

**CORPORATE SERVICES POLICY  
ADVISORY COMMITTEE****18 January 2023****Medium Term Financial Strategy and Budget Proposals**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	18 January 2023
Executive	25 January 2023
Council	22 February 2023

<b>Will this be a Key Decision?</b>	Yes
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service/Lead Director</b>	Mark Green, Director of Finance, Resources and Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green, Director of Finance, Resources 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 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 and the other Policy Advisory Committees. 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.

Additionally, following a request by the Executive at its meeting on 21 December 2022 that further opportunities for fees and charges relating to Legal Services, Moorings, Parking, and the Town Hall, be explored, this report sets out officer proposals in response.

**Recommendation to the Corporate Services Policy Advisory Committee**

1. That the Committee recommends to the Executive that it approves the revenue budget proposals set out in Appendix A.
2. That the Committee recommends to the Executive an hourly rate of £258 for legal services.
3. That the Committee notes the revenue budget proposals for services within the remit of the other Policy Advisory Committees set out in Appendix B.

# 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</p>	Interim Team Leader (Contentious and Corporate Governance)

	<p>Council Tax must be calculated in accordance 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.</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>	[Policy and Information Team]
<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>	Equalities and Communities Officer
<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>	[Public Health Officer]
<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>	Section 151 Officer & Finance Team
<b>Procurement</b>	<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
<b>Biodiversity and Climate Change</b>	<p>The resources to achieve the Council’s objectives are allocated through the development of the Medium Term Financial Strategy.</p>	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 16 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.
- 3.3 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.
- 3.4 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**

- 3.5 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.
- 3.6 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.
- 3.7 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
- 3.8 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**

- 3.9 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).

- 3.10 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.

3.11 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 <sup>1</sup>	+917	+5.0%
Retained Business Rates <sup>2</sup>	3,594	4,186	+592	+16.5%
<i>Sub-total – Core Funding<sup>3</sup></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>
<b>Core Spending Power</b>	<b>26,391</b>	<b>27,966</b>	<b>+1,575</b>	<b>+6.0%</b> <sup>4</sup>

#### Notes

<sup>1</sup> 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.

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

<sup>3</sup> 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.

<sup>4</sup> 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.

3.12 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.

3.13 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**

3.14 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.

3.15 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.

3.16 The following growth and savings have been identified in the services falling within the remit of the Corporate Services Policy Advisory Committee.

- Property Investment Strategy - £500,000 saving

New acquisitions (especially industrial units) can promote economic development and generate extra income for the Council. This saving represents the income generated from the investment of £2.5 million per annum proposed in the capital programme.

- Office accommodation - £55,000 saving

The acquisition of Maidstone House has already led to a saving in the occupancy costs previously incurred and to additional income from letting space in the building. It has been assumed that further income will be generated and/or savings achieved as occupancy levels improve, following the investment undertaken in the building.

- Corporate Property service improvements - £45,000 saving

A review of our Corporate Property service has identified that, following the growth of the property portfolio in recent years, there is scope for improvement in management of the portfolio, by strengthening the client side of property management and getting more value from external managing agents.



- New Maidstone Property Holdings developments - £270,000 saving

Alongside the Affordable Housing programme, the Council will continue to develop Private Rented Sector housing for letting through its subsidiary Maidstone Property Holdings.

- Service improvements and restructuring - £120,000 saving

The Council's Transformation team continues to carry out regular service design reviews. It is anticipated that these will deliver further savings of £120,000 ongoing from 2023/24.

- Automation of transactional services - £50,000 saving

This specific proposal is to invest in voice recognition technology which would reduce the number of transactions dealt with via customer service advisors in the technical team. £50,000 is the net revenue saving and capital investment will be required in 2023/24 in order to deliver this.

- Review of print and post - £43,000 saving

The Council continues to generate a large volume of paper correspondence and records. This project will generate savings, primarily through a reduction in postage costs.

- Council-wide reduction in travel costs - £40,000 saving

Reimbursement of staff travel has fallen significantly with the increased amount of home working following the Covid-19 pandemic. This cost reduction is already being delivered, so the budget amendment will simply bring budgets into line with actual performance.

- Green Travel - £20,000 saving

Given changes to working arrangements following Covid-19, and given the Council's commitment to achieving carbon neutrality across the borough, the Council has withdrawn Essential Car User Allowances and Leased Car Allowances. The saving in 2023/24 is the residual amount arising from the benefits being protected for a period of time.

- Whole Council elections - £60,000 saving

The Council has now agreed to hold whole council elections every four years. This will reduce the cost of holding elections over the four year electoral cycle. Following the boundary review, initiated in 2021, the first whole council elections will take place in May 2024.

- MKS ICT efficiency improvements - £25,000 saving

A number of efficiency improvements are planned, including new working arrangements and automation of processes, for example in the way new devices are built and in dealing with IT help desk calls. As

with all MKS savings, the benefit is shared with partners, and only the MBC share of the saving is shown here.

- Deleting HR adviser post - £18,000 saving

Following a period of significant staffing changes in the two authorities that form the HR shared service, a reduction in the number of HR advisers is envisaged in 2025/26.

- Review of finance structure - £15,000 saving

Changes in the structure of the finance team, provisionally scheduled for 2024/25, are likely to create a savings opportunity.

- Additional investment income - £50,000 saving in 2023/24, reversing in 2025/26

The increase in interest rates over the past six months has generated better than budgeted returns on the Council's cash balances. However, this additional interest income is likely to fall away by 2025/26 if, as forecast, interest rates revert to lower levels.

- Data monitoring and analysis - £35,000 growth

The Council is improving the quality of data analysis to enable objectives led and evidence-based decision making at operational and strategic levels. Some existing staffing costs in this area are currently being funded through one-off resources. Growth of £35,000 is proposed to ensure that this work is properly resourced from 2023/4 onwards.

Budget proposals have been developed, following a similar approach, for services within the remit of the other Policy Advisory Committees. Details are set out in Appendix B.

### **Fees and charges**

3.17 This Committee recommended a schedule of fees and charges to the Executive at its meeting on 14 December 2022. The Executive subsequently requested that further opportunities for fees and charges relating to Legal Services, Moorings, Parking, and the Town Hall, be explored.

3.18 An initial response is set out below.

- Legal Services

An increase in the blended hourly rate of 5.56% was originally proposed, taking the rate from £234 to £247. In light of the current rate of inflation and the need to maximise cost recovery, an increase of 10%, making the hourly rate £258, is now proposed.

- Moorings

Within the fees and charges schedule for Economic Regeneration and Leisure services, there are charges for moorings on the River Medway. The question arose as to whether these are invoiced and collected on a consistent basis. It is proposed to review our approach during 2023, bearing in mind the twin objectives of income maximisation and making the best use of the river, as a key part of Maidstone's offer as a 'thriving place'.

- Parking

Further consideration of parking charges is reflected in proposals to be submitted to the Planning and Infrastructure Policy Advisory Committee as part of the current committee cycle.

- Town Hall

The Executive felt that the income generation potential of the Town Hall was not being exploited fully. This will be considered during 2023. Amongst the areas to be explored are integrating the Council's offer of meeting room space (so that the Town Hall is offered alongside other venues such as the Museum), better marketing and promotion, a review of the rates charged, and specific targeting of other potential public sector users. For the time being it is not proposed to change the rates charged, bearing in mind that much use of the Town Hall is made by other Council services, so increased income would simply lead to additional costs elsewhere.

### **3. AVAILABLE OPTIONS**

- 3.1 Recommend the budget proposals relating to this Committee as set out in Appendices A for approval by the Executive.
- 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 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.

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### **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.

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## **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.

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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

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

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

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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 2023/24 – 2027/28 – Corporate Services Policy Advisory Committee
- Appendix B: Revenue Budget Proposals 2023/24 – 2027/28 – Other Policy Advisory Committees

- Appendix C: Budget Survey 2023
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## **9. BACKGROUND PAPERS**

There are no background papers.