

MAIDSTONE BOROUGH COUNCIL

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

MINUTES OF THE MEETING HELD ON 16 NOVEMBER 2022

Present:

Committee Members:	Councillor Brice (Chairman) and Councillors Brindle, Cannon, Cooke, Cox, Mrs Gooch, Harper and Hinder
Lead Members:	Councillor Perry (Lead Member for Corporate Services)

49. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillor Khadka.

50. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

51. URGENT ITEMS

There were no urgent items. However, the Chairman sought Members' agreement to the withdrawal of item 13 (Council Tax Reduction Scheme 2023/24) from the agenda as it had been incorrectly included and, in line with the Constitution, could not be considered by this Committee.

RESOLVED: That agreement be given to the withdrawal of item 13 (Council Tax Reduction Scheme 2023/24) from the agenda.

52. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

53. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

54. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

55. EXEMPT ITEMS

RESOLVED: That the items on the agenda be taken in public as proposed.

56. MINUTES OF THE MEETING HELD ON 12 OCTOBER 2022

RESOLVED: That the Minutes of the meeting held on 12 October 2022 be approved as a correct record and signed.

57. PRESENTATION OF PETITIONS

There were no petitions.

58. QUESTION AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from local residents.

59. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

60. FORWARD PLAN RELATING TO THE COMMITTEE'S TERMS OF REFERENCE

It was noted that there were currently no items in the Forward Plan relating to this Committee's terms of reference.

61. COUNCIL TAX REDUCTION SCHEME 2023/24

See Minute 51 above.

62. SECOND QUARTER FINANCE, PERFORMANCE AND RISK MONITORING REPORT 2022/23

Councillor Perry, the Lead Member for Corporate Services, introduced the report setting out the financial and performance position for the services reporting into the Committee as at 30 September 2022 (Quarter 2), together with an update on corporate risks. It was noted that:

- A modest surplus was projected for the end of the year. There had been a significant increase in the cost of temporary accommodation for the homeless, but it was offset by improvements in income areas.
- This was a period of financial uncertainty, but the reserves remained sound. High inflation posed a particular challenge for the Council. Financial uncertainty was probably the biggest single corporate risk and areas such as the Public Works Loan Board and increasing interest rates would have an effect on the Revenue Budget and not just the Capital Budget and the Council's borrowing. Nevertheless, the position as at the end of Quarter 2 was sound.

In response to questions by Members:

The Lead Member for Corporate Services advised the Committee that:

- Additional provision had been made within the 2022/23 budget for the expected impact of higher inflation and, at this stage, a small surplus was projected for the end of the year. However, this was a period of financial uncertainty.
- The Executive was progressing delivery of the 1,000 Affordable Homes Programme and further information would be made available in due course.

- Concerns had been expressed about the effect if any of the County Council's financial situation on the Borough Council. The Borough Council did not have the same constraints as the County Council which had high spend areas such as education and adult social care. The Borough Council's finances were sound, and it had a good level of unallocated reserves which met the CIPFA standards. The Borough Council also had a strong balance sheet which meant that it was in a good position for the future, and he wanted to maintain that.

The Director of Finance, Resources and Business Improvement advised the Committee that:

- MPH (Maidstone Property Holdings) Residential Properties was the housing company where the Council held its private rented sector housing.
- Reference was made in Table 5 of the report to the issues currently being experienced in getting up to date information from the managing agents in respect of Sundry Corporate Properties, the Phoenix Park Units and the Boxmend Industrial Estate. The Council had sub-contracted the role of managing agents, but consideration was being given to taking the service in-house.
- In accordance with the Council's commitment to transparency and recognised good practice, virements (the transfer of funds between cost centres after the overall budget has been agreed by full Council) were reported to the Committee on a quarterly basis. The virements made in Quarter 2 were set out in Table 9 of the report and consideration would be given as to how the information might be better presented in future to provide more detailed explanations.
- For example, the Bereavement post had been established using funding from various cost centres as the service had been very busy. The costs of the senior management restructure had been allocated to the various applicable service cost centres.

During the discussion, the Director of Finance, Resources and Business Improvement and his team were thanked for their work given the current economic situation and uncertainty.

RESOLVED:

1. That the Revenue position as at the end of Quarter 2 for 2022/23, including the actions being taken or proposed to improve the position, where significant variances have been identified, be noted.
2. That the Capital position at the end of Quarter 2 for 2022/23 be noted.
3. That the Performance position as at Quarter 2 for 2022/23, including the actions being taken or proposed to improve the position, where significant issues have been identified, be noted.
4. That the Risk Update, attached at Appendix 3 to the Officers' report, be noted.

5. That the Recovery & Renewal Update, attached at Appendix 4 to the Officers' report, be noted.
6. That the UK Shared Prosperity Fund update, attached at Appendix 5 to the Officers' report, be noted.

Note: Councillor Cannon entered the meeting during consideration of this item (6.40 p.m.). He said that he had no disclosures of interest or of lobbying.

63. MEDIUM-TERM FINANCIAL STRATEGY 2023/2028

Councillor Perry, the Lead Member for Corporate Services, introduced the report setting out the framework for the Medium-Term Financial Strategy (MTFS) explaining that:

- The Council had to prepare and produce a balanced budget and, at the same time, ensure that its finances were on a sound base moving forward. Financial uncertainty was the main risk. Council Tax was the major source of income and until now a 2% Council Tax referendum limit had been assumed, but that could change with the Chancellor's Autumn Statement the following day. This was a period of very high inflation and dealing with that was a top priority.
- Given the uncertainty, as in previous years, several possible scenarios had been considered for the future. The draft MTFS attached to the report used Scenario 4 as the base case and it also included Scenario 5 to understand what the possible situation would be if inflation continued to remain high with consequential pressures on costs. The budget gap between Scenarios 4 and 5 was very significant. The Council had the option to use reserves but should not do so because reserves were used for emergencies, as a one-off. To use reserves would affect the future base level of the Council's finances and it was important to ensure that the Council's finances remained sound.
- In terms of the capital budget, any investment appraisals would have to factor in a higher cost of capital. It would be necessary to reassess the capital budget and some prioritisation of schemes would be required. The cost of borrowing would be higher and that would affect the Revenue Budget as well.
- New Homes Bonus (NHB) had been used to support strategic planning and policy work because of the Local Plan and this would continue. Part of the NHB would also be used to fund the 1,000 Affordable Homes Programme.
- The overall position would become clearer with the Chancellor's Autumn Statement, but at present a 2% Council Tax referendum limit had been assumed. With inflation running at 11%, a 2% increase would be a major reduction in real terms. All budgets would be reviewed to identify opportunities for savings or increased income. Specific provision had been built in for major known pressures such as the likely additional costs arising from the reletting of the waste collection contract.
- He would like to thank the Director of Finance, Resources and Business Improvement and his team for their work in managing the Council's finances.

In response to questions by Members:

The Lead Member for Corporate Services advised the Committee that:

- As part of the process of developing the MTFS, consideration would be given to the use of reserves, but there would need to be a plan to replenish them taking into account inflation projections.
- There was no certainty about the future of NHB. If it was reduced or withdrawn, alternative sources of funding for strategic policy and plan making and to subsidise the Affordable Housing Programme would need to be identified.

The Director of Finance, Resources and Business Improvement advised the Committee that:

- In terms of Council Tax increases, for the current year, there had been an increase in the Council Tax base of 1.7% (recent information). It had been assumed that this would be 1.5%. There was a separate issue about the level of collection of Council Tax which might deteriorate to offset that but 1.5% was in the right ballpark. In subsequent years 1% growth was assumed. Whilst there had been rapid growth in housing in Maidstone in recent years, if the economy slowed down, this might slow down too. In estimating the Council Tax for next year, there were two elements: the rate of Council Tax (a Council Tax referendum limit of 2% was currently assumed) and the growth in the Tax Base which was currently assumed to be 1.5%, but this might slip or improve in future years.
- The cost of delivering the Capital Programme was impacted by the rate of inflation and the prioritisation of capital schemes such as the Leisure Centre would be necessary.
- In his view, the Council had to be prepared for inflation to continue at a high level for longer than implied by Bank of England projections.
- Whilst salary increases tended to lag behind published inflation figures, market pressures were likely to mean that inflation would impact salaries in the medium term. Other costs such as contract costs were directly linked to inflation indices.

During the discussion, it was suggested that, given the unique circumstances, consideration should be given to the use of reserves to mitigate the impact for residents of high inflation and increasing costs. It would also be useful to have details of the Council Tax Reduction Scheme to inform discussions going forward.

RESOLVED:

1. That the issues and risks associated with updating the Medium-Term Financial Strategy be noted.
2. **TO RECOMMEND TO THE EXECUTIVE:** That the Medium-Term Financial Strategy be approved, and the proposed approach outlined to development of an updated Medium-Term Financial Strategy for 2023/24 – 2027/28 and a budget for 2023/24 be approved.

64. DURATION OF MEETING

6.30 p.m. to 7.35 p.m.