

**Medium Term Financial Strategy and Budget Proposals**

<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service/Lead Director</b>	Mark Green, Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green, Director of Finance 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 2019/20 and setting next year's Council Tax. Following agreement by Council of the Medium Term Finance Strategy at its meeting on 12 December 2018, this report sets out budget proposals for services within the remit of this Committee and the other Service Committees. This Committee will then consider comments from other Service Committees and finalise the budget proposals for submission to Council at its meeting on 13 February.

**This report makes the following recommendations to this Committee:**

1. That the revenue budget proposals for services within the remit of this Committee, as set out in Appendix A, be agreed.
2. That the revenue budget proposals for services within the remit of the other Service Committees, as set out in Appendix B, be noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Strategic Planning, Sustainability and Transportation Committee	8 January 2019
Communities, Housing and Environment Committee	15 January 2019
Policy and Resources Committee	23 January 2019
Heritage, Culture and Leisure Committee	29 January 2019
Policy and Resources Committee	13 February 2019
Council	27 February 2019

# Medium Term Financial Strategy and Budget Proposals

## 1. INTRODUCTION AND BACKGROUND

### Medium Term Financial Strategy

- 1.1 At its meeting on 12 December 2018, Council agreed a Medium Term Financial Strategy (MTFS) for the next five years. The MTFS sets out in financial terms how the Strategic Plan will be delivered, given the resources available. A new Strategic Plan was adopted by Council on 12 December 2018 and the MTFS reflects this.
- 1.2 There is considerable uncertainty about the resources which will be available to deliver the Strategic Plan, for a number of reasons. Outcomes for the national economy could vary widely depending on how the UK's planned exit from the EU is managed. These wider economic factors will affect the level of public expenditure generally. The framework for local government expenditure in particular is anyway subject to uncertainty, with the four year local government funding settlement 2016/17 to 2019/20 coming to an end next year, and no definitive information about what subsequent arrangements will mean in practice for the Council.
- 1.3 Given these multiple layers of uncertainty, the financial projections underlying the MTFS were prepared under three different scenarios – adverse, neutral and favourable. All three scenarios assumed that budget proposals for future years which have already been agreed by Council will be delivered, and that Council Tax is increased by 3% in 2019/20. Existing budget savings proposals are shown in Appendices A and B and total £3.5 million over the MTFS period.
- 1.4 The outcomes for the Council's budget gap, before allowing for any further growth or savings, are set out below.

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m

<b>Scenario 1 – Favourable</b>					
<b>Budget surplus</b>	<b>-0.8</b>	<b>-0.9</b>	<b>-1.6</b>	<b>-3.3</b>	<b>-4.8</b>

<b>Scenario 2 – Neutral</b>					
<b>Budget gap</b>	<b>0.1</b>	<b>1.1</b>	<b>1.7</b>	<b>1.5</b>	<b>1.7</b>

<b>Scenario 3 – Adverse</b>					
<b>Budget gap</b>	<b>0.7</b>	<b>2.4</b>	<b>3.9</b>	<b>4.7</b>	<b>6.1</b>

- 1.5 It can be seen that next year's budget was close to being balanced in the neutral scenario, given the various assumptions underlying the projections. However, in 2020/21 the budget gap will be significant under both the

neutral and adverse scenarios. It is essential that the Council starts planning now for 2020/21.

### Revenue Budget Savings Proposals

- 1.6 Budget proposals have been developed which seek to deliver the Council's strategic priorities and achieve a balanced budget, using the 'neutral' scenario as the basis for planning. The proposals now being submitted to Service Committees will deliver a balanced budget in 2019/20 and will achieve a substantial reduction in the projected budget gap in 2020/21.
- 1.7 It is recognised that delivering the strategic priorities will require budget growth. Growth proposals have been prepared in relation to the following strategic priorities.

Strategic Priority	Budget Proposal	Ongoing annual cost (£000)
Embracing Growth and Enabling Infrastructure	Additional staffing resource for infrastructure development	48
Safe, Clean and Green	Maintenance and inspection of trees	50
Safe, Clean and Green	Public Realm Phase 3 – increased cleansing	30
Homes and Communities / A Thriving Place	Additional staffing resource for development of digital applications	27

- 1.8 The approach taken in developing budget savings proposals has followed the principles set out in the MTFS, ie:

- *Revenue savings will be sought in:*
  - *Discretionary services which are not strategic priorities.*
  - *Statutory services which are not strategic priorities, where there is scope for reconfiguring services to reduce costs.*
  - *Improved efficiency in delivering strategic priorities.*
  - *New income generation and identification of external funding.*

*These principles will be applied both to service expenditure and to corporate overheads.*

- *Revenue growth will be built into the budget where strategic priorities cannot be delivered within existing revenue budgets, provided this can be accommodated by making savings elsewhere.*
- *Capital schemes will be reviewed and developed so that investment is focused on strategic priorities.*

- 1.9 The new revenue budget savings proposals for services within the remit of this Committee are set out in Appendix A and reflect the principles above.

#### Improved efficiency

- The implementation of Skype telephony has been successful in reducing call costs and the saving will be built into the budget from next year.

- Further general office facilities cost savings of £5,000 are projected from 2020/21.

#### New income generation

- The Business Terrace has proved very successful and additional rental income is projected with effect from 2020/21.
- We generate substantial property income; a recent review by Gen2 has identified ways we could generate further income with more active management of the portfolio.
- We expect to be able to generate additional income from sub-letting space at Maidstone House.
- The purchase of Lenworth House will also increase private residential income from the portfolio.
- Income projections for the Housing Development and Regeneration Investment Plan have been rolled forward to 2023/24.
- Mid Kent Services has been successful in generating additional income from Debt Recovery and Internal Audit and this is reflected in the projections.
- The Digital Team, for which growth is proposed at paragraph 1.7 above, will recover some of these costs through capitalisation and additional income.

#### Reconfiguring services

- A review of the Communications section is planned, with the intention of delivering a saving of £30,000 per annum from 2020/21.
- The Mid Kent ICT Service has now gone through substantial restructuring, with the result that the basis on which the member authorities are recharged, which was based on costs prior to the formation of the shared service, is no longer appropriate. Authorities will now be recharged based on actual usage of the service, which will yield a saving for Maidstone Borough Council.

#### Discretionary services

- Changes to the electoral register canvass regulations are expected which mean that we will no longer be obliged to carry out a full annual canvass. Assuming that these regulations come into force, we plan to take advantage of this and target canvassing effort in areas of high voter turnover.

An existing budget saving of £20,000 in relation to the Customer Services section, based at the Link, is considered no longer to be deliverable. This service has made substantial savings in recent years as more customers have started to transact digitally with the Council. We are carrying out a review to assess the scope for further savings, but given that the service is

currently operating at full capacity we are not committing to further savings at this stage.

Budget savings have been developed, following the same principles, for services within the remit of the other Service Committees. These savings are set out in Appendix B and are being considered in the January cycle at these Committees' meetings.

The net new revenue budget savings proposals total £1,087,000.

### **Capital Programme Proposals**

The capital budget proposals for services within the remit of this Committee are set out in a separate report on this evening's agenda.

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## **2. AVAILABLE OPTIONS**

- 2.1 Agree the budget proposals relating to this Committee as set out in Appendices A and B for onward submission to the Policy and Resources Committee.
- 2.2 Propose changes to the budget proposals for consideration by the Policy and Resources Committee.
- 2.3 Make no comment on the budget proposals.

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## **3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 3.1 The Policy and Resources Committee must recommend to Council at its meeting on 13 February 2019 a balanced budget and a proposed level of Council Tax for the coming year. The budget proposals included in this report will allow the Policy and Resources Committee to do this. Accordingly, the preferred option is that this Committee agrees the budget proposals at Appendices A and B.

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## **4. RISK**

- 4.1 The Council's MTFS is subject to a high degree of risk and uncertainty. In order to address this 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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## 5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 27 June 2018 and it agreed the approach set out in that report to development of an MTFS for 2019/20 - 2023/24 and a budget for 2019/20.
- 5.2 Service Committees and Policy and Resources Committee then considered a draft MTFS at their meetings in November 2018, and this was agreed for submission to Council. The MTFS included descriptions of the different scenarios facing the Council and described how budget proposals would be sought for all scenarios, so that the Council might be suitably prepared for the adverse scenario, as defined. Council agreed the MTFS at its meeting on 12 December 2018.
- 5.3 Public consultation on the Council's budget priorities was carried out in parallel with consultation on the Strategic Plan. Details are set out in Appendix C. Note that the public were consulted on eight expenditure priorities, in line with the eight priorities included in the first draft of the Strategic Plan.

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## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The timetable for developing the budget for 2019/20 is set out below.

<b>Date</b>	<b>Meeting</b>	<b>Action</b>
January 2019	All Service Committees	Consider 19/20 budget proposals
13 February 2019	Policy and Resources Committee	Agree 19/20 budget proposals for recommendation to Council
27 February 2019	Council	Approve 19/20 budget

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## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<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	Section 151 Officer & Finance Team

	allocation of resources to all objectives of the strategic plan.	
<b>Risk Management</b>	This has been addressed in section 4 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>	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 Medium Term Financial Strategy demonstrates the Council's commitment to fulfilling its duties under the Act. The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Team Leader (Corporate Governance), MKLS
<b>Equalities</b>	The overall approach to the MTFS is to direct resources into areas of need as identified in the Council's strategic priorities. The equalities impact of individual budget decisions will be determined when setting the budget.	Section 151 Officer & Finance Team

<b>Crime and Disorder</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Section 151 Officer & Finance Team
<b>Procurement</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

**8. REPORT APPENDICES**

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

- Appendix A: Budget Proposals 2019/20 – 2023/24 – Policy & Resources Committee
- Appendix B: Budget Proposals 2019/20 – 2023/24 – Other Committees
- Appendix C: Residents' Survey

**9. BACKGROUND PAPERS**

There are no background papers.