

OVERVIEW AND SCRUTINY COMMITTEE

19 September
2023

Medium Term Financial Strategy and Budget Proposals

Timetable	
Meeting	Date
Communities, Leisure and Arts Policy Advisory Committee	5 September 2023
Planning, Infrastructure and Economic Development Policy Advisory Committee	6 September 2023
Housing Health and Environment Policy Advisory Committee	7 September 2023
Corporate Services Policy Advisory Committee	11 September 2023
Overview and Scrutiny Committee	19 September 2023
Cabinet	20 September 2023

Will this be a Key Decision?	Yes
Urgency	Not Applicable
Final Decision-Maker	Council
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Adrian Lovegrove, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2024/25 and setting next year's Council Tax. The report sets out a draft Medium Term Finance Strategy for 2024/25 – 2028/29 and budget proposals. These proposals will then be considered by the Cabinet at its meeting on 20 September 2023.

The Cabinet will subsequently consider any remaining budget issues at its meeting on 7 February 2024, with a view to determining a final set of proposals for submission to Council on 21 February 2024.

Purpose of Report

Recommendation to Cabinet

This report makes the following recommendations to the Committee:

That the Cabinet be recommended to:

1. That the draft Medium Term Financial Strategy for 2024/25 to 2028/29 set out in Appendix A be approved.
2. That the budget proposals set out in Appendix B be approved.

Medium Term Financial Strategy and 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 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 with the requirements of sections 31A and</p>	Section 151 Officer & Finance Team

	<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	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Section 151 Officer & Finance Team
Equalities	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.	Equalities & Communities Officer
Public Health	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Crime and Disorder	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Biodiversity and Climate Change	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Biodiversity and 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 will deliver its Strategic Plan over the next five years. The Council adopted a Strategic Plan for the period 2021 – 2045 in December 2018, and the existing MTFS for the period 2023/24 to 2027/28 reflects the Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.
- 2.2 A draft MTFS is attached to this report as Appendix A. As background, it comprises an assessment of the economic environment and the Council's own financial position. It will be seen that the Council faces a budget gap, given the expected impact of inflation on costs, compared with the lower projected rate of growth in Council resources.

Budget Savings

- 2.3 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2024/25 at the Council meeting on 21 February 2024. The draft MTFS describes how, in bridging the budget gap, the Council needs to balance the requirement to make savings or generate increased income against the key priorities set out in the Council's Strategic Plan.
- 2.4 The draft MTFS explains that all budgets are 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.
- 2.5 The following growth and savings have been identified in the services falling within the remit of the Corporate Services PAC and are shown in Appendix B. Growth and savings relating to the other PACS are set out in Appendix C.

2.6 Corporate Services PAC

Existing Savings approved February 2023

Property Investment strategy - £625,000 saving

New property acquisitions can promote economic development and generate extra income for the Council. The Council has a successful track record in recent years of property acquisitions, including the Lockmeadow Leisure Complex, Maidstone House and a number of industrial units, which have been fully justified in prudential borrowing terms and now generate significant income for the Council. There is £2.5 million per annum set aside in the capital programme for further such acquisitions. This funding will only be utilised for acquisitions which meet the council's investment criteria.

If suitable investments are identified, this would generate cumulative additional income of at least £625,000 per annum over the business

planning period. On the other hand, if the capital budget were not fully spent, there would be a corresponding reduction in borrowing costs and minimum revenue provision (MRP), so there would be no net adverse impact on the budget.

New Maidstone Property Holdings developments - £228,000 saving

Alongside the Affordable Housing programme, the Council develops Private Rented Sector housing for letting through its subsidiary Maidstone Property Holdings. As new developments are acquired or completed, additional income will be generated.

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 will take place in May 2024.

Office accommodation - £55,000 saving

The acquisition of Maidstone House has already led to a saving in the occupancy costs previously incurred and to additional income from letting space in the building. It has been assumed that further income will be generated and/or savings achieved as occupancy levels improve, following investment in the building.

Transformation - Automation of transactional services - £50,000 saving

This specific proposal is to invest in voice recognition technology which would reduce the number of transactions dealt with via customer service advisors in the technical team. £50,000 is the net revenue saving and capital investment will be required in order to deliver this.

Corporate Property service improvements - £25,000 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.

Deleting HR adviser post - £18,000 saving

Following a period of significant staffing changes in the two authorities that form the HR shared service, a reduction in the number of HR advisers is envisaged in 2025/26.

Review of finance structure - £15,000 saving

Changes in the structure of the finance team scheduled for 2024/25 will create a savings opportunity.

Mid-Kent Services - ICT efficiency improvements - £14,000 saving

A number of efficiency improvements are planned, including new working arrangements and automation of processes, for example in the way new devices are built and in dealing with IT help desk calls. As with all MKS savings, the benefit is shared with partners, and only the MBC share of the saving is shown here.

Transformation - Review of print and post - £10,000 saving

The Council continues to generate a large volume of paper correspondence and records. This project will generate savings, primarily through a reduction in postage costs.

New Savings and Growth

Finance - Additional interest income - £350,000 saving

This represents additional interest earned on the balance of cash held in the bank, and invested in line with our Treasury Management Strategy. This is a one year benefit as we will start spending the cash as we deliver the capital programme. This will eventually reduce the balance available to the minimum required for day-to-day working capital management. The saving assumes an average balance of £7.75m and an average interest rate of 4%.

Mid-Kent Services – Automated data handling for Council Tax - £55,000 saving

Advances in technology mean that robotics can be used to automate Council Tax processes such as Single Person discount awards and Council Tax moves. This would lead to a reduction in staff which will provide the saving. The savings are split between Benefits (£25,000 per annum) and Revenues (£30,000 per annum). The latter saving would be delivered part-way through 2024/25, so 6 months savings have been assumed in 2024/25.

Mid-Kent Services - Shared Revenues and Benefits service with Swale - £60,000 saving

A business case is being prepared for a three-way Revenues and Benefits Shared Service, ie adding Swale to the existing two-way Maidstone / Tunbridge Wells shared service. This would generate savings, mainly through spreading management capacity across a greater volume of work. The total estimated annual savings for Maidstone are £60,000, of which the first six months worth (£30,000) would fall in 2024/25 if the proposals are agreed by members of the three authorities concerned on currently projected timescales.

Mid-Kent Services - Transfer Risk Management to Emergency Planning - £29,000 saving

MKS has hitherto provide strategic risk management advice and support to the Council. The manager who provided this service has now left Mid Kent

Internal Audit. The Council has the capacity and the skills to deliver this service in-house, through the Emergency Planning and Business Continuity Team. This will additionally provide benefits through the service being delivered by staff who have day-to-day experience of planning for emergencies and considering how risks can crystallise in practice. Together with some modest efficiency savings in Mid Kent Audit, this will lead to a reduction of £29,000 in the Council's contribution to MKS. The Head of Service is content that Mid-Kent Audit's operating structure will remain sufficiently robust to continue delivering a core internal audit service to its four member authorities.

Corporate Property - Asset Management Plan for commercial property - £29,000 saving

The Corporate Property team is developing an Asset Management Plan for Commercial Properties which assumes a 5% reduction of current Revenue Repairs and Maintenance costs (reactive) based on greater investment in pre-planned capital expenditure. This will enable the Council's estate to be maintained in a more cost-effective way in the long run.

Corporate Property - Saving in Heather House running costs - £27,000

The Heather House Community Centre is due to be replaced by a new building, as it has been concluded that this is a more cost-effective solution than refurbishment. Accordingly, the existing building will be decommissioned later in 2023/24 and running costs will cease, generating a saving in 2024/25. An operator will be sought for the new community centre, but this will be on the basis that they will cover all running costs.

Mid Kent Services - Payroll service external income - £25,000 saving

The MKS payroll service operates a robust and well-established payroll system. The quality and reliability of the service offered has already led to Dartford Borough Council using MKS's service. It is considered that there is sufficient spare management capacity within the service to take on at least one further external customer, which would reduce costs by allowing overheads to be spread over a wider base.

Emergency Planning - Proposed partnership - £20,000 saving

Discussions are taking place with a neighbouring local authority about a shared Emergency Planning service. Maidstone's Emergency Planning service includes a Manager and a Resilience Officer. The service has considerable experience, having dealt with a range of incidents over the years, and has established robust systems and plans. A neighbouring authority has expressed an interest in joining a 50:50 partnership with Maidstone, whereby our service would add a further Resilience Officer to cover the additional workload and the Manager's time would be split between the two authorities, thus delivering a saving to Maidstone.

Mid-Kent Services - Internal audit - Efficiency savings - £19,000

The existing budget for internal audit continues to be based on the proportion of Mid Kent Audit work attributable to Maidstone Borough Council at the time when it joined the shared service, over ten years ago. In practice, in recent years the Head of Internal Audit has been able to issue an opinion without carrying out all the work for which a budget exists. Deleting the surplus budget would capture this efficiency saving.

Mid-Kent Services - ICT software savings - £8,000 saving

This proposal is to remove the software that controls asset management in favour of Microsoft InTune, which is included in our current Enterprise Agreement. The saving is £25,000 in total for the three-way shared service, of which MBC's share would be £8,000.

Biodiversity and Climate Change – Additional post to support property decarbonisation - £49,000 growth

It is proposed to create a new role of Energy Officer with the aim to both increase the capacity of the housing team to access and manage housing funding opportunities to improve energy efficiency in housing across the borough, as well as to enable the team to implement elements of the Biodiversity and Climate Change Action plan that relate to efficiency within Council operations, renewable energy and net zero targets.

Biodiversity and Climate Change – Revenue budget to support eco initiatives - £30,000 growth

The biodiversity and climate change action plan stipulates a number of actions for public engagement to increase climate resilience in the borough and support the public to reduce household energy consumption in line with the council's net zero commitments. The eco hub is an example of such engagement. However, currently there is no permanent revenue budget to support these initiatives (apart from the staffing budget for the team). This growth proposal would allow initiatives such as this to be funded. It would also support waste management and parks and open spaces in delivering public engagement to raise awareness of climate change impacts, reduce energy consumption and the borough's carbon footprint and to increase biodiversity and reduce waste.

2.7 Communities Leisure and Arts PAC

New Savings

Museum - Business rates saving - £35,000

A revaluation of the Museum's rating assessment has meant that the Museum no longer has to pay business rates, allowing the budget to be saved.

Strategy, Insight and Governance - Sell internal printing services externally - £5,000

The Council has a print room which continues to support Council committees, produce marketing material and provide a range of other services. It is well-resourced and already carries out work for another local authority. There is scope for further income to be generated from external customers.

2.8 Housing, Health and Environment PAC

Existing Savings approved February 2023

Garden Waste – Changes to charging arrangements - £80,000 saving

As part of changes to charging arrangements, the Executive and Council agreed to increase the garden waste subscription from £45 to £47.50 in 2024/25. Customers renewing or joining the service will start paying the new charge with effect from 1st October 2023, so that the change will be phased in over the twelve month period October 2023 – September 2024.

New Savings

Environment and Public Realm - Withdrawal from Kent Resource Partnership - £10,000 saving

The Council currently contributes £15,000 per year to the Kent Resource Partnership - £5,750 funds the core operation and £9,250 funds project work including joint communications. The Council could decide to withdraw from the Partnership and no longer contribute to its operation. There are likely to be ongoing costs relating to Waste Crime, but it is still expected that a saving of £10k could be achieved.

Withdrawing from the Partnership is unlikely to have any significant impact on the Council's Strategic Objectives as there is little evidence to show the County-wide work of the KRP has directly impacted Maidstone's recycling rate which is one of the highest in Kent. Maidstone already has its own Waste Strategy which is due to be updated following confirmation of Government's plans on Deposit Return Schemes (DRS) and Extended Producer Responsibility (EPR) and consistency.

Environment and Public Realm- Disposal of Public Convenience at Mid Kent Shopping Centre - £8,000 saving

It is proposed that the public conveniences at Mid Kent Shopping Centre be handed over to Mid Kent Shopping Centre, who wish to take over their management and operation. The site currently costs £5,500 per year for cleaning plus £2,570 planned maintenance costs. Disposing of the site to the shopping centre management would enable the service to still be available to the site users but without placing an unnecessary burden on Maidstone taxpayers. These toilets are only of benefit to the visitors to these commercial premises.

Housing - Housing grant maximisation - £150,000 saving

The Council receives grant from central government to support its work on homelessness. This has offset the growth in the Council's own funding of homelessness. A review of this funding and the demands on the service indicates that, even with a potential reduction in future grant levels, there is more scope for applying grant against expenditure.

Housing - Reduce landlord incentive budget - £35,000 saving

The Council currently has a budget of £85,000 which is used to make one-off grants to landlords as an incentive for them to provide accommodation to homeless families. In the current climate it is apparent that the incentives we can offer are insufficient to persuade landlords (in large numbers) to let their properties to households currently residing in TA. Accordingly, it is proposed to give less weight to this strategy as part of our approach to addressing homelessness.

Housing - Temporary accommodation new pressures - £600,000 growth less £400,000 saving

Numbers in temporary accommodation are higher than assumed in the 2023/24 budget and it is currently projected that there will be an overspend of £800,000 for the year. It is expected that expenditure will fall back in 2024/25, assisted by the acquisition of new street properties for temporary accommodation. However, it is projected that there will still be net growth of £200,000 as compared to the 2023/24 budget (ie £600,000 impact from ongoing elevated numbers in TA less £400,000 mitigation from acquisition of new property).

Community Protection - Remove surplus budgets - £11,000 saving

There are budgets within Community Protection that are now no longer required for Safety in Action (now funded by the Police and Crime Commissioner) and for standby budgets for out of hours work.

2.9 Planning, Infrastructure and Economic Development PAC

Existing Savings approved February 2023

Land Charges - Migration of register to HM Land Registry - £33,000 growth offset by £13,000 saving

The government has legislated to enable HM Land Registry (HMLR) to provide a single, standardised point of contact for provision of the Local Land Charges register. This means that the Council will no longer receive income from searches of the Local Land Charges Register, although we will continue to have responsibility for updating the register. The Council will receive one-off funding to facilitate the transition, but by the end of the transition period the Council will have suffered a cumulative ongoing loss of income. However, this loss of income will mean that the team will no

longer have to carry out the LLC1 search, allowing a saving of £13,000 in 2024/25.

Mid Kent Planning Support – Process Improvement and Automation - £15,000 saving

There are a number of future opportunities for process improvement and automation, e.g. Microsoft 365, the national pilot on reducing invalid planning applications (RIPA), etc that will allow the service to operate more efficiently.

New Savings

Spatial Planning and Economic Development - Additional contribution from Business Rates pool - £150,000 saving

The Council has a policy of using the proceeds of its membership of the Kent Business Rates Pool to support economic development. Over time, the pool has generated funds in excess of the amounts drawn down, and pool proceeds continue to grow. Accordingly, it is appropriate to increase the amount allocated from the pool to support the base budget.

The Business Rates Pool is a feature of the current local government funding regime. It is not expected that the current regime will change before the next General Election, but it is possible that there may be changes subsequently which would either reduce proceeds from the Pool or eliminate it altogether.

Parking - Delete residual Park and Ride site costs - £100,000 saving

There continue to be residual costs in the budget for running the former Park and Ride site at Willington Street, principally repairs and maintenance and business rates. These budgets can now be deleted.

Development Management - Additional CIL recharge for administration - £50,000 saving

The Council is able to recover the costs of administering the Community Infrastructure Levy (CIL) up to a limit of 5% of total receipts. Having assessed the Council's costs, and projecting likely annual CIL receipts, it is considered that an additional £50,000 of costs may be recovered.

Parking - Short-term additional parking at Sandling Road - £50,000 saving

The Sandling Road car park will close in due course when work commences on the new Maidstone East housing development. For the time being, running costs are lower than budget. The projected saving for 2024/25 is estimated as approximately £50,000. This savings item is likely to be for one year only, assuming the site is handed over for development at the end of 2024/25.

- 2.10 If all the revenue budget proposals set out above are approved, all other factors remaining equal, and assuming fees and charges are increased in line with the MTFS inflation assumption, this would allow the Council to set a balanced budget for 2024/25.
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3. AVAILABLE OPTIONS

- 3.1 Agree the Medium-Term Financial Strategy in Appendix A and the budget proposals set out in Appendices B and C for onward submission to the Cabinet.
- 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 Cabinet must recommend to Council at its meeting on 7 February 2024 a balanced budget and a proposed level of Council Tax for the coming year. The overall strategy and the budget proposals included in this report will assist the Cabinet in doing this. Accordingly, the preferred option is that this Committee recommends that the Medium Term Financial Strategy at Appendix A and the budget proposals at Appendices B and C be agreed.
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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 Cabinet received an initial report on the MTFS at its meeting on 26 July 2023 and it agreed the approach set out in that report to development of an MTFS for 2024/25 - 2028/29 and a budget for 2024/25.
- 6.2 Public consultation on the budget has been carried out, with a survey which is due to close on 28 August 2023. Details will be circulated to members once they are available and they are encouraged to review the findings and assess whether the budget proposals are consistent with public expectations and aspirations.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The timetable for developing the budget for 2024/25 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
September 2023	All Policy Advisory Committees & Overview and Scrutiny Committee	Consider 24/25 budget proposals and draft MTFS
20 September 2023	Cabinet	Agree 24/25 budget proposals and draft MTFS
5 February 2024	Corporate Services Policy Advisory Committee	Consider final budget proposals and MTFS
7 February 2024	Cabinet	Agree final budget proposals and MTFS for recommendation to Council
21 February 2024	Council	Approve 24/25 budget

8. REPORT APPENDICES

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

- Appendix A: Draft Medium Term Financial Strategy 2024/25 – 2028/29
- Appendix B: Budget Proposals 2024/25 – 2028/29 - Corporate Services PAC
- Appendix C: Budget Proposals 2024/25 – 2028/29 – Other PACs.

9. BACKGROUND PAPERS

There are no background papers.