Appendix C. Members are encouraged to review the findings and assess whether the budget proposals are consistent with public expectations and aspirations.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The timetable for developing the budget for 2023/24 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
25 January 2023	Executive	Consider 23/24 budget proposals
8 February 2023	Executive	Agree 23/24 budget proposals for recommendation to Council
22 February 2023	Council	Approve 23/24 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 2023/24 – 2027/28
 - Appendix B: Capital Budget Proposals 2023/24 – 2032/33
 - Appendix C: Budget Survey 2023
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9. BACKGROUND PAPERS

There are no background papers.