

Urgent Update to Item 21 – Medium Term Financial Strategy and Budget Proposals 2022/23

Explanation

The final local government finance settlement for 2022/23 was announced on 7 February 2022. This updates the figures given just before Christmas in the provisional local government finance settlement. There is a modest additional favourable impact for Maidstone, owing to an additional inflation allowance in compensation for the business rates freeze, amounting to £65K, and an increase in the Lower Tier Services Grant, amounting to £3K. The result is that the projected budget surplus for 2022/23, formerly £8K, goes up to £76K. The budget proposals for 2022/23 have been updated accordingly.

The paragraphs shown on the next page are those that have been updated in response to the above. The changes are highlighted and are to be read alongside the originally published report.

Please use the numbering as shown in the paragraphs and the report, irrespective of some formatting inconsistencies.

Urgent Changes

Report Section - Local Government Finance Settlement 2022/23

- 1.6 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, **increased to £149,000 in the final settlement.**
- 2.3 The outcome of the Local Government Finance Settlement was favourable for the Council, but offsetting this favourable impact has been the net effect of the budget proposals for 2022/23 and subsequent years, which would lead to net revenue growth of £324,000 in 2022/23. Details are set out in Appendix A. Furthermore, in order to absorb potential additional inflation of 2%, an extra £800,000 has been added to the corporate contingency budget. The overall outcome for the Council's strategic revenue projections of these and other pressures is that the projected budget surplus reported in November of £755,000 has been **largely** absorbed to give a much smaller surplus of **£76,000**. The Strategic Revenue Projection is shown at Appendix B.

Report Section – Business Rates

- 2.15 The Business Rates baseline, ie the notional amount of business rates due to the Council, after payments to preceptors and the government's tariff, excluding any growth, is £3.528 million, as set out in the Provisional Local Government Finance Settlement. As described above, the government has increased the Business Rates baseline by inflation even though business rate payers will not face an increase. This is worth an additional **£95,000** compared with the amount anticipated in the MTFS.

Report Section – Unringfenced Government Grant

- 2.21 As announced in the Local Government Finance Settlement, unringfenced government grant will be received in 2022/23 comprising New Homes Bonus (£4.2 million), Services Grant (£225,000) and Lower Tier Services Grant (**£149,000**). These are unringfenced revenue grants that may be deployed by the Council at its discretion, so the default position is that they are included within the Council's revenue resources along with Council Tax and Business Rates.

Report Section – Summary

2.28 In summary, the impact of the above changes to the Strategic Revenue Projection for 2022/23, as compared with the position shown in the draft Medium Term Financial Strategy as considered by this Committee on 24 November 2021, is as follows:

	£000	£000
Projected budget surplus for 2022/23 as per draft MTFS presented to P & R Committee 24.11.2021		755
<u>Add:</u>		
Services Grant		225
Lower Tier Services Grant		149
Business Rates:		
- Additional retained rates arising from Local Government Finance Settlement	95	
- Additional growth	528	
- Collection Fund adjustment	-367	256
Adjustment to current spend		7
<u>Less:</u>		
Increase corporate contingency to cover inflation risk		-800
Net impact of budget proposals - see Appendix A		-324
Reduction in forecast for other income		-158
Council Tax:		
- Adjustment to reflect actual Band D charge	3	
- Reduction in surplus for current year collections	-24	-21
Adjustment to forecast for pay, NI and inflation		-13
Updated budget surplus for 2022/23 – see Appendix B		76

2.29 In summary, the surplus of £755,000 envisaged in the MTFS has been absorbed by the requirement to provide for higher inflation and the net impact of budget proposals. After taking account of other adjustments, the net effect is that there is a small surplus of £76,000.

Report Section – Revenue Estimates

2.34 The Estimate for 2022/23 shown in Appendix C totals £23,232,060. This incorporates all the items discussed above. The figure is net of all income with the exception of Council Tax and Business Rates income. It excludes precepts.