

**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. These proposals will then be considered by Policy & Resources Committee at its meeting on 13 February with a view to determining a budget for submission to Council.

**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 for submission to Policy and Resources Committee.
2. That the capital budget proposals for services within the remit of this Committee, as set out in Appendix B, be agreed for submission to Policy and Resources Committee.

**Timetable**

<b>Meeting</b>	<b>Date</b>
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 the what subsequent arrangements will mean in practice for the Council.
- 1.3 Given these multiple layers of uncertainty, the financial projections underlying the MTFS have been prepared under three different scenarios – adverse, neutral and favourable. All three scenarios assume 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 within the remit of this Committee are shown in Appendix A and total £366,000 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 is 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.

- 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. Of particular relevance to this Committee are the strategic priorities 'Safe, Clean and Green' and 'A Thriving Place'. It is proposed that, to facilitate the 'Safe, Clean and Green' objective, £50,000 is provided for the maintenance and inspection of trees.
- 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 in that new income generation opportunities have been identified. There is scope for additional income from greater volumes of business in bereavement services (£20,000) and from investment in the Cemetery chapel (£30,000).
- 1.10 An existing budget saving of £119,000 which assumed a successful appeal against the Museum's business rates valuation has been deferred for a year, as the appeal is still going through the Valuation Office process.
- 1.11 The net new revenue budget savings proposals total £50,000.
- 1.12 The capital budget proposals for services within the remit of this Committee are set out in Appendix B. The capital proposals update the existing capital programme and meet the strategic priorities as follows:

### *Safe, Clean and Green*

- Crematorium and Cemetery Development Plan - The Crematorium Car Park was expanded in 2018 as part of this Development Plan. It is now proposed to use the residual capital funding to carry out improvement works at the Cemetery.
- Mote Park Visitor Centre - A contract is due to be let shortly for the new Visitor Centre at Mote Park. The scope of the work has been expanded to include toilet facilities that meet 'Changing Places' standards.
- Mote Park Dam Works - Mote Park Lake is effectively a reservoir retained by a dam at its western end. A review of dam safety under the Reservoirs Act 1975 included a mandatory recommendation that the spillway capacity be increased to reduce the risk of dam failure due to overtopping. Consultants have designed a suitable scheme and a planning application to carry out the work was submitted at the end of 2018. The scope of the work has had to be extended to include a replacement sluice. The work is likely to take place in Summer 2020 and current estimates are that the total scheme cost will be around £2 million.

### *A Thriving Place*

- Museum Development Plan - The amount in the capital programme represents the balance of funding set aside for development projects at Maidstone Museum. Specific proposals for the funding remain to be developed and are likely to rely on match funding from external sources.

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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 B. 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><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></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

Issue	Implications	Sign-off
<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 allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
<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	Team Leader (Corporate Governance), MKLS

	achievement of a balanced budget.	
<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: Revenue Budget Proposals 2019/20 – 2023/24
- Appendix B: Capital Budget Proposals 2019/20 – 2023/24
- Appendix C: Residents' Survey

**9. BACKGROUND PAPERS**

There are no background papers.