

**COMMUNITIES, HOUSING AND  
ENVIRONMENT POLICY  
ADVISORY COMMITTEE**

**17 January 2023**

**Medium Term Financial Strategy and Budget Proposals**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Communities Housing and Environment Policy Advisory Committee	17 January 2023
Executive	25 January 2023
Council	22 February 2023

<b>Will this be a Key Decision?</b>	Yes
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service/Lead Director</b>	Mark Green, Director of Finance, Resources and Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green, Director of Finance, Resources 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 2023/24 and setting next year's Council Tax. Following consideration by this Committee at its meeting on 8 November 2022 of the draft Medium Term Finance Strategy for 2023/24 – 2027/28, this report sets out budget proposals for services within the remit of the Committee. These proposals will then be considered by the Executive at its meeting on 25 January 2023. The Executive will subsequently consider all elements of the budget for 2023/24 at its meeting on 8 February 2023, with a view to determining a final set of proposals for submission to Council on 22 February 2023.

**Recommendation to the Communities Housing and Environment Policy Advisory Committee**

That the Committee recommends to the Executive that it approves:

1. The revenue budget proposals set out in Appendix A.
2. The capital budget proposals set out in Appendix B.

# 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>	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 the Executive.</p>	
<b>Information Governance</b>	The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes.	Senior Information Governance Officer
<b>Equalities</b>	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 with be identified.	Equalities and Communities Officer
<b>Public Health</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Director of Finance, Resources and Business Improvement
<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
<b>Biodiversity and Climate Change</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Biodiversity & Climate Change Manager

## **2. INTRODUCTION AND BACKGROUND**

### **Medium Term Financial Strategy**

- 2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council's Strategic Plan will be delivered over the next five years, given the resources available. In so doing, it establishes the framework for the annual budget setting process.
- 2.2 At its meeting on 15 November 2022, this Committee considered a draft MTFS for the five years 2023/24 to 2027/28. No material amendments were proposed to the MTFS by this Committee or subsequently by the Executive when it considered the MTFS at its meeting on 23 November 2022, so it will now go forward to Council for approval at its meeting on 22 February 2023.
- 2.3 The financial projections underlying the MTFS were prepared under a number of different scenarios, given uncertainty about local government funding and economic conditions generally. In the core scenario (Scenario 4) it was assumed that the Council would increase Council Tax by the maximum possible within the referendum threshold, but there would still be a budget gap of £2.5 million in 2023/24, mainly owing to the impact of inflation on the Council's costs, with a steadily increasing budget gap in subsequent years.
- 2.4 There is now better information about the funding context for 2023/24, given in particular the Chancellor's Autumn Statement on 17 November 2022 and the Provisional Local Government Finance Settlement, announced on 19 December 2022. In addition, savings proposals totalling £1.1 million for 2023/24 have been developed. Whilst the longer term position remains challenging, these recent developments have had a positive impact, such that it is now anticipated that the Council will be able to set a balanced budget for 2023/24, provided that the savings proposals are adopted and Council Tax is increased up to the referendum threshold. Further details are set out below.

### **Autumn Statement 2022**

- 2.5 The Chancellor announced the Autumn Statement on 17 November 2022. The background was the need to demonstrate that the government had a clear plan to meet a shortfall in the public finances of around £55 billion. The shortfall was met through a mix of tax rises and spending cuts, although the real impact of the cuts will not be felt until after 2024.
- 2.6 The key points from the Autumn Statement for local government were as follows.
  - Council Tax referendum limit - The core threshold was increased from 1.99% to 2.99%, and the Adult Social Care precept will be 2% in 2023-24.

- Business rates - The multiplier will be frozen in 2023-24, rather than increasing by inflation as in the past. Local authorities will be fully compensated for the loss of income arising.
- Business rates reliefs - Retail, Hospitality and Leisure reliefs were extended into 2023-24, and a Supporting Small Business Scheme has been introduced.
- Business rates revaluation – The revaluation scheduled for April 2023 will go ahead but there will be a more generous transitional scheme.

2.7 The effect of the increase in Council Tax referendum thresholds is that lower tier authorities like Maidstone may put up Council Tax by up to 2.99%, whilst upper tier authorities may increase their Council Tax by up to 4.99%. If both Maidstone BC and Kent County Council increase Council Tax by the maximum possible, the additional amounts payable by a Band D Council Tax payer would be as follows:

- Maidstone Borough Council - £8.20
- Kent County Council - £72.90

2.8 Maidstone Borough Council retains around 10% of the business rates that it collects and the baseline contribution to the Council's overall budget is approximately £4 million. The announcement in the Autumn Statement that government will compensate councils for the loss of income from freezing business rates for ratepayers means that, broadly, MBC's share of business rates will increase in line with inflation.

### **Local Government Finance Settlement 2023/24**

2.9 The Provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022. This reiterated the key measures in the Chancellor's Autumn Statement relevant to local government. The main items of new information relevant to Maidstone Borough Council were as follows.

New Homes Bonus will be paid in 2023/24, but will be based on housing completions in 2021/22 only. Formerly NHB also included a legacy payment based on historic housing completions.

Services Grant will reduce in 2023-24, in part because there will no longer be an increase in National Insurance Contributions and no related compensation (the increase in NICs was originally planned by Chancellor Sunak, then reversed).

Lower Tier Services Grant – not payable in 2023/24 – the funding will be used along with New Homes Bonus to pay for the Funding Guarantee (see below).

2.10 It is proposed to create a new one-off Funding Guarantee, which will ensure that all authorities see at least a 3% increase in their Core Spending Power, before any decision they make about organisational efficiencies, use of reserves, and council tax levels. Core Spending Power is the measure used

by government to evaluate what they consider to be the underlying financial position of local authorities. This guarantee relates to 2023/24 only and there is no indication as to whether a similar guarantee will be offered in 2024/25.

2.11 The following table shows Maidstone Council's Core Spending Power for 2022/23 and 2023/24.

	2022/23	2023/24	Change	
	£000	£000	£000	%
Council Tax	18,207	19,124 <sup>1</sup>	+917	+5.0%
Retained Business Rates <sup>2</sup>	3,594	4,186	+592	+16.5%
<i>Sub-total – Core Funding<sup>3</sup></i>	<i>21,801</i>	<i>23,310</i>	<i>1,509</i>	<i>6.9%</i>
New Homes Bonus	4,216	1,889	-2,327	-55.2%
Services Grant	225	127	-98	-43.6%
Lower Tier Services Grant	149	0	-149	-100.0%
Funding Guarantee	0	2,640	+2,640	N/A
<i>Sub-total – One-off Funding</i>	<i>4,590</i>	<i>4,656</i>	<i>66</i>	<i>1.4%</i>
<b>Core Spending Power</b>	<b>26,391</b>	<b>27,966</b>	<b>+1,575</b>	<b>+6.0%</b> <sup>4</sup>

#### Notes

<sup>1</sup> Assumes Council Tax increased to the referendum threshold. Notwithstanding that the Funding Guarantee is calculated before allowing for any Council Tax increases, the government's Core Spending Power calculations assume that all authorities will increase Council Tax by the maximum permitted.

<sup>2</sup> Notional Business Rates income based on the government's baseline. Growth above this baseline is not included here.

<sup>3</sup> Council Tax and Business Rates are treated as part of the Council's core funding, whereas New Homes Bonus and other unringfenced government grants have historically not been used by the Council to fund ongoing revenue expenditure.

<sup>4</sup> The government has advertised the Local Government Finance Settlement as giving local authorities an extra 9%. This is a national average and district councils like Maidstone are generally seeing a lower increase.

2.12 It can be seen that the Funding Guarantee has protected the Council against the reduction in the following elements of Core Spending Power:

- New Homes Bonus
- Services Grant
- Lower Tier Services Grant.

Specifically, the main benefit of the Funding Guarantee from Maidstone's perspective is that the Council is protected against the reduction in New Homes Bonus.

2.13 The Council agreed last year to set aside £1 million of New Homes Bonus for strategic policy and plan making and £3.2 million for the 1,000 Affordable Homes Programme, given the requirement over the 10 year life

of the programme for a total revenue subsidy of £50,000 per unit. Within the overall budget proposals for 2023/24, it is now proposed that £300,000 of the one-off funding will be set aside for strategic policy and plan making, with this sum being built into the revenue budget on an ongoing basis. The balance of one-off funding will be set aside for the 1,000 Affordable Homes Programme.

### **Revenue Budget Proposals**

2.14 The draft MTFS described how, in bridging the budget gap, the Council would need to balance the requirement to make savings or generate increased income against the key priorities set out in the Council's Strategic Plan, namely:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

2.15 It was explained that all budgets would be reviewed in detail to identify opportunities for savings, or increased income, which can be delivered with the minimum impact on the strategic priorities. To the extent that further growth is planned, above and beyond existing budgets, this would need to be offset by further savings.

2.16 The following growth and savings have been identified in the services falling within the remit of the Communities Housing and Environment Committee.

- Waste Services – replacement of wheeled bins - £100,000 saving

The Council currently provides replacement wheeled bins free of charge, which costs in the region of £250,000 each year, depending on demand. Bins require replacement for a number of reasons, including damage by the waste collection contractor and failure by the contractor to return the bin after collection. This proposal is to recover the costs for the provision of these bins by charging the relevant party for their replacement. A flowchart will be published setting out liability in each scenario where a replacement is required. This is expected to reduce costs by £200,000 per year, but once the current overspend against budget is offset, the saving to the Council will be £100,000 per year.

- Garden waste collection – changes to charging arrangements - £20,000 saving (2023/24); £80,000 saving (2024/25); £80,000 saving (2026/27)

The following changes are proposed over the MTFS period:

1. Introduction of £10 charge in 2023/24 for new subscribers to cover the delivery (and future removal) of the garden bin, delivering additional income of £20,000 whilst the service continues to grow.

2. Increase to annual garden subscription charges in 2024/25, following the introduction of the new waste collection contract, of £2.50 per annum delivering additional income of £80,000.

3. A further increase of £2.50 per annum in 2026/27.

- Additional income from cemetery - £60,000 saving

Net income from the cemetery exceeded budget for the first six months of 2022/23 by £33,000. The refurbishment of the chapel is likely to generate further income growth. A sustainable increase in income can therefore be anticipated and it is appropriate to increase the budget for cemetery income by £60,000. Note that this increase is based entirely on additional volumes and does not affect the charges which were considered by this Committee at its meeting in December.

- Additional income from crematorium - £60,000 saving

Net income from the crematorium exceeded budget for the first six months of 2022/23 by £46,000. This level of income is considered to be sustainable, so it is appropriate to increase the annual budget for crematorium income by £60,000. Note that this increase is based entirely on additional volumes and does not affect the charges which were considered by this Committee at its meeting in December.

- Review of Housing and Regulatory Services budgets - £26,000 saving

Housing and Regulatory Services consistently achieve a better than budget performance. It is anticipated that a detailed review of section code budgets will allow a reduction of £26,000 in total to be achieved.

- Digital Borough Insight - £18,000 saving

Printing and distributing each edition of Borough Insight costs around £30,000. This cost has been offset in 2022/23 by one-off grant funding and a modest amount of advertising revenue. By moving to a digital Borough Insight the net budget of £18,000 could be saved.

- Increased Pollution Control income - £5,000 saving

Environmental Health recharge the costs of air pollution sampling work for third parties. This is not currently reflected fully in the budget. An increase of £5,000 in the budget for cost recovery is therefore considered to be sustainable.

- Licensing expenditure budgets not required - £5,000 saving

The licensing service maintains expenditure budgets, eg for monitoring the taxi rank, which are in excess of the amounts required.

- CCTV maintenance - £4,000 saving



Since CCTV monitoring has been brought in-house, it has been possible to maintain the system at a significantly lower cost than originally anticipated without any adverse impact on performance.

## **Capital Budget Proposals**

2.17 Capital investment helps the Council to deliver its strategic priorities. Capital programme schemes falling within the remit of this Policy Advisory Committee are as follows.

- 1,000 Homes Affordable Housing Programme - £72.4 million

In Autumn 2021 the Leader of the Council announced his ambition to build 1,000 affordable homes in the shortest period possible. A development strategy setting out how this ambition could best be achieved was agreed by Policy & Resources Committee on 19th January 2022. It is likely that the whole programme will take ten years to deliver. The programme is likely to provide only Affordable Rented homes that will be let at 80% of market rent, capped at the Local Housing Allowance.

The expenditure shown in the capital programme is net of any grant receipts from the likes of Homes England and the Council's own direct subsidy. This subsidy will be provided through a separate Housing Investment Fund, into which the Council will make payments from one-off sources of funding including New Homes Bonus and the Funding Guarantee, as explained in paragraph 2.13 above.

Expenditure in the initial years of the programme will be relatively modest as the focus will be upon land identification and acquisition, and the more costly works contracts will follow in the later years.

- Private Rented Sector Housing Programme - £33.1 million

This incorporates a number of schemes that are in the process of being developed, some linked to the affordable housing programme. These will be the subject of separate committee reports at the point a decision to proceed or not is required. This budget includes the refurbishment works being undertaken at Granada House.

There is also further funding for indicative schemes which come forward that represent opportunities to grow the market rented portfolio. Some schemes have already been identified and exploratory talks and early negotiations have been undertaken.

- Temporary Accommodation - £32.0 million

The Council has a programme to acquire housing on the open market for temporary accommodation, as it is more cost-effective to use our own property for this purpose and enables delivery of a revenue saving. It is proposed to buy further units in over the next three years to deal with the rising numbers of people who are being made homeless as a result of the current economic crisis.

- Commercial Development (Maidstone East) - £1.97 million

The New Business and Housing Development team are in the process of preparing and submitting a planning application for the site. It will comprise circa 220 residential units, but in order to respond to the Local Plan Policy for the site, the scheme will need to include some non-residential (commercial) space too. At this stage, the expectation that this will be a Health related usage, most likely a GP surgery. A positive dialogue is ongoing with the local health trust, but no firm commitments have been made at this stage. This commercial usage is relatively modest in scale relative to the proposed residential accommodation.

- Heather House Community Centre - £1.4 million

The Council decided to make a planning application to replace this facility with a brand-new community centre, together with the redevelopment of the adjacent Royal British Legion Pavilion site (for new housing), that also features in the capital programme. A resolution to grant planning permission was made in November 2022, and the works for both sites are currently being procured. Prior to any works contract being let, a further approval will be required by The Executive, and it is envisaged that a proposal will be ready to consider in circa April 2023. The cost of the new community infrastructure may be offset to some degree by a combination of external grants, contributions, S106 and possibly even CIL monies.

- Disabled Facilities Grants - £4.0 million

The Council works with Kent County Council Social Services to deliver adaptations and facilities to enable disabled people to remain at home. This element of the capital programme therefore has a directly beneficial impact for individual local residents. Assistance under this budget is not funded by the Council but is funded from the Department of Health Better Care Fund (BCF) as a specific capital grant.

- Acquisitions Officers Social Housing Delivery Partnership - £200,000

This funding is for two Acquisitions Officers to ensure delivery of the affordable housing programme, with the costs of the posts and ancillary costs capitalised and charged to the programme.

- Street Scene Investment - £250,000

This capital programme item allows for items such as the provision of new bins.

- Flood Action Plan - £550,000

The Council works with the Environment Agency and Kent County Council as part of the Medway Flood Partnership to develop measures to manage and reduce flood risk. A capital budget of £1 million was set aside for a flood action plan following the last major floods in the Maidstone area in winter 2013/14. No large scale flood mitigation scheme was found to be feasible and individual household flood

mitigation measures have been funded through central government grants. The residual budget is therefore being carried forward to fund further schemes that may be developed, including natural flood management schemes.

- Continued Improvements to Play Areas - £280,000

This budget allows for play areas to continue to be upgraded to ensure they meet the current specifications and requirements.

- Parks Improvements - £330,000

This is an annual budget to allow for any works that are identified in the parks to be undertaken, particularly where there is a health and safety issue to be addressed.

- Section 106 Funded Works Open Spaces - £2.0 million

This reflects open spaces capital projects that are funded by S.106 contributions. These works have been taking place for a number of years but it is considered appropriate that the programme reflects this to show the total forecast capital expenditure.

- Expansion of Cemetery - £200,000

Further works are required to complete the tarmacking works in the cemetery and there are further plans for new fencing and possible expansion of the site to create space for new graves.

- Expansion of Crematorium - £340,000

The proposal is to invest in a café and a florist on the site to generate additional revenue at the crematorium. Completion of the covered walkway is also included in the scheme.

- Purchase of New Waste Collection Vehicles - £5.8 million

As part of the new waste collection contract the Council is planning to fund the capital costs of the new vehicle fleet, as it can access borrowing at lower rates than the contractor, and this will significantly reduce the costs of the contract. The budget sum includes a contingency for potential material and labour cost increases during the manufacturing process. The capital cost of the fleet was included within the evaluation process to ensure value for money is achieved.

Details are set out in Appendix B to this report.

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### **3. AVAILABLE OPTIONS**

- 3.1 Recommend the budget proposals relating to this Committee as set out in Appendices A and B for approval by the Executive.
- 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 Executive must recommend to Council at its meeting on 8 February 2023 a balanced budget and a proposed level of Council Tax for the coming year. The budget proposals included in this report will allow the Executive to do this. Accordingly, the preferred option is that this Committee agrees the budget proposals at Appendices A and B.

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#### **5. RISK**

5.1 The Council's finances are subject to a high degree of risk and uncertainty. The draft MTFS includes an evaluation of the Council's financial resilience, from which it can be seen that it has adequate, but not excessive, reserves and is positioned well to manage the financial challenges that it faces.

5.2 In order to address risk on an ongoing basis 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 The Executive received an initial report on the MTFS at its meeting on 20 July 2022 and it agreed the approach set out in that report to development of an MTFS for 2023/24 - 2027/28 and a budget for 2023/24.

6.2 Policy Advisory Committees and the Executive then considered a draft MTFS at their meetings in November 2022.

6.3 Public consultation on the budget has been carried out. Details are set out in Appendix C. Members are encouraged to review the findings and assess whether the budget proposals are consistent with public expectations and aspirations.

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

7.1 The timetable for developing the budget for 2023/24 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
25 January 2023	Executive	Consider 23/24 budget proposals

8 February 2023	Executive	Agree 23/24 budget proposals for recommendation to Council
22 February 2023	Council	Approve 23/24 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 2023/24 – 2027/28
  - Appendix B: Capital Budget Proposals 2023/24 – 2027/28
  - Appendix C: Budget Survey 2023
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## **9. BACKGROUND PAPERS**

There are no background papers.