

Urgent Update - Item 19 - Medium Term Financial Strategy and Budget Proposals 2023/24

Since the Executive Meeting agenda was published, there have been two significant updates:

1. Local Government Finance Settlement (LGFS)

This was published on 6 February 2023 by DLUCH and impacts the Services Grant referenced within the report. This has further impact on the Strategic Revenue Projection (Appendix B to the report), Revised Estimates for 2022/23 and Draft Budget Estimates for 2023/24 (Appendix C to the report) and the Updated Medium Term Financial Strategy 2023/24 to 2027/28 (Appendix G to the report).

2. Corporate Services Policy Advisory Committee Feedback

At their meeting on 6 February 2023, the Corporate Services Policy Advisory Committee recommended an alternative course of action than that presented by Officers.

This recommendation would impact on the Strategic Revenue Projection (Appendix B to the report), Revised Estimates for 2022/23 and Draft Budget Estimates for 2023/24 (Appendix C to the report) and the Updated Medium Term Financial Strategy 2023/24 to 2027/28 (Appendix G to the report).

More detail on the impact of each update is set out separately, however Appendices B, C and G have been updated to incorporate the changes arising from both updates, and are attached as appendices B2 and C2.

1. Local Government Finance Settlement (LGFS)

The updates relating to the changes are as follows.

Services Grant

There is a small change to funding being provided to MBC as part of the final Local Government Finance Settlement. It has been increased by £5,000 to £132,000 and so the following details of the report should be updated as follows:

Agenda page 104, Para 2.5 Table

	2023/24
	£000
New Homes Bonus	1,889
Services Grant	127 132
Funding Guarantee	2,640
Total	4,6564,661

Agenda page 105, Para 2.11

2.11 Drawing £300,000 from unringfenced government grant will leave ~~£4,361~~ £4,356 million. A further potential drawing of £400,000 from unringfenced government grant is also set out as an option in paragraph 2.18 below at the request of the Executive, in order to provide an expanded budget envelope for staff pay.

Agenda page 107, Para 2.20 .

	Notional funding required	Transfer to Housing Investment Fund	Notional shortfall	Cumulative shortfall
	(A)	(B)	(A-B)	
	£000	£000	£000	£000
2022/23	5,000	3,216	1,784	1,784
2023/24 (initial proposal)	5,000	4,356 4,361	644 639	2,428 2,423
Alternative proposal				
2023/24 (amount transferred reduced by £400,000)	5,000	3,956 3,961	1,044 1,039	2,828 2,823

Agenda page 109, Paras 2.37 and 2.38.

2.37 As announced in the Local Government Finance Settlement, unringfenced government grant will be received in 2023/24 comprising New Homes Bonus (£1.9 million), Services Grant (~~£127,000~~£132,000) and the Funding Guarantee Grant (£2.6 million). These are unringfenced revenue grants that may be deployed by the Council at its discretion, so for accounting purposes they are included within the Council's revenue resources along with Council Tax and Business Rates.

2.38 The Council has previously ringfenced New Homes Bonus payments for capital expenditure. Similarly, in 2022/23, £3.2 million was transferred to a Housing Investment Fund, which will be used to subsidise the Council's Affordable Housing programme. It is proposed that the residual amount of unringfenced government grants will be transferred to the Housing Investment Fund in 2023/24. As set out in paragraph 2.20 above, the initial budget proposals presented to the Policy Advisory Committees included a proposed transfer of ~~£4.356~~4.361 million. An alternative proposal has been put forward by the Executive which would mean transferring ~~£3.956~~3.961 million.

2. Corporate Services Policy Advisory Committee Feedback

The Corporate Services PAC made the following recommendations:

That the Executive be recommended to:

- 1. Note the outcome of consideration of budget proposals by the Policy Advisory Committees;*
- 2. Agree the Budget Growth and Savings Proposals set out in Appendix A to the report;*
- 3. Agree that the first £300,000 of 2023/24 unringfenced government grant be allocated for spatial policy and planmaking, with a further £400,000 transferred to the pay envelope for the staff budget, with the remaining balance transferred to the Housing Investment Fund, to be used to subsidise the Council's Affordable Housing programme;*
- 4. Agree the updated Strategic Revenue Projection set out in Appendix B to the report, subject to amendment as appropriate arising out of recommendation three;*
- 5. Agree a £8.19 annual increase in Band D Council Tax for 2023/24 for recommendation to Council;*
- 6. Agree the Revised Estimates for 2022/23 and the Budget Estimates for 2023/24 set out in Appendix C, for recommendation to Council;*
- 7. Agree the Capital Programme set out at Appendix D for recommendation to Council;*
- 8. Agree the Treasury Management Strategy, Investment Strategy and Capital Strategy set out in Appendix E to the report, for recommendation to Council;*
- 9. Note that the projected level of General Fund balances in Appendix F to the report exceeds the agreed minimum level of £4 million;*
- 10. Agree the updated Medium Term Financial Strategy set out in Appendix G to the report, subject to amendment as appropriate arising out of recommendation three;*
- 11. Recommend to Council the appropriate matters for decision to set a balanced budget for 2023/24 and the necessary level of Council Tax in accordance with the Local Government Finance Act 1992 and the Localism Act 2011 including the decisions made above, and;*
- 12. Recommend to the Council that it makes provision to implement with effect from 1 April 2024 the measures in the Regeneration and Levelling-up Bill to reduce the period before charging a Council Tax premium on empty property from two years to one and to charge a Council Tax premium on second homes.*
- ~~*13. Considers the options, consequences and risks regarding the allocation of resources for pay set out in paragraph 2.18.*~~

Although not noted at the time, recommendation three will also impact Appendix C (referenced in recommendation 6 above).

The updates relating to the key changes are as follows.

Increase pay budget envelope by £400k

This impacts the overall budget position in future years. It is proposed to cover the cost from the unringfenced government grant in 2023/24, so the change will be cost neutral in this year. However, unringfenced government grant is not guaranteed for future years and therefore the £400,000 is an unfunded cost in 2024/25 onwards. This is reflected in a revised SRP – Appendix B2.

The changes below are now reflected in the updated appendices:

23/24 – 1) Pay, inflation and NI increased by £400,000 and 2) Forecast change in Income increased by £400,000.

24/25 – Income is reduced by £400k. This increases the budget gap by £424,000 to £827,000 in 24/25 (originally £403,000). Each year the £400,000 will have an inflation increase as per the MTFS assumptions.

Budget Estimates 2023/24.

The changes have impacted the Corporate Services Committee. Appendix C2 provides the updated tables.

Medium Term Financial Strategy (MTFS) (Appendix G)

Agenda page 239 para 6.17 – addition of the below text:

6.17 A specific provision has also been built into the strategic revenue projections at the request of the Executive to increase the Pay Budget Envelope by £400k. This is in addition to the assumptions above. It is to be funded in 2023/24 from unringfenced government grant (Funding Guarantee). In years 2024/25 onwards these costs will increase the budget gap and will need to be funded by further savings.

Agenda page 240 Para 7.1 revised table 13.

Table 13: MTFS Revenue Projections 2023/24-2027/28

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
Scenario 4 – Limited flexibility, continued stagflation					
Total Resources	47.40	48.5	50.1	51.8	53.6
Predicted Expenditure	50.149.07	543.06	576.39	610.39	64.94
Budget Gap	-2.7	-5.51	-7.26.8	-9.50	-110.38
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-2.3	-4.84	-6.51	-8.83	-10.61

Agenda page 243 para 8.10

8.10 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 [a further](#)

£400,000 be added to the pay budget envelope, with these sums 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. The proposals deplete the available resource for the 100 Affordable Homes Programme. Whilst the exact amount of subsidy required over the lifetime of the programme cannot be calculated precisely at this stage, it would however be prudent to maximise the amount of transfer to the Housing Investment Fund, given the risks associated with delivering the capital programme at a time of high inflation and extreme pressure on resources in the construction sector.

APPENDIX B2 – STRATEGIC REVENUE PROJECTION

Appendix B

REVENUE ESTIMATE 2022/23 to 2027/28						
STRATEGIC REVENUE PROJECTION - SCENARIO 4						
Continuing high inflation, increased spending pressures, recession, but local government retains flexibility for time being.						
3% COUNCIL TAX						
2022/23 £000		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
18,207	COUNCIL TAX	18,921	19,489	20,073	20,675	21,296
	INCREASE BY 1% TO 3%	186	186	186	186	186
	BUSINESS RATES					
3,967	RETAINED BUSINESS RATES	4,186	6,639	6,772	6,907	7,045
1,692	BUSINESS RATES GROWTH	2,453	133	135	138	141
	COLLECTION FUND ADJUSTMENT					
319	COLLECTION FUND ADJUSTMENT (COUNCIL TAX)	616	0	0	0	0
-2,333	COLLECTION FUND ADJUSTMENT (BUSINESS RATES)	-585	0	0	0	0
1,380	COLLECTION FUND SMOOTHING	0	0	0	0	0
23,232	RESOURCE - COUNCIL TAX AND BUSINESS RATES	25,777	26,446	27,167	27,907	28,668
23,167	OTHER INCOME	23,167	24,491	25,231	26,427	27,683
	FORECAST CHANGE IN INCOME	1,324	740	1,197	1,256	1,319
23,167	RESOURCES - OTHER INCOME	24,491	25,231	26,427	27,683	29,003
46,399	TOTAL RESOURCES AVAILABLE	50,268	51,677	53,594	55,590	57,671
42,155	CURRENT BUDGET / PROJECTED SPEND	45,975	49,481	51,968	54,593	57,362
	INFLATION & CONTRACT INCREASES					
	PAY, NI & INFLATION INCREASES	3,506	2,487	2,625	2,770	2,923
4,244	BUDGET SURPLUS / (GAP) - BEFORE PRESSURE AND SAVINGS	788	-291	-999	-1,772	-2,614
40	EXTERNAL BUDGET SAVINGS					
	PENSION DEFICIT FUNDING REDUCTION	-541	25	26	26	26
0	OTHER SERVICE PRESSURES					
	ONE OFF PROVISION - WASTE CONTRACTS	1,057	143	0	0	0
	TEMPORARY ACCOMMODATION	600	0	0	0	0
	VACANT PROPERTIES	152	0	0	0	0
	MEMBERS ALLOWANCES	50	0	0	0	0
	EXTERNAL AUDIT FEES	135	0	0	0	0
0	REVENUE COSTS OF CAPITAL PROGRAMME	0	1,058	2,656	2,728	2,936
1,300	CONTINGENCY FOR FUTURE PRESSURES	0	0	0	0	0
50	GENERAL GROWTH PROVISION	50	50	50	50	50
1,390	PRESSURE AND SAVINGS	1,504	1,276	2,732	2,804	3,012
43,545	TOTAL PREDICTED REQUIREMENT	50,984	53,243	57,325	60,166	63,298
2,854	BUDGET SURPLUS / (GAP)	-716	-1,566	-3,731	-4,576	-5,627
-324	NEW AND AMENDED SAVINGS / (GROWTH)	690	690	45	219	125
2,530	SURPLUS / (DEFICIT)	-26	-876	-3,686	-4,357	-5,502
76	CUMULATIVE SURPLUS / (DEFICIT)	49	-827	-4,513	-8,870	-14,372
0	COLLECTION FUND ADJUSTMENTS	-31	0	0	0	0
0	BUDGET GAP EXCLUDING COLLECTION FUND ADJUSTMENTS	-58	-876	-3,686	-4,357	-5,502

The SRP has been updated to reflect the £400k in pay budget envelope and the increase in Service Grant of £5,000.

Appendix C2: Revised Estimates for 2022/23 and Draft Budget Estimates for 2023/24

Updated tables for Committee Summary and Corporate Services budgets.

COMMITTEE SUMMARY			
Committee	Original Estimate 2022/23	Revised Estimate 2022/23	Estimate 2023/24
	£	£	£
Corporate Services	8,830,090	9,277,520	8,241,630
Planning & Infrastructure	-267,900	-102,370	26,470
Communities, Housing & Environment	10,172,260	10,794,290	13,007,780
Economic Regeneration & Leisure	-166,360	-144,100	-159,980
	18,568,090	19,825,340	21,115,900
Transfers to Reserves	4,663,970	3,406,720	4,661,220
Net Revenue Expenditure	23,232,060	23,232,060	25,777,120

The budget estimates have been updated to reflect the £400k in pay budget envelope and the increase in Service Grant of £5,000.

Corporate Services Policy Advisory Committee

Cost Centre/Service	Original Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Contingency	1,355,110	1,844,420	1,096,140		1,096,140
Unapportionable Central Overheads	1,499,050	1,487,680	961,570		961,570
Non Service Related Government Grants	-4,216,190	-4,216,190		-4,661,220	-4,661,220
Appropriation Account	1,781,780	1,867,790	1,861,790		1,861,790
Pensions Fund Appropriation	0	0	0		0
Balances, Pensions & Appropriation	419,750	983,700	3,919,500	-4,661,220	-741,720
Street Naming & Numbering	-73,350	-73,350		-73,350	-73,350
Building Control	-73,350	-73,350	0	-73,350	-73,350
Sandling Road Site	29,380	27,660	30,150		30,150
Business Support	29,380	27,660	30,150	0	30,150
Council Tax Collection	56,510	56,510	110,710	-44,530	66,180
Council Tax Collection - Non Pooled	-356,420	-356,420	68,440	-444,500	-376,060
Council Tax Benefits Administration	-152,120	-164,320		-164,320	-164,320
NNDR Collection	1,530	1,530	3,240	-1,430	1,810
NNDR Collection - Non Pooled	-233,630	-239,010	16,350	-256,760	-240,410
MBC- BID	670	670	18,860	-18,120	740
Registration Of Electors	51,020	60,600	71,150	-2,510	68,640
Elections	147,540	181,200	164,720	-460	164,260
External Interest Payable	2,262,550	2,232,550	2,202,550		2,202,550
Interest & Investment Income	-100,000	-100,000		-150,000	-150,000
Central Services to the Public	1,677,650	1,673,310	2,656,020	-1,082,630	1,573,390
Palace Gatehouse	-7,500	-3,000	4,730	-12,000	-7,270
Archbishops Palace	-97,110	-104,500	45,480	-42,360	3,120
Parkwood Industrial Estate	-287,040	-286,940	4,590	-305,990	-301,400
Industrial Starter Units	-16,500	-17,190	30,070	-48,470	-18,400
Parkwood Equilibrium Units	-76,670	-88,600	49,070	-142,250	-93,180
Sundry Corporate Properties	-236,590	-228,340	47,480	-227,290	-179,810
Phoenix Park Units	-216,000	-218,850	33,430	-263,030	-229,600
Granada House - Commercial	-93,230	-93,490	75,040	-174,420	-99,380
MPH Residential Properties	-830,140	-729,930	23,800	-881,050	-857,250
Heronden Road Units	-147,670	-151,400	12,230	-171,150	-158,920
Boxmend Industrial Estate	-95,140	-99,660	14,900	-119,500	-104,600
Wren Industrial Estate	-120,150	-102,580	70,320	-178,540	-108,220
Commercial Investments	-2,223,740	-2,124,480	411,140	-2,566,050	-2,154,910
Corporate Projects	50,000	50,000	0		0
Corporate Management	476,770	413,610	825,540		825,540
Corporate Management	526,770	463,610	825,540	0	825,540
Democratic Services Section	262,980	266,080	288,040	-1,720	286,320
Mayoral & Civic Services Section	117,730	117,350	125,080		125,080
Chief Executive	188,160	188,380	197,850		197,850
Head of Policy and Communications	116,420	45,120	0		0
Director of Strategy Governance and Insight	0	76,900	131,680		131,680
Registration Services Section	95,830	92,170	94,050		94,050
Director of Finance, Resources & Business Improvement	148,110	147,320	153,160	-4,890	148,270
Accountancy Section	818,820	833,670	910,140	-24,400	885,740
Director of Regeneration & Place	147,100	146,310	156,480	0	156,480
Procurement Section	113,170	113,170	132,860	-14,030	118,830
Property & Projects Section	565,940	344,640	369,820	-5,970	363,850
Corporate Support Section	283,260	287,480	314,560		314,560
Improvement Section	374,840	375,330	279,510	-27,310	252,200
Executive Support Section	91,250	92,610	98,970		98,970
Head of Commissioning and Business Improvement	109,840	27,900	0		0
Emergency Planning & Resilience	65,120	126,700	134,180	0	134,180
Head of Property and Leisure	0	40,990	115,790		115,790
Facilities Section	0	243,470	257,250		257,250
Salary Slippage 1PR	-284,570	-285,760	-253,970		-253,970
Corporate Support Services	3,214,000	3,279,830	3,505,450	-78,320	3,427,130

Cost Centre/Service	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 (Expenditure) £	Estimate 2023/24 (Income) £	Estimate 2023/24 £
Civic Occasions	44,010	54,930	46,030		46,030
Members Allowances	408,000	408,000	455,540		455,540
Members Facilities	17,870	17,880	18,300	0	18,300
Democratic Representation	469,880	480,810	519,870	0	519,870
Emergency Centre	22,040	22,350	23,680		23,680
Emergency Planning	22,040	22,350	23,680	0	23,680
Drainage	32,440	32,440	34,070		34,070
Flood Defences & Land Drainage	32,440	32,440	34,070	0	34,070
Housing Benefits Administration	-339,450	-327,250	54,320	-369,200	-314,880
Housing Benefit Administration	-339,450	-327,250	54,320	-369,200	-314,880
General Fund Residential Properties	-77,120	-57,340	10,960	-66,880	-55,920
Housing Strategy	-77,120	-57,340	10,960	-66,880	-55,920
Medway Conservancy	127,990	127,990	134,390		134,390
Levies	127,990	127,990	134,390	0	134,390
Maidstone House - Landlord	196,970	-399,770	934,190	-1,347,270	-413,080
Town Hall	120,810	121,590	128,070	-1,500	126,570
South Maidstone Depot	170,630	219,860	177,360		177,360
The Link	119,940	54,540	336,250	-286,660	49,590
Maidstone House - MBC Tenant	274,710	673,620	776,530	-93,530	683,000
Museum Buildings	252,790	267,530	269,550	-1,170	268,380
Office Accommodation	1,135,850	937,370	2,621,950	-1,730,130	891,820
Maintenance of Closed Churchyards	10,500	10,500	11,030		11,030
Open Spaces	10,500	10,500	11,030	0	11,030
Rent Allowances	-115,330	-115,330	29,933,730	-30,047,800	-114,070
Non HRA Rent Rebates	-8,760	-8,760	1,102,410	-1,111,170	-8,760
Discretionary Housing Payments	1,450	0	231,980	-231,980	0
Rent Rebates	-122,640	-124,090	31,268,120	-31,390,950	-122,830
Revenues Section	531,330	565,280	980,800	-410,450	570,350
Benefits Section	507,390	507,970	855,810	-302,200	553,610
Fraud Section	31,920	49,790	252,970	-211,980	40,990
Mid Kent Audit Partnership	211,660	203,950	701,890	-482,200	219,690
Legal Services Section	627,860	627,860	734,220	-74,790	659,430
Mid Kent ICT Services	573,840	571,180	1,691,410	-1,082,560	608,850
GIS Section	122,220	122,840	215,130	-86,000	129,130
Director of Mid Kent Services	48,370	44,710	146,820	-97,880	48,940
Mid Kent HR Services Section	399,500	396,780	686,870	-268,460	418,410
MBC HR Services Section	170,430	101,510	179,690	-2,240	177,450
Head of Revenues & Benefits	76,710	76,290	129,620	-45,220	84,400
Revenues & Benefits Business Support	108,670	99,270	401,480	-284,380	117,100
Dartford HR Services Section	-13,680	-14,750	62,990	-78,730	-15,740
IT Support for Revenues and Benefits	25,680	25,510	45,690	-18,300	27,390
I.T. Operational Services	624,630	633,310	664,490		664,490
Central Telephones	15,510	15,510	16,290		16,290
Shared Services	4,062,040	4,027,010	7,766,170	-3,445,390	4,320,780
Apprentices Programme	51,300	71,290	54,180		54,180
Internal Printing	-3,580	-3,580	56,000	-56,920	-920
Debt Recovery Service	-14,150	-17,920	1,016,570	-1,036,000	-19,430
Debt Recovery MBC Profit Share	-95,470	-132,340		-120,440	-120,440
Trading Accounts	-61,900	-82,550	1,126,750	-1,213,360	-86,610
Corporate Services	8,830,090	9,277,520	54,919,110	-46,677,480	8,241,630

Corporate Services Policy Advisory Committee – Subjective analysis

Subjective Analysis	Original Approved Estimate 2022/23 £	Revised Estimate 2022/23 £	Estimate 2023/24 £
Agency & Contractor	859,770	822,540	863,670
Allowances	403,760	403,760	453,760
Benefits	34,491,910	34,497,690	31,268,120
Employee Direct	8,440,580	8,711,240	9,670,280
Employee Other	2,033,210	1,865,160	1,223,790
Equipment & Furniture	939,310	1,032,910	1,060,110
Fees & Charges	-1,033,960	-1,162,960	-1,175,760
General Insurances	14,510	14,400	15,110
Grants & Contributions Paid	2,360,450	2,346,960	2,301,700
Grants & Contributions Received	-42,869,160	-43,206,990	-40,314,840
Income Other	-1,003,330	-1,353,440	-1,432,960
Information & Communications	3,200	1,810	1,890
Leasing & Capital Charges	1,783,800	1,869,810	1,861,790
Premises Other	1,557,940	1,020,900	1,022,990
Printing & Stationery	104,610	103,680	107,250
Professional Services	502,660	822,340	944,990
Rent	-2,888,190	-3,704,400	-3,753,920
Repairs & Maintenance	521,780	828,820	795,390
Security & Protection	35,420	35,420	37,210
Subsistence & Training	181,800	124,760	190,770
Supplies & Services Other	1,742,700	3,143,810	1,996,510
Utilities	504,890	906,340	989,100
Vehicle & Transport	142,430	152,960	114,680
Corporate Services	8,830,090	9,277,520	8,241,630