

**Medium Term Financial Strategy and Budget Proposals**

<b>Final Decision-Maker</b>	Council
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<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 revenue budget for 2022/23 and setting next year's Council Tax. Following consideration by this Committee at its meeting on 24 November 2021 of the draft Medium Term Finance Strategy for 2022/23 – 2026/27, this report sets out budget proposals for services within the remit of the Committee and the other Service Committees. Separate reports on this agenda deal with the Council Tax Base and with Fees and Charges, which both feed into the Strategic Revenue Projections summarised in section 2.10.

This Committee will consider at its meeting on 9 February 2022 comments from other Service Committees on the budget proposals affecting them and will then 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**

<b>Meeting</b>	<b>Date</b>
Policy and Resources Committee	19 January 2022
Policy and Resources Committee	9 February 2022
Council	23 February 2022

# Medium Term Financial Strategy and Budget Proposals

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The Medium-Term Financial Strategy (MTFS) 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>Cross Cutting Objectives</b>	The MTFS supports the cross-cutting objectives in the same way that it supports the Council's strategic priorities.	Section 151 Officer & Finance Team
<b>Risk Management</b>	This has been addressed in section 5 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>	<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 legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.</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</p>	Interim Team Leader Contentious and Corporate Governance

	<p>with the requirements of sections 31A and 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>	
<b>Privacy and Data Protection</b>	<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>
<b>Equalities</b>	<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 Communities Officer</p>
<b>Public Health</b>	<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>
<b>Crime and Disorder</b>	<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 &amp; Finance Team</p>
<b>Procurement</b>	<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 &amp; Finance Team</p>
<b>Biodiversity and Climate Change</b>	<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 &amp; Finance Team</p>

## **2. INTRODUCTION AND BACKGROUND**

### **Medium Term Financial Strategy**

- 2.1 At its meeting on 24 November 2021, this Committee considered a draft Medium Term Financial Strategy (MTFS) for the next five years. No material amendments were proposed to the Strategy by this Committee or the other Services Committees which considered it in November and December, so it will now go forward to Council for approval at its meeting on 23 February 2022.
- 2.2 The MTFS sets out in financial terms how the Strategic Plan will be delivered, given the resources available. The MTFS builds on the previous year's MTFS, but also reflects new priority initiatives including a Town Centre Strategy and a commitment to invest in 1,000 new affordable homes.
- 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 2022/23. A further scenario has now been considered that will incorporate the risk of inflation remaining at its current rate of around 5%.

### **Local Government Finance Settlement 2022/23**

- 2.4 The Provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. This confirmed several of the key assumptions incorporated in the MTFS.
  - The Council Tax referendum limit will be 2%.
  - The existing Business Rates regime will remain in place. Whilst the business rates multiplier will be frozen for ratepayers, local authorities will be compensated for the consequent loss of an inflationary increase.
  - There will be no negative Revenue Support Grant.
- 2.5 In addition, of the £1.5 billion increased funding previously announced in the Spending Review for local authorities, £822 million will be distributed directly to local authorities in the form of a new Services Grant. Maidstone will receive £225,000 in Services Grant.
- 2.6 There will be a new round of New Homes Bonus (NHB) payments in 2022/23, but payments will be made on the basis of two years' growth in housing numbers rather than three as in 2021/22. In Maidstone's case, because of the high number of housing completions in the borough last year, New Homes Bonus will nevertheless increase from £3.8 million in 2021/22 to £4.2 million in 2022/23. However, other authorities have seen significant reductions, so to prevent those authorities seeing an overall reduction in their Core Spending Power, the government is using the Lower Tier Services Grant (LTSG) to cushion the impact. Maidstone will receive an LTSG of £146,000.

- 2.7 The outcome for the Council's budget surplus / savings requirement of the above measures is to increase the projected budget surplus for 2022/23 previously reported to this Committee. Whilst this gives some scope for growth to accommodate new service priorities, it should be noted that much of this is one-off funding which will reverse out in 2023/24.
- 2.8 Paragraph 2.11 below summarises the changes described. It should be noted that the effect of building in a provision for extra inflation, as described above, would more than cancel out the additional one-off resources arising from the Local Government Finance Settlement. Further work is due to be carried out on the impact of inflationary pressures, notably a benchmarking study to evaluate pay levels. The outcome of any additional pay increases would be a charge against the provision for inflation. The outcomes will be reported to members at the next meeting of the Committee.

### **Revenue Budget Proposals**

- 2.9 The draft MTFs describes a number of new priorities and budget pressures, as follows:
- The objective of delivering 1,000 new affordable homes will require a level of revenue subsidy even after any grant funding is taken into account, which would represent budget growth.
  - Waste collection costs are likely to increase arising from the forthcoming contract relet in October 2023.
  - The Serco leisure contract comes to an end in 2024. Depending on the scope of any new contract, budget growth may be required.
  - The objective of making Maidstone Town Centre a thriving place may also require budget growth, eg to achieve infrastructure and a configuration of land and building uses for a successful town centre in the future and to provide leisure and cultural activities in the town centre.
  - In addition to core development management and spatial planning services, there is a requirement for more extensive planning policies and a Town Centre Strategy to achieve the place shaping which matches the ambition in the council's Strategic Plan, Economic Development Strategy and Recovery and Renewal Strategy.
  - Additional tasks and responsibilities are being taken on by the Democratic and Electoral Services team.
  - The Council has aspirations for better quality data analysis to further improve objectives led and evidence based decision making at operational and strategic levels.
  - Measures will be required to enable the Council's carbon reduction target to be met, including retrofitting and upgrading heating systems in Council buildings and electrifying the vehicle fleet.

The following table sets out how these priorities and budget pressures are dealt with in the budget proposals.

Affordable Housing programme	Covered in a separate report on this evening's agenda.
New waste collection contract	Additional growth of £1 million included in Strategic Revenue Projections for 2023/24.
Leisure provision	The current assumption is that services will continue to be delivered within the existing budget envelope. Provision is made for capital investment in the proposed capital programme, and is dealt with as part of a separate report on this agenda.
Town Centre	It is proposed to use the New Homes Bonus to provide funding for development of a new Town Centre Strategy from 2023/4; this is in addition to provision from the Recovery and Renewal funding for 2022/3. Base budget growth for an arts and culture officer and a programme of events (£99,000) is included in the Economic Regeneration and Leisure budget proposals from 2022/3 on a recurring basis in future years.
Planning Resources	Indicative growth of £94,000 has been included to cover the cost of restructuring the establishment to equip it to deliver the Council's strategies on an ongoing basis. Further work will be required on the scope of this work and to refine the projected budgetary impact. Meanwhile, New Homes Bonus will be utilised to cover one-off costs. Overall, a £1 million top slice of New Homes Bonus (including Town Centre Strategy work) is envisaged for 2022/23 with a requirement for a similar sum in each of the two following years.
Democratic and Electoral Services	Growth of £76,000 is proposed to cover additional responsibilities, including introduction of a new executive model, implementation of the Local Government Boundary Review, a Community Governance Review, introduction of new parliamentary constituencies and significant Elections Bill changes. To the extent that this work is time limited, the extra resource would continue to be available on an ongoing basis for project management generally.
Data analysis	Growth of £35,000 is proposed to ensure that this work is properly resourced from 2023/4 onwards; costs in 2022/3 are funded through one off resources.
Carbon reduction	Growth of £35,000 has been included to expand the team to cover in particular community engagement. Capital investment is addressed in a separate report on this agenda.

Additionally, other potential budget changes relating to this Committee have been identified which are described below under the heading 'Other savings and growth'. All proposed revenue budget savings and growth items are set out in Appendix A for budget proposals relating to this Committee and in Appendix B for the other service committees.

## 2.10 Other growth and savings

- Office accommodation - £400,000 saving

It has been assumed that it will be possible to reduce the amount of space occupied by one third arising from more flexible working and to generate further savings from letting out space not required by the Council within Maidstone House.

- New Maidstone Property Holdings developments - £194,000 saving

Alongside the Affordable Housing programme, the Council will continue to develop property for letting through its subsidiary Maidstone Property Holdings.

- Service improvements and restructuring - £120,000 saving

The Council's Transformation team continues to carry out regular service design reviews. It is anticipated that these will deliver further savings of £120,000 ongoing from 2023/24.

- Green Travel - £60,000 saving

Given changes to working arrangements following Covid-19, and given the Council's commitment to achieving carbon neutrality across the borough, it is appropriate to put in place measures which promote greener staff travel. The Council pays Essential Car User Allowances to over 100 staff and Leased Car Allowances to a smaller number. A review of these benefits has been carried out which will reduce the subsidy for travel by car, thereby promoting working arrangements that generate fewer carbon emissions.

- Whole Council elections - £60,000 saving

The Council has now agreed to hold whole council elections every four years. This will reduce the cost of holding elections over the four year electoral cycle. Following the boundary review, initiated in 2021, the first whole council elections are expected to take place in May 2024.

- Corporate Property service improvements - £50,000 saving

A review of our Corporate Property service has identified that, following the growth of the property portfolio in recent years, there is scope for improvement in management of the portfolio, by strengthening the client side of property management and getting more value from external managing agents.

- Review of shared services – net £67,000 growth

A review of savings opportunities in Mid Kent Services has identified £63,000 of new savings in to be delivered in 2022/23 and 2023/24. This is offset by budget growth of £130,000 from the shared Legal Service, where Maidstone already accounts for a greater share of the service’s workload than is currently budgeted, and this is expected to continue being the case.

- Emergency Planning – £35,000 growth

It has become clear the work required around emergency planning and response is getting greater rather than less, and the council is under-resourced in this area compared to other local districts.

2.11 Budget proposals have been developed, following a similar approach, for services within the remit of the other Service Committees. Taken in total, together with the measures announced in the Local Government Finance Settlement, the impact on the Strategic Revenue Projections as reported to this Committee on 24 November 2021 is shown below. The table additionally shows, at the request of members, the impact of allowing for a cumulative additional 2% inflation for each year in the planning period.

	21/22	21/22	22/23	23/24	24/25
	£m	£m	£m	£m	£m
<b>Budget gap (-) / surplus as reported on 24/11/21</b>	<b>0.8</b>	<b>-2.0</b>	<b>-0.7</b>	<b>-0.5</b>	<b>-0.1</b>
Adjustments:					
Services Grant (para 2.5)	0.2				
Lower Tier Services Grant (para 2.6)	0.1				
Proposed savings / growth (cumulative)	-0.2	0.2	0.5	0.5	0.5
<b>Updated budget gap (-) / surplus</b>	<b>0.9</b>	<b>-1.8</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.4</b>
Impact of additional 2% inflation	-0.8	-1.2	-1.7	-2.1	-2.6
<b>Budget gap (-) / surplus after additional inflation</b>	<b>0.1</b>	<b>-3.0</b>	<b>-1.9</b>	<b>-2.1</b>	<b>-2.2</b>

2.12 It can be seen that the savings proposals will allow the budget to be balanced in 2022/23, even allowing for the risk of additional inflation. However, the effect of continued high inflation would be an increasing deficit in future years. If this risk materialises, steps would need to be taken to bring the budget back into balance.

- 2.13 Final projections for the MTFS planning period will be set out in a Strategic Revenue Projection, to accompany the budget proposals to be considered by P & R Committee on 9 February 2022.

### **Capital Budget Proposals**

- 2.14 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 9 February 2022 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 21 July 2021 and it agreed the approach set out in that report to development of an MTFS for 2022/23 - 2026/27 and a budget for 2022/23.
- 6.2 Service Committees and Policy and Resources Committee then considered a draft MTFS at their meetings in November and December 2021.

6.3 Public consultation on the budget has been carried out. Details were reported to this Committee at its meeting in December 2021.

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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 The timetable for developing the budget for 2022/23 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
January 2022	All Service Committees	Consider 22/23 budget proposals
9 February 2022	Policy and Resources Committee	Agree 22/23 budget proposals for recommendation to Council
23 February 2022	Council	Approve 22/23 budget

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## **8. REPORT APPENDICES**

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

- Appendix A: Revenue Budget Proposals 2022/23 – 2024/25 – Policy and Resources Committee
  - Appendix B: Revenue Budget Proposals 2022/23 – 2024/25 – Other Committees.
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## **9. BACKGROUND PAPERS**

There are no background papers.