

Cabinet – Supplementary Agenda no. 2

A meeting of the CommitteeName will be held on:

Date: Tuesday, 11 February 2025

Time: 10.00am

Venue: Cozenton Park Sports Centre, Bloors Lane, Rainham, Kent, ME8 7EG

Agenda

- | | | |
|------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------|
| 8. | Treasury Management Strategy 2025 / 2026 –
Appendix D, previously marked to follow | (Pages 3 - 4) |
| 13. | Proposed Capital and Revenue Budget 2025/2026 –
Appendix 1, previously marked to follow | (Pages 5 - 14) |
| 14. | One Medway Council Plan 2024-2028, 2025-26 Key Performance Indicator Refresh –
Appendix 3, previously marked to follow | (Pages 15 - 16) |
| 15. | Risk Strategy Annual Review –
Appendix 3, previously marked to follow | (Pages 17 - 18) |

For further information please contact Jon Pitt, Democratic Services Officer/Vanessa Etheridge, Democratic Services Officer on Telephone: 01634 332715/332115 or Email: democratic.services@medway.gov.uk

Date: 10 February 2025

This page is intentionally left blank



Cabinet

11 February 2025

Treasury Management Strategy 2025/26

Appendix D

1. Audit Committee
 - 1.1. The report was previously considered by the Audit Committee on 28 January 2025, the draft minutes are set out below.
 - 1.2. **Discussion:**
 - 1.3. The Head of Corporate Accounts introduced the report. He highlighted that the figures in the report were based on latest budget forecasts and any changes to plans in the Capital Programme would affect the Minimum Revenue Provision (MRP) requirement.
 - 1.4. The Council had updated its Minimum Revenue Policy which was included in Appendix A to the report in line with CIPFA guidance.
 - 1.5. The Council continued to operate within the Capital Finance requirement (CFR). The Debt Maturity profile shows that loans to be repaid will peak over the next months and the Council continued to focus on short term borrowing whilst interest rates were high. It was anticipated that interest rates would fall in the next 12 months, which would make longer term borrowing more advantageous at that stage. When interest rate conditions were right the Council would consider taking longer term borrowing to smooth the debt maturity profile.
 - 1.6. The following issues were discussed:
 - 1.7. **MRP** – further clarification was requested in relation to the updated MRP policy, the Chief Operating Officer explained that new guidance was in place from May 2024 that required loans to third parties which are commercial or principally to generate income be subject to MRP payments. It was the clear view of the Council that loans to its subsidiary Medway Development Company (MDC) were not commercial so would not be subject to MRP payments. External Auditors had taken a different view and discussions regarding this were ongoing, however, the Council had taken guidance from

CIPFA prior to updating its MRP policy and he was confident that the policy met current requirements.

- 1.8. The Committee discussed the loans provided to the MDC; the Chief Operating Officer explained that the initial loans during the construction phase were at a higher rate than subsequent loans which were secured against MDC's assets and were charged at an interest rate 0.5% above what the rate of loans borrowed by the Council. The MDC loan facility had been extended to March 2028, but it was planned for the loans to be repaid to the Council in full. The weakness in the housing market had meant MDC had changed its strategy to include renting some units. There remained a number of sites the MDC could progress in the medium term.
- 1.9. **Alternative funding sources** – in response to a question regarding potential alternative sources of funding than loans the Chief Operating Officer stated the Council was exploring the sale of non-operational assets. The sale of those assets could be used instead of borrowing to fund the Capital Programme, to finance new initiatives or instead of Exceptional Financial Support (EFS). However, the disposal of assets would take some time, and the Council needed to invest resources such as recruiting surveyors and conveyancing lawyers to ensure it received the best value for those assets. He expected that receipts would begin to be received at the end of this financial year or early in the next year.
- 1.10. It was asked if the sale of those non-operational properties could be as transparent as possible, the Chief Operating Officer stated the property team would work with agents using a variety of methods to ensure the Council got the best value.
- 1.11. **Exceptional Financial Support** – it was asked if the table showing capital borrowing could show the EFS received from central government on a separate line, the Head of Corporate Accounts undertook to update the report prior to it being considered by Cabinet.
- 1.12. **Debt repayment to KCC** – it was asked how the proposed local government reorganisation would affect debt repayment to KCC, the Chief Operating Officer stated it would be a matter for discussion as part of the reorganisation.
- 1.13. **Decision:**

The Committee considered the report, noted its contents, and passed comments as set out in the minutes on for consideration by the Cabinet and recommendation to Full Council for approval.



Cabinet

11 February 2025

Proposed Capital and Revenue Budget 2025/26

Appendix 1

Summary

This Appendix presents for consideration the comments of all Overview and Scrutiny (O&S) Committees on the provisional draft budget for 2025/2026 proposed by Cabinet on 19 November 2024.

1. Background

1.1 On 19 November 2024 Cabinet considered the draft capital and revenue budgets for 2025/2026 and agreed to forward these to all Overview and Scrutiny (O&S) Committees as work in progress inviting them to offer comments on the proposals outlined.

1.2 The Business Support and Digital O&S Committee has a pivotal role in the consultation process that surrounds Cabinet’s construction of the budget. It has the responsibility to scrutinise and comment on the proposals. To this end the other O&S Committees were invited to forward their comments to inform the process of scrutiny by the Business Support and Digital O&S Committee as part of the constitutional consultation requirement for budget formulation.

2. Draft Capital and Revenue Budgets 2025/2026

2.1 The draft proposals discussed by Cabinet were disaggregated into overview and scrutiny responsibilities and each Committee was asked to consider the draft proposals pertinent to their area of responsibility with comments fed back to the Business Support and Digital Overview and Scrutiny Committee on 30 January 2025.

2.2 All of the O&S Committees – dates included for information – have had the opportunity to consider the budget proposals recommended by Cabinet and their views are set out in this Appendix.

Business Support and Digital O&S Committee	28 November 2024
Children and Young People O&S Committee	3 December 2024

Health and Adult Social Care O&S Committee	5 December 2024
Regeneration, Culture and Environment O&S Committee	12 December 2024
Business Support and Digital O&S Committee	30 January 2025

3. Overview and Scrutiny minute extracts

3.1 The relevant extracts from the minutes of the Overview and Scrutiny Committees are set out below.

3.2. **Business Support and Digital Overview and Scrutiny Committee, 28 November 2024**

Discussion:

The Chief Finance Officer introduced the draft budget report which set out the budget projections for 2025-26, she highlighted the budget provided for a net growth of £26m in the next financial year.

The Chief Finance Officer added that section 13 of the report outlined key announcements in the recent budget, detailed grant allocations were expected to be announced in the week commencing 16 December, but the overall effect was expected to be broadly positive for the Council.

Section 14 of the report noted the Exceptional Financial Support (EFS) which would be required to meet the budget gap. This was projected to be £26m, officers and Portfolio Holders continued to work to close that gap.

The following issues were discussed:

Cuts to Services – a Member noted that following the request for EFS last year, cuts to services were announced, he asked whether there were proposed cuts in services or rises in fees associated with the 2025-26 draft budget. The Chief Finance Officer explained that the proposals include the full year impact of some reductions agreed last year, but primarily the proposals relate to projected additional income, including from leisure services following a review of fees and charges to meet the additional costs of running those services, and from events at the Corn Exchange following its successful refurbishment.

Children’s Services were reviewing costs principally through managing demand and effective use of services keeping costs low.

The Business Support and centralised proposals relate to the department focusing on rightsizing back office functions and investing to save in transformation.

Medpay – A Member asked if the Council would need to borrow to fund Medpay, the Chief Finance Officer explained that EFS would be required to fund the budget gap, however it was not allocated to particular services and not directly related to Medpay.

A Member commented that in his view the proposed pay rise and costs of Medpay were not prudent at the current time. The Chief Finance Officer stated that the Council wanted to retain experienced staff and had to correct where pay rises were below that of its peers for a number of years which had affected recruitment and retention issue for the Council.

A Member commented that the budget was developed to provide statutory services and include rightsizing those services which had struggled to recruit and retain staff.

Decision:

- a) The Committee noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to reduce the budget deficit for 2025/26 and to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme.
- b) The Committee commented on the proposals outlined in the Draft Capital and Revenue Budgets 2025/26 as set out in the minutes and forwarded the proposals on to the individual overview and scrutiny committees.

3.3. Children and Young People Overview and Scrutiny Committee, 3 December 2024

Discussion:

Members received a presentation on finance and considered the reports under this theme.

Members then raised several questions and comments:

The medium term financial position was a challenge as financial pressures continued to grow and this would be challenging for Medway, the review being undertaken by Central Government was welcomed.

Government financial support for Local Authorities - in response to a question on whether the Government announcement on financial support would ease the pressures of the anticipated overspend, the Committee was informed that the Government, in announcing the budget were clear that they recognised that local authorities had been underfunded and were keen to address issues with pressures. Additionally, changes would be made to distribution of funding, details of which were yet to emerge.

In the policy statement, it was made clear that distribution of funding would be based on need, with increased funding directed to Local Authorities that had

higher areas of deprivation or who were less able to raise income through local taxation. It was currently difficult to estimate what the announcement meant for Medway who were amongst the 20 lowest funded local authorities per resident in England. The caveat for consideration by officers in terms of increased funding was whether additional costs may materialise.

Overspend - it was asked what the likelihood of overspend would be for the coming year given that Medway continued to experience increased migration, which would increase budgetary pressures on the Council. It was explained that budgetary predictions were made with the best information available at the time and it was difficult to predict in totality what would happen each year.

The report alluded to the considerable savings to be made from SEND transport and it was asked what knock on effects had been considered. The Committee was advised that Medway had to date been generous with its transport policy, providing significantly more than neighbouring authorities and more than required statutorily. Legislation had changed to reflect that children with an ECHP did not have to be provided with transport if they were not attending their nearest suitable school.

It was further commented that it was vital to ensure that all implications of non provision of transport be looked into and not just the savings that could be made. Members were reminded that decisions for children on EHCPs were made based on need. A banding system was in operation and each child received the same amount of funding regardless of whether in mainstream or SEND specialist provision. There was an increased drive for inclusiveness as part of the national as well as Medway's agenda, for provision for all children in mainstream schools.

Travel training - members of the Committee commented that more was needed to be done to support independence of SEND children, including provision of travel training to support transition to adulthood. Officers said that there was a transport group in place exploring options and the Council would also be working with Medway Parents and Carers Forum, who currently provided travel training. Further work was planned on empowering children to use public transport.

It was asked what wider work had been undertaken in SEND and viewed as priorities for the next 3-5 years. The Committee learned that there was anticipated significant growth in pupil numbers due to inward migration of families and as a result transport would continue to be a challenge. Additionally, there were many children that still attended specialist provision outside of Medway, this remained a challenge due to the significant continued uplift in associated costs. Reviews were ongoing, with exploration of different ranges of options. Council wide, further exploration was needed on the travel infrastructure of Medway to make travel easier and more accessible for families.

Reduced timetables - it was commented that some children in specialist provision were placed on short timetables as a means to manage issues and it was asked whether there would be provision in the budget to assist schools in

providing extra support should it be needed. The Committee was informed that schools went through a graduated approach and layered on support as needed. At a point where they experienced difficulties in meeting needs or required additional funding, they approached the local authority for support. In all cases, officers worked with schools and families to understand the needs of the child. Schools had a duty to report the implementation of a reduced timetable, the team would review what the timetable entailed, and any concerns were discussed with the school.

A Member of the Committee added that it was important to note that reduced timetables were not implemented as a means to reducing a child's access to education, it was used solely as a temporary measure whilst work was undertaken on reintegration of the child onto a full timetable. Reduced timetables were effective and useful when used appropriately.

Advice - the Committee was informed that parents were able to access SEND inclusion advice and support from the family hubs, in particular in instances where parents and carers felt relationships had broken down with the school.

It was asked how the additional investment that was proposed in the journey of children's social care from good to outstanding would involve and how would this drive fit into the wider plans of the service. The Committee was informed that investment would be made in recruitment, increase in staffing capacity, including management. Review was being undertaken on the Early Help service which had experienced increase in contact and now required additional support. Further investment in placement of children locally and increased support for those placed outside of Medway.

The Director of People and Deputy Chief Executive added that the 2025/26 financial year was the penultimate year to make significant improvement ahead of the next Ofsted inspection and whilst confident that some categories could achieve outstanding, focus would be on ongoing stabilisation and consistency in service.

Impact of budget on families - concerns were highlighted as to the possible impact to families whilst the service trying to enforce budgetary controls and it was asked what safeguards were in place. The Committee was informed that the review work to develop the budget began early in the financial year, with officers asked to identify where pressures would be and predict what their service would look like in the year ahead. Those projections formed the basis of the draft budget. The Director of People and Deputy Chief Executive added that the approach taken in formulating the draft budget was welcomed and was confident that the budget being presented with continued to ensure the needs of children were met with the appropriate resources in place.

Artificial Intelligence (AI)- in response to a question on the use of AI in completion of paperwork, how risks would be managed through the pilot and dissemination of this way of working in other areas, officers said that AI would complete tasks alongside officers and comparisons would be made to identify gaps. Whilst the use of AI would save time, it would not negate the use of a human and would be used mainly as a quality assurance programme to

ensure vital details were not missed out in case reports. The pilot would be run in a tempered and moderated way and AI used as a tool to support officers with efficiency. Caution would always be taken to ensure no replacement of human input.

In response to a question on investment in business change and transformation, the Committee learned that this was an ongoing area of investment that was included in this year's budget.

Decision:

- a) The Committee noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to reduce the budget deficit for 2025/26 and to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme.
- b) The Committee noted that their comments on the proposals outlined in the Draft Capital and Revenue Budgets 2025/26 in so far as they relate to the services within the remit of this Committee are fed back to the Business Support and Digital Overview and Scrutiny Committee in January 2025.

3.4. Health and Adult Social Care Overview and Scrutiny Committee, 5 December 2024

Discussion:

The Chief Finance Officer introduced the three budget related items, explaining that all three had been presented to Cabinet in November. She highlighted that in relation to the second round of revenue budget monitoring, this has seen an improvement of approximately £5m. In relation to the draft budget proposals for 2025/26 it was explained that the Government had published a local authority funding policy statement which it was believed would be positive for the Council but the provisional settlement was not expected until week commencing 16 December 2024.

Reference was made to the briefing that had been held for the Committee Members which provided them with some background into how the budget setting process worked, which Members had found incredibly valuable.

A query was raised about the risk categorisation around budget overspends within the capital budget monitoring – round 2 2024/25 report (at minute number 495). In response, the Chief Finance Officer explained that the risks within capital schemes were lower as it was much easier to adapt plans to match budget availability. However, the revenue budget overspends were much more attributable to demands in the Council's statutory duties and was therefore much more difficult to control and so the risk categorisation in both the revenue budget monitoring – round 2 2024/25 report and the report relating to the draft budgets for 2025/26 was higher to reflect that.

Decision:

- a) The Committee noted the report and noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to reduce the budget deficit for 2025/26 and to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme.
- b) The Committee also agreed that its comments were fed back to the Business Support and Digital Overview and Scrutiny Committee in January.

3.5. Regeneration, Culture and Environment Overview and Scrutiny Committee, 12 December 2024**Discussion:**

The Committee considered the Draft Capital and Revenue Budgets for 2025/26. It was noted that in accordance with the Constitution, the Cabinet was required to develop 'initial budget proposals' approximately three months before finalising the budget and setting Council Tax levels at the end of February 2025. The Draft Budget was based on the principles set out in the Medium-Term Financial Outlook 2024-2029 (MTFO) considered by the Cabinet on 27 August 2024.

In response to a request for more granularity of the highways budget, it was noted that the Committee had previously agreed not to receive these reports in such detail, however a briefing note could be produced.

Decision:

- a) The Committee noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to reduce the budget deficit for 2025/26 and to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme.
- b) The Committee requested a detailed briefing note to be circulated outside of the meeting, with a more detailed breakdown of the highways budget.
- c) The Committee noted the proposals outlined in the Draft Capital and Revenue Budgets 2025/26 in so far as they related to the services within the remit of the Committee and noted that this would be fed this back to the Business Support and Digital Overview and Scrutiny Committee in January.

3.6. **Business Support and Digital Overview and Scrutiny Committee, 30 January 2025**

Discussion:

The Chief Finance Officer introduced the report which had previously been considered by the committee in November and included comments of the other Overview and Scrutiny Committees at Appendix A. Since the last meeting the provisional Local Government Finance Settlement had been announced which proposed an estimated additional £11m in resources for the Council compared to 2024-25, the final settlement for Medway would be announced shortly and included in the final budget reported to Cabinet and Council.

The following issues were discussed:

Council Tax income – further detail was requested regarding proposed council tax revenues, the Chief Finance Officer explained that the budget assumed a baseline of 92,100 homes in Medway, then added how many new homes were expected to be built, factored in the proposed band d council tax increase of just under 5% and the impact of collection rates to determine an expected total income.

Interest and Financing - in response to a question why the costs associated with interest and financing had gone from a projected £4m rise in the Medium Term Financial Outlook (MTFO) to a small decrease in the budget, the Chief Finance Officer explained that the MTFO included assumptions regarding interest rates, borrowing costs and the projected growth in the capital programme. As the year progressed the Council was able to make more accurate predictions which was reflected in the improved budgetary position.

Public Health budget – further information was requested regarding the rise in the public health budget, the Chief Finance Officer explained that the figure reflected the additional pressures of delivering services through contracts including inflation, national changes relating to National Insurance contributions and the National Living Wage. She added that the government had not yet announced the Public Health grant allocation for 2025/26, but this would also be included in the final budget report when confirmed.

Temporary Housing – A Member requested further information regarding progress of the temporary housing scheme which the Council had approved in January 2024, the Chief Finance Officer stated that a full update would be provided in the budget report to Cabinet and Council, the monitoring showed an improved position, however the situation remained challenging.

Capital Programme – it was asked whether the planned development of a council chamber in Gun Wharf had been reconsidered following the announcement of the local government reorganisation. The Chief Operating Officer stated there had been no decision to stop the programme, however the works included repairs to deal with the current safety issues in the building which were still required and would take place.

Medway 2.0 – it was asked how savings associated with Medway 2.0 would be monitored and the Council ensured it did not impact on local services. The Chief Finance Officer stated the budget aimed to sustain the investment in statutory services which had resulted in recent positive inspection results. The Chief Operating Officer added that the services where savings would be made by Medway 2.0 had now been identified and the savings were included in those sections of the budget. Consequently, the explicit savings target for Medway 2.0 had been removed from the budget.

The Chief Information Officer stated that Corporate Management Team had reviewed the Medway 2.0 report which had previously been considered by this committee and new services were now being designed, which included greater use of AI and automation.

Local Government Reorganisation – in response to a question whether the council had a budgetary provision to undertake the work required by the local government reorganisation the Chief Operating Officer stated that the Government had indicated it would provide funding to undertake the work required to deliver reorganisation, and in January, Council agreed to the creation of a new policy resource that would be reflected in the final budget for Cabinet and Council.

Decision:

The Committee commented on the proposals outlined in the Draft Capital and Revenue Budgets in so far as they relate to the services within the remit of this committee and considered the comments from the individual Overview and Scrutiny Committees, as set out in Appendix 1, and forwarded those to Cabinet.

This page is intentionally left blank



Cabinet

11 February 2025

One Medway Council Plan 2024-2028 2025-26 Key Performance Indicator Refresh

Appendix 3

1. Business Support and Digital Overview and Scrutiny Committee
 - 1.1 The report was considered by the Business Support and Digital Overview and Scrutiny Committee on 30 January 2025, the draft minutes are set out below:
 - 1.2 **Discussion:**
 - 1.3 The Chief Organisational Culture Officer introduced the report. The report presents refresh of key performance indicators (KPI's) for the forthcoming year with no change in the Council's priorities. Nine KPIs have been amended with the reasons for this provided in the report, with three indicators removed and a further three indicators would be reviewed subject to updated data.
 - 1.4 The following issues were discussed:
 - 1.5 **Presentation** – a Member commented that they found it difficult to follow where targets had not been met, the Chief Organisational Culture Officer acknowledged this difficulty. She explained that mitigations and proactive work to meet targets were contained within the monitoring report which would be reported to the Committee at the next meeting and undertook to review how this refresh was presented in future years.
 - 1.6 **Decision:**
 - a) The Committee considered the proposed changes to the key performance indicators that will be used to track performance of the One Medway Council Plan in 2025-26 as set out in Appendix 1 and section 4.7 and submitted comments as set out in the minutes to Cabinet.
 - b) The Committee noted that Council will be requested to delegate authority to the Chief Executive, in consultation with the Leader of the Council, to agree new key performance indicators and interim targets where applicable as set out in paragraph 4.8 of the report.

This page is intentionally left blank



Cabinet
11 February 2025
Risk Strategy Annual Review

Appendix 3

1. Audit Committee

1.1. The report was considered by the Audit Committee on 28 January 2025 and the draft minutes of this discussion are set out below:

1.2. **Discussion:**

1.3. The Chief Finance Officer introduced the report, minor changes were proposed to the strategy to provide clarification and were shown as tracked changes at Appendix A.

1.4. The following issues were discussed:

1.5. **Escalation and tolerance** – further information was requested regarding the escalation of risks, the Chief Operating Officer explained that risks which were rated B1 (Likely and catastrophic) were escalated to the next level and a further review undertaken. However, an item may be considered high risk for a service but a lower risk at Corporate Management Team. Items rated at B1 or higher by the Corporate Management Team were included on the Council's Risk Register.

1.6. **Decision:**

The Committee considered the 2025/26 Risk Strategy as set out in Appendix 1 to the report and submitted comments to Cabinet.

2. Business Support and Digital Overview and Scrutiny Committee

2.1. The report was considered by the Business Support and Digital Overview and Scrutiny Committee on 30 January 2025 and the draft minutes of this discussion are set out below:

2.2. **Discussion:**

2.3. The Chief Organisational Culture Officer introduced the report. She highlighted that the report proposed only minor changes to clarify roles. The report had been considered by the Audit Committee on 28 January and no significant changes had been requested.

2.4. **Decision:**

The Committee considered the 2025/26 Risk Strategy as set out in Appendix 1 to the report and submitted comments to Cabinet.