

**HOUSING AND COMMUNITY
COHESION POLICY ADVISORY
COMMITTEE**

14 JANUARY 2025

Medium Term Financial Strategy and Budget Proposals

Timetable	
Meeting	Date
Climate Transition, Corporate and Environmental Services	7 January 2025
Planning and Healthier Stronger Communities	8 January 2025
Housing and Community Cohesion Policy Advisory Committee	14 January 2025
Overview and Scrutiny Committee	21 January 2025
Cabinet (Cabinet Member for Corporate Resources)	22 January 2025
Council	19 February 2025

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

Cabinet Summary

This report forms part of the process of agreeing a budget for 2025/26 and setting next year's Council Tax. The report sets out:

- draft Medium Term Finance Strategy (MTFS) 2025/26 – 2029/30
- revenue budget proposals for 2025/26
- draft capital programme 2025/26 to 2029/30.

Members are asked to consider specifically revenue and capital budget proposals for services within the remit of the Committee. These proposals will then be considered by Cabinet at its meeting on 22 January 2025.

Following publication of the Government's White Paper on Devolution on 16 December 2024, implications for the Council's financial planning will be considered and updates to the proposals in this report may be required.

Cabinet will subsequently consider all elements of the budget for 2025/26 at its meeting on 5 February 2025, with a view to determining a final set of proposals for submission to Council on 19 February 2025.

Recommendation to the Housing and Community Cohesion Policy Advisory Committee:

1. That Cabinet be recommended to approve:

- the draft Medium Term Financial Strategy for 2025/26 to 2029/30 set out in Appendix A;
- the revenue budget proposals set out in Appendix B;
- the capital strategy principles set out in paragraph 4.6; and
- the capital programme proposals set out in Appendix C.

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 Corporate Strategy.	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</p>	Team Leader (Contentious and Corporate Governance)

	<p>Council Tax must be calculated in accordance 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 Cabinet on budget and policy matters.</p>	
Privacy and Data Protection	<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>
Equalities	<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>
Public Health	<p>The resources to achieve the Council’s objectives are allocated through the development of the Medium-Term Financial Strategy.</p> <p>It is understood that the wider determinants of health, such as built environment, access to outdoor spaces, access to services and housing require adequate funding and resources to succeed in reducing health inequalities.</p>	<p>Health Policy Officer</p>
Crime and Disorder	<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 & Finance Team</p>
Procurement	<p>The resources to achieve the Council’s objectives are allocated through the development of the Medium-Term Financial</p>	<p>Section 151 Officer & Finance Team</p>

	Strategy.	
Biodiversity and Climate Change	The resources to achieve the Council’s objectives are allocated through the development of the Medium-Term Financial Strategy.	Head of Finance

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 Corporate Strategy over the next five years. In so doing, it establishes the framework for the annual budget setting process. The MTFS is intended to align with the new Corporate Strategy and will be approved by Council in February 2025 alongside the Corporate Strategy.
- 2.2. The approach to drawing up the MTFS and budget for 2025/26 was presented to the Climate Transition, Corporate and Environmental Services Policy Advisory Committee on 8th July 2024. No material amendments were proposed by this Committee or subsequently by the Cabinet.
- 2.3. A draft MTFS is attached to this report as Appendix A. As background, it includes an assessment of the economic environment and the Council’s own financial position, including the risks that it faces. It will be seen that the Council has to maintain financial resilience within a tightly constrained environment.
- 2.4. 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 £628k in 2025/26, mainly owing to the impact of lower income levels and costs of borrowing in support of the capital programme, with a steadily increasing budget gap in subsequent years.
- 2.5. The draft MTFS describes how, in bridging the budget gap, the Council will need to balance the requirement to make savings or generate increased income against a range of budget pressures, whilst seeking to deliver the key priorities set out in the Council's proposed new Corporate Strategy, namely:
 - a high quality place, adapted to the challenges of climate change
 - quality homes
 - resilient communities
 - a fairer economy for people and the planet.
- 2.6. The MTFS explains that all budgets have been reviewed in detail to identify opportunities for savings, or increased income, which can be delivered with

the minimum impact on the Corporate Strategy. To the extent that further growth is planned, above and beyond existing budgets, this needs to be offset by further savings.

2.7. The capital programme and one-off funding also offer the opportunity to deliver key elements of the Corporate Strategy such as the quality homes programme. Revenue budget changes, capital investment, and use of one-off resources collectively all contribute to meeting the strategic priorities.

2.8. This report sets out budget proposals under the following headings:

- Revenue budget growth, pressures and savings
- Capital programme
- Use of one-off resources

3. Revenue budget growth, pressures and savings

3.1. The following growth, pressures and savings have been identified in the services falling within the remit of the Housing and Community Cohesion Policy Advisory Committee (Appendix B to this report).

Housing - Revenue

Budget pressures

Maidstone Property Holdings - £228,000 pressure

A proposed Private Rented Sector acquisition did not proceed as planned in 2024/25, so the revenue budget for rental income needs to be removed. (There has been no capital outlay either, which has generated a reduction in borrowing costs, accounted for elsewhere).

Housing – Temporary Accommodation - £200,000 pressure

The cost of Temporary Accommodation continues to exceed budget, so this pressure will be built into the budget on the assumption that the numbers accommodated will remain at current levels. (See below for offsetting saving from utilising our own property for temporary accommodation).

Budget savings

Housing – Local Housing Allowance - £600,000 saving

New guidance on charging Local Housing Allowance rates for MBC-owned properties used for Temporary Accommodation allows the Council to charge the full rate, as opposed to a reduced rate as previously. Tenants will not incur additional costs as this additional rent is paid via housing benefit.

Housing – Portfolio Management - £300,000 saving

Improvements in housing rent recovery (income) and cost reduction in maintenance and other operating costs are planned following investment in

management and supervision, reflecting the growth of the portfolio to achieve critical mass.

Housing – Temporary Accommodation - £79,000 saving

Purchase of further Temporary Accommodation properties will reduce the amount of higher cost nightly paid accommodation used by the Council.

New Business and Development – Capitalisation - £50,000 saving

As the Housing capital programme is rolled out, more of the time spent by the New Business and Development team will be capitalised.

Community Cohesion

Budget growth

Community Services - Citizen Engagement - £100,000 growth

It is proposed to introduce a programme of citizen engagement on key topics, which would allow ongoing feedback on projects and services.

Community Services – Voluntary and Community Sector grants - £60,000 growth

The Council has used Household Support Fund to provide a grant-giving programme for the voluntary and community sector. The future of the HSF is uncertain so it is proposed to build this grant programme into the Council's base budget.

Community Services – Parish Conference - £5,000 growth

Communication and engagement with parishes will be strengthened through an annual parish conference.

Budget pressures

Community Protection - Dog Control - £52,000 pressure

Continuing heavy use of the service for kennelling dangerous dogs requires us to increase the budget to cover the costs that are being incurred. In the longer term, alternative approaches are being considered (see savings proposal below).

Budget savings

Community Resilience - £60,000 saving (£30,000 in year 1)

Integration of services delivering community resilience will allow a reduction in costs.

4. Capital Programme

- 4.1. The capital programme plays a vital part in the Council's Strategic Plan, since long term investment is required to deliver many of the objectives of the plan. The current capital programme 2023/24 – 2027/28 was approved by Council in 22 February 2024 and totals £353.9 million over five years.
- 4.2. As part of the budget setting process the capital programme has been reviewed to ensure it is affordable and sustainable. The updated capital programme includes some significant reprofiling of the housing capital programme, as well as several new schemes. Additional projects are to deliver other key priorities such as Temporary Accommodation, decarbonisation and the public realm and greening.
- 4.3. Individual items within the programme will be subject to specific reports for approval to spend through relevant governance including the cost of borrowing. This ensures that, before any commitment is made to individual schemes, and the related borrowing undertaken, the Council can be satisfied that it meets the Prudential Code criteria that investment be affordable, prudent and sustainable.

Capital Strategy

- 4.4. Under CIPFA's updated Prudential Code, the Council is required to produce a Capital Strategy, which is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 4.5. The Capital Strategy will be considered by Audit, Governance & Standards Committee at its meeting on 13 January 2025 and will subsequently be agreed by Cabinet at its meeting on 5 February 2025 and by Council at its meeting on 19 February 2025. The Strategy describes how the Capital Programme is developed and the key points are set out below.
- 4.6. The Council has defined certain core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:
 - Required for statutory reasons, e.g., to ensure that Council property meets health and safety requirements.
 - Self-funding schemes focused on Corporate Strategy outcomes.
 - Other schemes focused on Corporate Strategy outcomes; and
 - Other priority schemes which will attract significant external funding.
- 4.7. All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:

(a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes are also subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant Policy Advisory Committee.

(b) Where schemes require the use of prudential borrowing, a business case must first be prepared setting out the viability and justification in terms of necessity or contribution to the delivery of strategic goals.

(c) Schemes will be evaluated against Environmental, Social and Governance objectives, within the overall Strategic Plan priorities. Schemes where this might be relevant would include those which offer:

- Greater environmental sustainability
- Local community benefits
- Implementation of ethical sourcing practices.

- 4.8. Where schemes do not fit within the criteria above, but an appropriate option appraisal has been completed, they may still be included within the programme if they fall within one of the four categories set out above.
- 4.9. If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme, a prioritised list of schemes that can be added to the programme as future resources permit will be created and approved by Cabinet, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.
- 4.10. The Medium-Term Financial Strategy (MTFS) requires the Council to identify actual funding before commencement of schemes. Accordingly, while schemes may be prioritised for the programme, ultimately commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.
- 4.11. The MTFS principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:
- a. The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies.
 - b. Opportunities to obtain receipts from asset sales as identified in the asset management plan and approved for sale by Cabinet.
 - c. The approval of prudential borrowing when the following criteria also apply to the schemes funded by this method:
 - (i) financial viability of the schemes can be clearly evidenced;
 - (ii) the outcome returns economic value commensurate to the cost incurred by borrowing to fund the schemes;

- (iii) after covering the cost of funding, a further benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan or the medium-term financial strategy.
 - d. The use of residual New Homes Bonus and Funding Guarantee for capital purposes in line with the Council's strategic plan priorities.
 - e. The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.
- 4.12. Service managers submit proposals to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Each Policy Advisory Committee appraises the proposals based on a comparison with corporate priorities. The Cabinet then recommends the capital programme which is then presented to Council in February each year.
- 4.13. Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections is considered by the relevant service committee.

Funding the Capital Programme

- 4.14. All capital expenditure must be financed, either from external sources (grant funding and other contributions), the Council's own resources (revenue contributions, earmarked reserves, internal borrowing and capital receipts) or debt (external borrowing and other forms of corporate finance).
- 4.15. The Council currently has external borrowing of £45 million, representing £5 million of Public Works Loan Board borrowing plus the first tranche of £40 million from an £80 million loan agreement with Aviva.
- 4.16. External funding is sought wherever possible. The Council has received funding from the Government via the UK Shared Prosperity Fund in 2025/26, and funding will be sought in particular from Homes England to support the Housing Programme, as without such funding Affordable / Social Housing would not be viable.
- 4.17. Funding is also available through developer contributions (S 106) and the Community Infrastructure Levy (CIL).

Capital Programme Proposals

- 4.18. Capital Programme proposals have been developed based on the principles set out above and reflect the strategic priorities agreed by Council when it set the current Corporate Strategy.
- 4.19. Appendix C to this report sets out the recommended programme for schemes which were programmed for 2025/26 – 2029/30 within the existing capital programme, together with new schemes that it is now

proposed to include within the capital programme. Further details are set out below.

Housing - Capital

Quality Homes for Life - £171,745,000

The capital programme will deliver the corporate strategy priority of quality homes for life. Costs shown in the capital programme include completion of schemes where we are already on site (such as the Bathstore) and costs for delivery of Maidstone East and Springfield Library.

Temporary Accommodation - £30,000,000

The Council plans to continue buying homes on the open market for use as temporary accommodation, thus reducing the cost of the service. This line reflects both funding to support the final current TA purchases that are going through the legal process, where the offer of purchase has been agreed and will become available for use in the first quarter of 2025/26, together with the next phase of around 80 further TA properties over a 3-year period.

Housing - Disabled Facilities Grants Funding - £7,000,000

The Council works with Kent County Council to deliver essential home modifications to enable people to continue living independently in their own homes. Assistance under this budget is funded by the government through the Better Care Fund.

Planned Preventative Maintenance - General Fund - £1,110,000

Funding to support PPM works on the housing stock in the general fund, ie properties used for temporary accommodation. The funding ensures that the properties are maintained and continue to be suitable for accommodation.

Gypsy, Romany and Traveller site - £4,000,000

This budget has been created with a view to the creation of a new high quality, well landscaped public Gypsy, Romany, Traveller site. Specific costings will be developed when a suitable location has been identified.

5. One-Off Funding

5.1. The draft Medium Term Financial Strategy describes a number of potential additional sources of funding which can support delivery of the Corporate Strategy, namely:

- Business Rates Pool
- New Homes Bonus
- Funding Guarantee

Funding from these sources is expected to be available in 2025/26, but there is no assurance about the longevity of these funding streams. Accordingly, they are treated as one-off resources.

Business Rates Pool

- 5.2. The Council uses Business Rates Pool income (a) to fund economic development and (b) to contribute towards the Maidstone East development. It is proposed that work on a new economic development strategy is funded from this source.

New Homes Bonus and Funding Guarantee

- 5.3. Since 2022/23, the Council has used the New Homes Bonus, and more recently the Funding Guarantee, to support the Housing Investment Fund, which allows the Council to fund the social/affordable element in its housing programme. The new Corporate Strategy has now identified a further potential requirement for a Nature Recovery Fund. It is proposed that, subject to the amounts to be received as New Homes Bonus and Funding Guarantee in 2025/26 (which are due to be announced in late December 2024) £500,000 is set aside for a Nature Recovery Fund, with the balance to be transferred to the Housing Investment Fund.
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3. AVAILABLE OPTIONS

- 3.1 Recommend the budget proposals relating to this Committee as set out in the appendices for approval by 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 19 February 2025 a balanced budget and a proposed level of Council Tax for the coming year. The budget proposals included in this report will allow the Cabinet to do this. Accordingly, the preferred option is that this Committee agrees the budget proposals and capital programme.
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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.

- 5.3 From now on, the capital programme will primarily be funded through prudential borrowing. Many of the schemes outlined above are projected to be self-funding. However, this assumes that the income assumptions on which they are based are reliable. In an uncertain economic environment, there is a significant risk that the cost of borrowing and the requirement to make provision for repayment will not be covered.
- 5.4 The scale of the capital programme will require considerable capacity for delivery and project management. At present it is anticipated that funding will be available for the capital programme. The funding risk has been mitigated by committing to borrow £80 million in advance over the period 2024 to 2026 at an affordable rate. We will use our Treasury Management Strategy to manage the cost of subsequent borrowing but there is a risk that funding could become more expensive generally, thus putting at risk the viability of more marginal schemes.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The Cabinet received an initial report on the MTFS at its meeting on 24 July 2024 and it agreed the approach set out in that report to development of an MTFS for 2025/26 - 2029/30 and a budget for 2025/26.
- 6.2 Policy Advisory Committees and the Cabinet are considering the draft savings and growth at their meetings in January 2025.
- 6.3 Public consultation on the budget has been carried out. Details are set out in Fees and Charges papers considered by the PACs at their December 2024 meetings.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The timetable for developing the budget for 2025/26 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
January 2025	All Policy Advisory Committees and O&S Committee	Consider 25/26 revenue budget proposals, capital programme and draft MTFS
22 January 2025	Cabinet	Consider 25/26 revenue budget proposals and capital programme and draft MTFS
5 February 2025	Cabinet	Agree 25/26 revenue budget proposals and capital programme
19 February 2025	Council	Approve 25/26 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 2025/26 – 2029/30
 - Appendix B: Revenue Budget Proposals 2025/26 – 2029/30 Housing and Community Cohesion Policy Advisory Committee
 - Appendix C: Capital Programme Proposals 2025/26 – 2029/30 – Housing and Community Cohesion Policy Advisory Committee
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9. BACKGROUND PAPERS

There are no background papers.