

**Medium Term Financial Strategy - Revenue Budget
Proposals**

Final Decision-Maker	Council
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Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2020/21 and setting next year's Council Tax. Following agreement by Council of an updated Medium Term Finance Strategy at its meeting on 18 December 2019, this report sets out revenue budget proposals for services within the remit of this Committee and the other Service Committees. This Committee will then consider at its meeting on 12 February 2020 comments from other Service Committees and will finalise the budget proposals 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.
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

Meeting	Date
Strategic Planning, Sustainability and Transportation Committee	7 January 2020
Communities, Housing and Environment Committee	14 January 2020
Policy and Resources Committee	22 January 2020
Heritage, Culture and Leisure Committee	28 January 2020
Policy and Resources Committee	12 February 2020
Council	26 February 2020

Medium Term Financial Strategy - Revenue 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	<p>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.</p> <p>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 with the requirements of sections 31A and</p>	Legal Services

	<p>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	<p>Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.</p>	<p>Policy and Information Team</p>
Equalities	<p>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.</p>	<p>Equalities and Corporate Policy Officer</p>
Public Health	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	<p>Public Health Officer</p>
Crime and Disorder	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	<p>Section 151 Officer & Finance Team</p>
Procurement	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	<p>Section 151 Officer & Finance Team</p>

2. INTRODUCTION AND BACKGROUND

Medium Term Financial Strategy

- 2.1 At its meeting on 18 December 2019, Council agreed an updated 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.
- 2.2 The MTFS builds on the previous year's MTFS, which was developed in parallel with the Council's new Strategic Plan. There were relatively few new developments to be incorporated in the updated MTFS, given the recent adoption of a Strategic Plan and the delay in the introduction of a new local government funding regime from 2020/21 to 2021/22. This means that, broadly speaking, a real terms 'stand-still' budget could be set for 2020/21. Members have agreed that the principle of maintaining the level of Council Tax in real terms be adopted.
- 2.3 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 2% in 2020/21. Existing budget savings proposals are shown in Appendices A and B and total £3.4 million over the MTFS period.
- 2.4 The Provisional Local Government Finance Settlement for 2020/21 was announced on 20 December 2019. This confirmed the key assumptions incorporated in the MTFS:
- Retained business rates income will be £3.260 million (the MTFS projection was £3.269 million)
 - New Homes Bonus has been retained for another year, giving £4.472 million to help fund our capital programme
 - The Council Tax referendum limit will be 2%
 - There will be no negative Revenue Support Grant.
- 2.5 The outcomes for the Council's budget gap, before allowing for any further growth or savings, are set out below.

	20/21	21/22	22/23	23/24	24/25
	£000	£000	£000	£000	£000

Scenario 1 – Favourable					
Budget gap / (surplus)	-179	774	1,121	1,385	1,177

Scenario 2 – Neutral					
Budget gap / (surplus)	-96	946	1,568	2,119	2,212

Scenario 3 – Adverse					
Budget gap / (surplus)	400	1,923	3,276	4,604	5,525

- 2.6 It can be seen that next year's budget showed a small surplus in the neutral scenario, given the various assumptions underlying the projections. However, in 2021/22 the budget gap will be significant under all three scenarios. It is essential that the Council starts planning now for 2021/22, taking account of announcements from central government about the likely shape of future local government funding.

Revenue Budget Proposals

- 2.7 As the MTFS 'neutral' revenue projections indicate a broadly balanced position for 2020/21, no specific targets were set for savings or increased income generation in this year. Service pressures, or new initiatives with revenue expenditure implications, will have to be funded from within the overall budget envelope, meaning savings or additional income growth to offset the expenditure growth.
- 2.8 In subsequent years, the projections indicate a likely requirement either to make savings or generate increased income. The MTFS strategic revenue projections include a contingency for future pressures of £1.6 million that can potentially be released in 2021/22 to avoid a cliff-edge where savings need to be made at short notice.
- 2.9 Amended and new budget proposals for services within the remit of this Committee are set out in Appendix A. As indicated above, they are confined to changes required to address new initiatives or budget pressures that cannot be accommodated.

Income from new investments

- The budget for 2020/21 will incorporate net projected income from the Lockmeadow acquisition.
- Income from housing and regeneration initiatives has been reprofiled. Although schemes are currently under way at Brunswick Street and Union Street, with completion scheduled for next year, further schemes have taken longer than originally anticipated to be realised.
- These items were included in the MTFS so do not represent new incremental changes.

New income generation

- We expect to be able to generate additional income from sub-letting space at Maidstone House.

Mid Kent Services

- A review of savings opportunities in Mid Kent Services has identified a number of savings both across MKS as a whole and in the ICT and HR services. These savings are shared with our partners in MKS and the savings shown here represent Maidstone Council's share.

Electoral Services

- It was originally expected that changes to the electoral registration process would lead to a reduction in costs as there is no longer a requirement for a full canvass of all households. However, in practice this saving has been cancelled out by additional postage costs and higher ongoing costs arising from the requirement for rolling registration of voters.
- 2.10 Budget amendments 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.
- 2.11 Whilst the net effect of the budget changes is positive for the Policy and Resources Committee, this is offset by adverse changes within the services covered by the Strategic Planning and Infrastructure Committee and a growth item for the creation of a climate change officer and related costs in Communities Housing and Environment Committee. See below.

	20/21	21/22	22/23	23/24	24/25
	£000	£000	£000	£000	£000

Scenario 2 – Neutral					
Budget gap / (surplus)	-96	946	1,568	2,119	2,212
Amendments and new budget proposals:					
Policy and Resources	-115	-115	-115	-115	-115
Communities, Housing and Environment	30	60	60	60	60
Economic Regeneration and Leisure	0	0	0	0	0
Strategic Planning and Infrastructure	174	194	214	214	214
Revised Budget gap / (surplus)	-7	1,085	1,727	2,278	2,371

- 2.12 The net effect of these budget proposals is that the budget under the neutral scenario remains just in balance for 2020/21 but the budget gap has increased somewhat in subsequent years.

Capital Programme Proposals

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

3. AVAILABLE OPTIONS

- 3.1 Agree the budget proposals relating to this Committee as set out in Appendix A.
 - 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 Policy and Resources Committee must recommend to Council at its meeting on 12 February 2020 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 Appendix A.
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5. RISK

- 5.1 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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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 23 July 2019 and it agreed the approach set out in that report to development of an MTFS for 2020/21 - 2024/25 and a budget for 2020/21.
- 6.2 Service Committees and Policy and Resources Committee then considered a draft MTFS at their meetings in November 2019, and this was agreed for submission to Council. Council agreed the MTFS at its meeting on 18 December 2019.
- 6.3 Public consultation on the budget has been carried out. Details are set out in Appendix C. It can be seen that slightly more residents agreed that the Council's budget provides value for money than disagreed.
- 6.4 There was resistance to the idea of Council Tax increases; this is an understandable stance to take, but if applied in practice would risk cuts to services, given that Council input costs continue to increase in line with inflation. The Council's position is that we will maintain a constant level of

Council Tax in real terms, in other words it will increase by no more than the projected rate of inflation.

- 6.5 The most popular area for new investment was infrastructure. This will be addressed as part of the updated capital programme, which is a separate item on this evening's agenda.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

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

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
January 2020	All Service Committees	Consider 20/21 budget proposals
12 February 2020	Policy and Resources Committee	Agree 20/21 budget proposals for recommendation to Council
26 February 2020	Council	Approve 20/21 budget

8. REPORT APPENDICES

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

- Appendix A: Budget Proposals 2020/21 – 2024/25 – Policy & Resources Committee
- Appendix B: Budget Proposals 2020/21 – 2024/25 – Other Committees
- Appendix C: Residents' Survey

9. BACKGROUND PAPERS

There are no background papers.