

MAIDSTONE BOROUGH COUNCIL

CORPORATE SERVICES POLICY ADVISORY COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY 6 FEBRUARY 2023

Attendees:

Committee Members:	Councillors Brice (Chairman), Mrs Gooch, Cooke, Cox, Harper, Hinder, English and Garten
Lead Members:	Councillor Perry, Lead Member for Corporate Services Councillor Burton, Leader of the Council

98. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Brindle, Cannon and Khadka.

99. NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor English was present as Substitute for Councillor Khadka.

Councillor Garten was present as Substitute for Councillor Brindle.

100. URGENT ITEMS

There were no urgent items.

101. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

102. DISCLOSURES BY MEMBERS AND OFFICERS

The Chief Executive disclosed an interest on behalf of all Officers present, in relation to Item 14 – Medium Term Financial Strategy and Budget Proposals 2023/24.

103. DISCLOSURES OF LOBBYING

Councillors Brice and Gooch had been lobbied on Item 14 – Medium Term Financial Strategy and Budget Proposals 2023/24.

104. EXEMPT ITEMS

RESOLVED: That all items be taken in public as proposed.

105. MINUTES OF THE MEETING HELD ON 18 JANUARY 2023

RESOLVED: That the Minutes of the Meeting held on 18 January 2023 be approved as a correct record and signed.

106. QUESTION AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from Local Residents.

107. PRESENTATION OF PETITIONS

There were no petitions.

108. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

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

RESOLVED: That the Forward Plan be noted.

110. 3RD QUARTER FINANCIAL UPDATE & PERFORMANCE MONITORING REPORT

The Lead Member for Corporate Services introduced the report and stated that the proposal to write-off the rent arrears from Chillington House was due to the funds being irrecoverable, despite attempts to recover the arrears. The proposed re-allocation of funds from the Vibrant Economy, Resilience Communities and The Way We Work branches of the Council's Recovery and Renewal Action Plan was explained, with the funding to be re-directed to support the Community Resilience Fund, and Let's Talk Maidstone across a three-year period.

It was stated that there was a projected surplus of £446,000 for the end of the financial year, with the ongoing financial pressures being experienced by the Council noted, in part due to rising energy costs. The £1.3 million built into the budget to off-set the effects of inflation was highlighted, with a delay in capital spending due to market conditions.

The Lead Member outlined the council tax collection rates, treasury management and risk monitoring process in place, and the three key performance indicators that had missed the target by more than 10%. The Council's finances remained sound, with unallocated reserves in place, but financial uncertainty still remained the top risk faced by the Council.

In response to questions, the Director of Strategy, Insight and Governance outlined the purpose and use of the 'let's talk' platform and how the reallocation of funds would allow its use to continue. In response to further questions, the Director of Finance, Resources and Business Improvement stated that progress had been made in letting the office space available within Maidstone House, with rental income expected to be in line with projections. The increased energy costs at Maidstone House and other corporate properties were highlighted, with a cautious view taken in forecasts of variances in response, but the Council had locked into the Kent wide energy procurement agency from 1 April 2023. Any underspend from the current financial year would be reviewed by the Executive to determine its future use, which was standard practice and would likely occur in June 2023.

Several Members of the Committee expressed support for the cautious approach taken to secure a robust financial position for the Council.

In response to questions on the 'Loss of workforce cohesion and talent' risk, the Chief Executive stated that the Council was implementing controls in response to current market conditions, such as the graduate micro site which had been successful in recruiting to vacant planning posts. The Council experienced similar recruitment and retention issues to other Local Authorities, with the framework used to assess risks generally to be reviewed with the Council's Audit, Governance and Standards Committee post May 2023. At the same time, the Executive would be advised to review corporate risks to ensure that its priorities, and any risks to achieving those priorities, were known in advance.

In discussing recruitment and retention, the Committee felt that further information on the number and details of the apprenticeship's provided by the Council was required. In response, the Chief Executive confirmed that whilst a permanent offer of employment was not included within apprenticeship schemes, vacancies often arose which apprentices could apply for, and that she was not aware of any instances where an apprentice wished to stay with the Council and had been unable to. The apprenticeship scheme was part of the wider workforce strategy, which when refreshed would be reviewed by the Committee. In the meantime, further details on the apprenticeship schemes provided would be circulated to the Committee via email.

RESOLVED:

That the following be noted:

1. The Revenue position as at the end of Quarter 3 for 2022/23, including the actions being taken or proposed to improve the position, where significant variances have been identified;
2. The Capital position at the end of Quarter 3 for 2022/23;
3. The Performance position as at Quarter 3 for 2022/23, including the actions being taken or proposed to improve the position, where significant issues have been identified;
4. The Risk Update, attached at Appendix 3 to the report;
5. The Recovery and Renewal Update, attached at Appendix 4 to the report;
6. The UK Shared Prosperity Fund update, attached at Appendix 5 to the report;

That the Executive be recommended to:

7. Write-off irrecoverable outstanding rent due of £25,152 from Chillington House; and
8. Endorse the reallocation of Recovery and Renewal Funding for a number of projects as shown at 2.4 of the report.

111. MEDIUM TERM FINANCIAL STRATEGY AND BUDGET PROPOSALS 2023/24

The Lead Member for Corporate Services introduced the report, stating that the Medium-Term Financial Strategy (MTFS) and budget Proposals 2023/24 had been extensively discussed by the Executive and the Policy Advisory Committees in the past few months. The report recommendations were outlined, with particular attention drawn to recommendation 13 and point 2.18 of the report, which referred to the Executive proposal to use £400,000 of the Funding Guarantee (FG) to increase the staff pay budget. The subsidy required for the Affordable Homes Programme was highlighted as being significant, with the Executive wishing to maximise the contributions to the Housing Investment Fund (HIF) to support the subsidy required.

It was stated that the Council's policy had previously been to avoid using one-off sources of funding to support revenue expenditure, but that an exception had already been made to allocate £300,000 of the FG to support spatial policy and plan-making, with a further exception to increase staff reward felt to be suitable. It was stated that the government had recognised that many Local Authorities were in a difficult financial position, having faced increased financial pressures in recent years, with the FG to support the authority's general finances and that further funding could be provided in future years. If an additional £400,000 was added to the staff pay budget, the amount to be transferred to the HIF would still be significant, which posed a risk to future funding of the Affordable Homes Programme, but this was felt to be a balanced risk. The importance of Member-Officer relationships was emphasised, with it stated that staff pay had in some cases fallen behind the median level used for comparison purposes and that this should be increased with the cost-of-living crisis referenced.

The Director of Finance, Resources and Business Improvement addressed the Committee and stated that the Executive's recommendation to allocated £400,000 of the FG to the staff pay budget was not an officer recommendation. It was a one-off funding source, and a long-term view was required to support the Council's Affordable Homes Programme and ensure the Council's financial resilience. The difficulty of planning ahead, for example through having to wait for the annual Local Government Finance Settlement, was referenced as context. It was not prudent to use one-off sources of funding for ongoing costs.

The Leader of the Council addressed the Committee and re-emphasised the importance of looking after the Council's staff, particularly given increased inflation and bills, alongside the proposal to use part of the FG to support spatial policy and plan-making which was revenue expenditure. The Leader of the Council stated that he thought that the government would provide further one-off financial support next year.

The Committee expressed strong support for providing an increased pay budget for the Council's staff, as contained within point 2.18 of the report. References were made to the increased inflation and the ongoing cost-of-living crisis, particularly for the staff on lower pay grades, and the importance of retaining the good, well experienced staff working at the Council that may otherwise work elsewhere.

Several Members of the Committee raised the importance of ensuring that any increase to the staff pay budget was achieved sustainably, with references made

to how this would be accounted for in future years, alongside the various methods to provide pay awards questioned.

In response, the Chief Executive advised that an increase in the pay budget envelope as suggested by the Executive would be a permanent increase that would have to be factored into future budget setting processes. If agreed, options to maintain the increased pay budget would be included within the 2024/25 budget setting process; these had not taken place within the current budget setting process as the proposal had not been put forward until recently. Unconsolidated methods to increase pay included Market Supplements, however these were used in specific circumstances dependent upon suitable market conditions and in accordance with Council policy. The Chief Executive explained that the additional funds, if agreed, would increase the pay budget envelope available to 6%, but that its application across the staffing pay grades would be determined during negotiations.

The Leader of the Council responded to comments on behalf of the Lead Member for Corporate Services, stating that the Council was the only Kent Local Authority that did not rely on funding, such as the New Homes Bonus, to support revenue expenditure, that it was not currently at risk of needing to, and that the funding had been provided by the government. The £300,000 allocated to spatial planning and policy making from the Funding guarantee was reiterated.

In response to questions on the impact of agreeing an increased pay budget, the Director of Finance, Resources and Business Improvement stated that the amount available for the HIF would be reduced as a result. The HIF would hold the subsidy required to support the Affordable Homes Programme. Once the Council held 200 units a Housing Revenue Account would have to be created to hold the units; at that point, the subsidy would have to be transferred from the HIF and was a crucial point in the programme's progression. As there were numerous variables, such as construction costs and the amount of subsidy that the council could secure from Homes England, the Committee were advised that it would be prudent to maximise the amount available to go into the HIF.

The Leader of the Council stated that £3.2 million of the Funding Guarantee would be allocated to the HIF this year, alongside an additional £500,000 of unspent unringfenced funding, to total £3.7 million. Given this contribution to the HIF and projected future contributions, it was acknowledged that in theory there would be a funding gap of £13 million by 2032. However, the Council had other, more direct needs to address.

In response to the answers given during the meeting, the Committee expressed support for increasing the staff pay budget.

In response to further questions, the Director of Finance, Resources and Business confirmed that £600,000 would be allocated towards supporting Temporary Accommodation for 2023/24, with additional properties being purchased as temporary accommodation to mitigate those pressures in the future. The budget relating to the Innovation Centre and Leisure Centre projects were briefly explained and would be discussed by the Economic Regeneration and Leisure Policy Advisory Committee at its February 2023 meeting.

RESOLVED: 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 as set out in Appendix C to the report, for recommendation to Council;
7. Agree the Capital Programme set out at Appendix D to the report for recommendation to Council;
8. Agree the Treasury Management Strategy, Investment Strategy and Capital Strategy as set out in Appendix E to the report, for recommendation to Council;
9. Note 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 decisions 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 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.

112. DURATION OF MEETING

6.30 p.m. to 8.41 p.m.