

**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 2022/23 and setting next year's Council Tax. Following consideration by this Committee at its meeting on 30 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. These proposals will then be considered by Policy and Resources Committee at its meeting on 9 February 2022, 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>
Communities, Housing and Environment Committee	1 February 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 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 other 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>	Principal Solicitor 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 Corporate Policy 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 30 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 Committees which considered it in 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 will be 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, and provision also needs to be made for the risk of higher inflation.

### **Revenue Budget Proposals**

- 2.8 The draft MTFs describes a number of new priorities and budget pressures, as follows:
- The objective of delivering 1,000 new affordable homes may require a level of revenue subsidy, 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 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.
  - Additional expenditure is likely to be required to support the new governance structure and to meet the Council's aspirations for better quality data analysis.
  - 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.

Budget growth in relation to the first two bullet points is within the remit of this Committee and is described below. Additionally, other potential budget changes have been identified which are described below under the heading 'Other savings and growth'. All proposed revenue budget savings and growth items are also set out in Appendix A.

### **2.9 1,000 Affordable Homes**

The Leader announced at Council on 29 September 2021 his commitment to enable 1,000 new affordable homes in the borough. The principal budgetary impact of this is an expansion of the capital programme. In accordance with the requirement that borrowing to fund the capital programme be affordable and sustainable, provision is also built into the revenue budgets for the revenue cost of the capital programme. This revenue will be offset by rental income from new affordable homes. To the extent that a subsidy is required in order to provide affordable homes, it is

proposed that this be met through a new Maidstone Housing Investment Fund. A range of further sources of funding will be explored, including contributions from Homes England, in line with the pace and scale of the affordable homes programme.

## 2.10 Waste Collection Contract

As reported to this Committee at its meeting on 2 March 2021, the existing waste and recycling collection contract with Biffa Municipal Ltd terminates in October 2023. A range of options for future delivery of the service were considered and it was agreed that the service be re-tendered. It is very likely that any new contract will be significantly more expensive than the current contract. Accordingly, additional growth of £1 million has been included in the Strategic Revenue Projections with effect from 2023/24.

## 2.11 Other growth and savings

- Public toilets - £105,000 growth

The current public toilet cleaning contract expires in April 2022 and there will therefore be a tender for new contract. A new 'like for like' contract would be expected in any case to cost more but it is anticipated that additional locations will be added into the contract.

- Anti-social behaviour - £60,000 growth

Additional resource is proposed that would complement existing initiatives that address anti-social behaviour. It is estimated that to provide the necessary capacity budget growth of £60,000 will be required.

- Capital investment to reduce cost of temporary accommodation - £125,000 saving over two years

The budget for third party temporary accommodation can be reduced by continuing with the purchase of housing in the open market for temporary accommodation through the capital programme.

- Housing grant utilisation - £150,000 saving

In recent years, core MBC funding has been increased to deal with the rising level of homelessness. Subsequently, the government has provided a range of grants to address this issue, principally the Homelessness Prevention grant. It is therefore estimated that £150,000 of grant funding can be used to substitute for core council funding.

- CCTV – £9,000 saving over two years

Following the installation of the new CCTV system an estimate for ongoing running costs was included in the budget. Further savings have now been identified following discussions with the current provider.

- 2.12 Budget proposals have been developed, following the same principles, for services within the remit of the other Service Committees. Taken in total, it is projected that the savings proposals will allow the budget to be balanced in 2022/23.

### **Capital Budget Proposals**

- 2.13 Capital investment helps the Council to deliver its strategic priorities. Accordingly, the capital programme includes a number of projects that support the 'Homes and Communities' and 'Safe, Clean and Green' priorities that are of particular concern to this Committee. Capital budget proposals will be considered formally by Policy and Resources Committee at its meeting on 20 January. They are also set out in Appendix B to this report and are summarised below.

#### *Homes and Communities*

- The Council will continue to deliver the government funded Disabled Facilities Grants programme.
- Further direct investment in property for temporary accommodation of £1.5 million is proposed.
- A capital budget has been set aside for the 1,000 affordable homes programme.
- Further funding has been set aside for investment in the Private Rented Sector.
- An allowance has been made for the refurbishment of Granada House.
- A major refurbishment of the Council's Gipsy and Traveller Sites is planned for 2022/23.

#### *Safe, Clean and Green*

- A capital budget has been set aside for projects that will address flood risk, including natural flood management schemes.
- Existing capital budgets for improvements to play areas, street scene investment, and parks improvements will be retained.
- Additional resource has been included for the waste crime team to allow the purchase of additional CCTV cameras and related equipment.
- An indicative budget has been included for works on open spaces funded by S 106 contributions.

Capital budget proposals are set out in Appendix B.

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### **3. AVAILABLE OPTIONS**

- 3.1 Agree the budget proposals relating to this Committee as set out in Appendix A and B for onward submission to the Policy and Resources Committee.
  - 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 November 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
  - Appendix B: Capital Budget Proposals 2022/23 – 2026/27
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## **9. BACKGROUND PAPERS**

There are no background papers.