

**CORPORATE SERVICES POLICY
ADVISORY COMMITTEE**

**11 September
2023**

Medium Term Financial Strategy and Budget Proposals

Timetable	
Meeting	Date
Corporate Services Policy Advisory Committee	11 September 2023
Cabinet	20 September 2023
Will this be a Key Decision?	Yes
Urgency	Not Applicable
Final Decision-Maker	Council
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Adrian Lovegrove, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2024/25 and setting next year's Council Tax. The report sets out a draft Medium Term Finance Strategy for 2024/25 – 2028/29 and budget proposals for services within the remit of the Committee. These proposals will then be considered by the Cabinet at its meeting on 20 September 2023.

The Cabinet will subsequently consider any remaining budget issues at its meeting on 7 February 2024, with a view to determining a final set of proposals for submission to Council on 21 February 2024.

Purpose of Report

Recommendation to Cabinet

This report makes the following recommendations to the Committee:

That the Cabinet be recommended to:

1. That the draft Medium Term Financial Strategy for 2024/25 to 2028/29 set out in Appendix A be approved.
2. That the budget proposals set out in Appendix B be approved.

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	Section 151 Officer & Finance Team

	<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	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Section 151 Officer & Finance 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 & Communities Officer
Public Health	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
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 and 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 will deliver its Strategic Plan over the next five years. The Council adopted a Strategic Plan for the period 2021 – 2045 in December 2018, and the existing MTFS for the period 2023/24 to 2027/28 reflects the Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.
- 2.2 A draft MTFS is attached to this report as Appendix A. As background, it comprises an assessment of the economic environment and the Council's own financial position. It will be seen that the Council faces a budget gap, given the expected impact of inflation on costs, compared with the lower projected rate of growth in Council resources.

Budget Savings

- 2.3 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2024/25 at the Council meeting on 21 February 2024. The draft MTFS describes how, in bridging the budget gap, the Council needs to balance the requirement to make savings or generate increased income against the key priorities set out in the Council's Strategic Plan.
- 2.4 The draft MTFS explains that all budgets are 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.
- 2.5 The following growth and savings have been identified in the services falling within the remit of this committee and are shown in Appendix B.

Existing Savings approved February 2023

Property Investment strategy - £625,000 saving

New property acquisitions can promote economic development and generate extra income for the Council. The Council has a successful track record in recent years of property acquisitions, including the Lockmeadow Leisure Complex, Maidstone House and a number of industrial units, which have been fully justified in prudential borrowing terms and now generate significant income for the Council. There is £2.5 million per annum set aside in the capital programme for further such acquisitions. This funding will only be utilised for acquisitions which meet the council's investment criteria.

If suitable investments are identified, this would generate cumulative additional income of at least £625,000 per annum over the business planning period. On the other hand, if the capital budget were not fully spent, there would be a corresponding reduction in borrowing costs and

minimum revenue provision (MRP), so there would be no net adverse impact on the budget.

New Maidstone Property Holdings developments - £228,000 saving

Alongside the Affordable Housing programme, the Council develops Private Rented Sector housing for letting through its subsidiary Maidstone Property Holdings. As new developments are acquired or completed, additional income will be generated.

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.

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 investment in the building.

Transformation - 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 order to deliver this.

Corporate Property service improvements - £25,000 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.

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 scheduled for 2024/25 will create a savings opportunity.

Mid-Kent Services - ICT efficiency improvements - £14,000 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.

Transformation - Review of print and post - £10,000 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.

New Savings and Growth

Finance - Additional interest income - £350,000 saving

This represents additional interest earned on the balance of cash held in the bank, and invested in line with our Treasury Management Strategy. This is a one year benefit as we will start spending the cash as we deliver the capital programme. This will eventually reduce the balance available to the minimum required for day-to-day working capital management. The saving assumes an average balance of £7.75m and an average interest rate of 4%.

Mid-Kent Services – Automated data handling for Council Tax - £55,000 saving

Advances in technology mean that robotics can be used to automate Council Tax processes such as Single Person discount awards and Council Tax moves. This would lead to a reduction in staff which will provide the saving. The savings are split between Benefits (£25,000 per annum) and Revenues (£30,000 per annum). The latter saving would be delivered part-way through 2024/25, so 6 months savings have been assumed in 2024/25.

Mid-Kent Services - Shared Revenues and Benefits service with Swale - £60,000 saving

A business case is being prepared for a three-way Revenues and Benefits Shared Service, ie adding Swale to the existing two-way Maidstone / Tunbridge Wells shared service. This would generate savings, mainly through spreading management capacity across a greater volume of work. The total estimated annual savings for Maidstone are £60,000, of which the first six months worth (£30,000) would fall in 2024/25 if the proposals are agreed by members of the three authorities concerned on currently projected timescales.

Mid-Kent Services - Transfer Risk Management to Emergency Planning - £29,000 saving

MKS has hitherto provide strategic risk management advice and support to the Council. The manager who provided this service has now left Mid Kent Internal Audit. The Council has the capacity and the skills to deliver this

service in-house, through the Emergency Planning and Business Continuity Team. This will additionally provide benefits through the service being delivered by staff who have day-to-day experience of planning for emergencies and considering how risks can crystallise in practice. Together with some modest efficiency savings in Mid Kent Audit, this will lead to a reduction of £29,000 in the Council's contribution to MKS. The Head of Service is content that Mid-Kent Audit's operating structure will remain sufficiently robust to continue delivering a core internal audit service to its four member authorities.

Corporate Property - Asset Management Plan for commercial property - £29,000 saving

The Corporate Property team is developing an Asset Management Plan for Commercial Properties which assumes a 5% reduction of current Revenue Repairs and Maintenance costs (reactive) based on greater investment in pre-planned capital expenditure. This will enable the Council's estate to be maintained in a more cost-effective way in the long run.

Corporate Property - Saving in Heather House running costs - £27,000

The Heather House Community Centre is due to be replaced by a new building, as it has been concluded that this is a more cost-effective solution than refurbishment. Accordingly, the existing building will be decommissioned later in 2023/24 and running costs will cease, generating a saving in 2024/25. An operator will be sought for the new community centre, but this will be on the basis that they will cover all running costs.

Mid Kent Services - Payroll service external income - £25,000 saving

The MKS payroll service operates a robust and well-established payroll system. The quality and reliability of the service offered has already led to Dartford Borough Council using MKS's service. It is considered that there is sufficient spare management capacity within the service to take on at least one further external customer, which would reduce costs by allowing overheads to be spread over a wider base.

Emergency Planning - Proposed partnership - £20,000 saving

Discussions are taking place with a neighbouring local authority about a shared Emergency Planning service. Maidstone's Emergency Planning service includes a Manager and a Resilience Officer. The service has considerable experience, having dealt with a range of incidents over the years, and has established robust systems and plans. A neighbouring authority has expressed an interest in joining a 50:50 partnership with Maidstone, whereby our service would add a further Resilience Officer to cover the additional workload and the Manager's time would be split between the two authorities, thus delivering a saving to Maidstone.

Mid-Kent Services - Internal audit - Efficiency savings - £19,000

The existing budget for internal audit continues to be based on the proportion of Mid Kent Audit work attributable to Maidstone Borough Council at the time when it joined the shared service, over ten years ago. In practice, in recent years the Head of Internal Audit has been able to issue an opinion without carrying out all the work for which a budget exists. Deleting the surplus budget would capture this efficiency saving.

Mid-Kent Services - ICT software savings - £8,000 saving

This proposal is to remove the software that controls asset management in favour of Microsoft InTune, which is included in our current Enterprise Agreement. The saving is £25,000 in total for the three-way shared service, of which MBC's share would be £8,000.

Biodiversity and Climate Change – Additional post to support property decarbonisation - £49,000 growth

It is proposed to create a new role of Energy Officer with the aim to both increase the capacity of the housing team to access and manage housing funding opportunities to improve energy efficiency in housing across the borough, as well as to enable the team to implement elements of the Biodiversity and Climate Change Action plan that relate to efficiency within Council operations, renewable energy and net zero targets.

Biodiversity and Climate Change – Revenue budget to support eco initiatives - £30,000 growth

The biodiversity and climate change action plan stipulates a number of actions for public engagement to increase climate resilience in the borough and support the public to reduce household energy consumption in line with the council's net zero commitments. The eco hub is an example of such engagement. However, currently there is no permanent revenue budget to support these initiatives (apart from the staffing budget for the team). This growth proposal would allow initiatives such as this to be funded. It would also support waste management and parks and open spaces in delivering public engagement to raise awareness of climate change impacts, reduce energy consumption and the borough's carbon footprint and to increase biodiversity and reduce waste.

- 2.6 Savings have been identified within the remit of the other Policy Advisory Committees, following a similar approach, and are included for information at Appendix C. If all the revenue budget proposals are approved, all other factors remaining equal, and assuming fees and charges are increased in line with the MTFs inflation assumption, this would allow the Council to set a balanced budget for 2024/25.
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3. AVAILABLE OPTIONS

- 3.1 Agree the Medium Term Financial Strategy in Appendix A and the budget proposals relating to this Committee set out in Appendix B for onward submission to the Cabinet.
 - 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 Cabinet must recommend to Council at its meeting on 7 February 2024 a balanced budget and a proposed level of Council Tax for the coming year. The overall strategy and the budget proposals included in this report will assist the Cabinet in doing this. Accordingly, the preferred option is that this Committee agrees the Medium Term Financial Strategy and the budget proposals at Appendices A and B respectively.
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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 Cabinet received an initial report on the MTFS at its meeting on 26 July 2023 and it agreed the approach set out in that report to development of an MTFS for 2024/25 - 2028/29 and a budget for 2024/25.
 - 6.2 Public consultation on the budget has been carried out, with a survey which is due to close on 28 August 2023. Details will be circulated to members once they are available and they 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 2024/25 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
September 2023	All Policy Advisory Committees	Consider 24/25 budget proposals and draft MTFS
20 September 2023	Cabinet	Agree 24/25 budget proposals and draft MTFS
5 February 2024	Corporate Services Policy Advisory Committee	Consider final budget proposals and MTFS
7 February 2024	Cabinet	Agree final budget proposals and MTFS for recommendation to Council
21 February 2023	Council	Approve 24/25 budget

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Draft Medium Term Financial Strategy 2024/25 – 2028/29
- Appendix B: Budget Proposals 2024/25 – 2028/29 - Corporate Services PAC
- Appendix C: Budget Proposals 2024/25 – 2028/29 – Other PACs.

9. BACKGROUND PAPERS

There are no background papers.