



A Sustainable and Resilient Medway

Our Financial Strategy 2018 - 2023



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Introduction



I am once again pleased to present the refresh of Medway Council's Medium Term Financial Strategy (MTFS). This document is a key component of the Council's budget and policy framework and complements the Council Plan, which was refreshed and agreed at Full Council on 22 February 2018.

The Council Plan is our business plan; it sets out how we will ensure we provide the best possible services for our residents. Our priorities, agreed by elected members, direct the services we provide. They are:

- Medway: a place to be proud of;
- Maximising regeneration and economic growth;
- Supporting Medway's people to realise their potential.

We will achieve these priorities by giving value for money; finding the best digital innovation and using it to meet residents' needs and by working in partnership where this benefits our residents.

By applying these ways of working, we will deliver services that meet public expectations and manage our resources effectively. The Medium Term Financial Strategy seeks to support these objectives by placing the emphasis on a strategy for responding to the financial challenge, rather than simply articulating the problem.

The Council has an enviable track record of balancing its budget year on year, whilst continuing to provide top quality services to the people of Medway. We have achieved this against a backdrop of reductions in financial support from Central Government and a shift in the balance of funding, forcing local authorities to place much greater reliance on local taxation and charging for discretionary services. Since 2012/13 and the introduction of the business rate retention scheme, aggregate external funding in the form of business rates, council tax and revenue support grant will have reduced by around £28.149million or 13% by 2022/23, even ignoring the effects of inflation. We run a tight ship here in Medway and in spite of these reductions in grant, we continue to levy the lowest council tax in Kent. We also have the eighteenth lowest band D rate of all 56 unitary authorities, around £53 per year less than the average of this group of councils.

Our ambitious regeneration programme to meet the housing requirements for Medway people and to create employment opportunities has a real head of steam and there are so many exciting schemes going on in Medway right now. We will soon see real progress with the Innovation Park Medway on the Rochester Airport site, which will eventually provide around 1,300 good quality jobs in the high tech sector. You would not have failed to notice the large numbers of homes being created in Medway, in particular on our flagship waterfront sites, but also a significant number of smaller developments right across the borough.

The Council remains committed to protecting the front line services that are so important to the people of Medway and we're determined not to make cuts to these services. With that foremost in our minds, you will see that the thrust of this Medium Term Financial Strategy is on increasing our revenues and continuing to look for innovative new ways to deliver services and back office functions more efficiently. We will do this through our transformation programme and investing in Medway through various alternative delivery vehicles, such as our joint ventures and our 100% Council owned trading company.

Councillor Alan Jarrett
Leader of the Council

Medway: the place

Medway Council serves a population of more than 280,000 people and an area of 26,900 hectares. Its main towns are Chatham, Gillingham, Rainham, Rochester and Strood and the villages of the Hoo Peninsula. 2018 represents an important milestone in Medway's history. It marks 20 years since the founding of Medway and the creation of the new unitary Medway Council, and 20 years that have seen the area transformed into one of the most promising growth areas in the UK, laying the foundations for an exciting future for the people of Medway.

Our vision is simple. Over the next 20 years Medway will be the most successful area of economic regeneration in the south east, creating growth for all. A place which people love and are proud of – a great place to live, work, learn and visit. By 2035 Medway will be a leading waterfront university city of 330,000 people, celebrated for its revitalised urban centres, its riverfront developments, its stunning natural and historic assets, and countryside.

We have already made good progress – tackling the legacy challenges that followed the closure of Chatham Dockyard in 1984 – high unemployment, shortage of skills, a weak economy, and health inequalities. Medway is one of the largest urban areas in the south east outside London and the biggest regeneration zone within the Thames Gateway. Supported by significant government funding, with the potential for a further £1 billion of private sector investment, we are recognised as an area of strategic development by the Ministry of Housing, Communities and Local Government (MHCLG).

A major regeneration programme is transforming Medway's landscape bringing 30,000 new homes, many of them stunning riverfront developments, and significant new employment space to the area. Today more than 14,000 businesses have their home in Medway and we have a growing reputation as a hub for high tech engineering and creative businesses. Our new business growth rate outstrips both the national and south east averages creating great employment opportunities for local people. The economic challenge for Medway is to continue to attract more quality jobs into the area, building on the opportunities London Resort, the Lower Thames Crossing and our proximity to the capital bring.

Medway's location, just 34 minutes from London by train, close to all major travel networks and midway between the capital and continent, means we are the ideal location for businesses and people looking for a superb place to live, work and enjoy.

Medway is now a centre of educational excellence boasting no fewer than four universities, the largest further education (FE) provision in the county and a University Technical College, all offering a range of academic and vocational learning opportunities to equip learners with the skills they need to secure employment. Strong partnerships between education and business mean that courses are tailored to meet employment needs and businesses have access to first class research on their doorstep.

The quality of our environment is better as we have striven to make Medway a cleaner and greener place.

Our outstanding cultural offer helps to make Medway a great place to live and to visit, with our rich heritage, our vibrant festival programme and our stunning natural environment. Taken together, these bring five million visitors to Medway each year and support 6,000 local jobs. Medway puts on 30 free days of festivals each year adding to the opportunities Medway offers as an outstanding visitor destination.

Medway: a place to be proud of

We want Medway to be a place that local residents and businesses are proud of. We will keep the streets clean and safe and by building on what makes Medway unique – such as our heritage and sporting legacy – putting Medway on the map promotes Medway as a great place to live, work, learn and visit.

Front Line Services

The continued delivery of high quality front line services is at the centre of Medway's Council Plan; despite funding reductions imposed by government, we aim to always provide high quality services that are valued by our residents. Our transformation programme is key to enabling us to pump funds saved back into the services that matter the most to our residents, including front line services such as roads and waste. In addition to this work each individual service is carrying out to generate efficiencies and make savings, the service as a whole will be restructured to ensure it can deliver on the Council's strategic aims.

Transport and Highways

Transport is a key issue in Medway, affecting the economic success of the area and the social fabric of the environment. Our key priorities for improving transport are tackling congestion, improving public transport services and improving journeys to school and work. Medway's Local Transport Plan was adopted by the Council from 1 April 2011 and will run to 2026.

During early 2014 Medway put together a package of schemes as part of the Local Enterprise Partnerships (LEP) bid for the governments Local Growth Fund (LGF). A total of £28.6million allocated for five successful Medway schemes. The four successful transport schemes and the LGF allocations are as follows:

- A289 Four Elms Roundabout to Medway Tunnel Journey Time and Network Improvements,
- Medway City Estate Connectivity Improvement Measures,
- Strood Town Centre Journey Time and Accessibility Enhancements,
- Medway Cycling Action Plan.

Table 1: Highways and Transport related scheme profile for the period to 2021/22

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Local Growth Fund (LGF) Schemes	10.233	5.297	3.899	0.000	19.429
Other projects	4.098	1.810	0.000	0.000	5.908
Highways Maintenance (including LTP)	2.854	0.000	0.000	0.000	2.854
Integrated Transport (LTP)	1.722	0.000	0.000	0.000	1.722
Total Capital Expenditure	18.907	7.107	3.899	0.000	29.913
Capital Receipts	1.771	0.000	0.000	0.000	1.771
Prudential Borrowing	1.300	1.429	0.000	0.000	2.729
Government Grant	5.464	0.332	0.000	0.000	5.796
Local Growth Fund (LGF) Grant	10.233	5.297	3.899	0.000	19.429
Developer Contributions	0.140	0.049	0.000	0.000	0.189
Total Income	18.907	7.107	3.899	0.000	29.913
Highways bridges and tunnels	0.830	0.830	0.830	0.830	3.320
Highways planned maintenance & schemes	1.486	1.546	1.608	1.671	6.311
Highways responsive maintenance	3.670	3.818	3.970	4.128	15.586
Major projects	(0.245)	(0.245)	(0.245)	(0.245)	(0.980)
Sign shop services	0.225	0.225	0.225	0.225	0.900
Total Revenue Expenditure	5.966	6.174	6.388	6.609	25.137

Our Highways service supports a network of 840km of highways including bridges, footbridges, subways and tunnels valued at over £1.8billion through programmes of planned and responsive maintenance, and through capital investment in the design and implementation of major improvements to the network. The work spans remedying defects in the highways, surface water drainage gulleys, street lighting and winter highway maintenance.

We recognise the reliance placed by many residents on our highways network and are proud that we have continued to invest in maintaining our network. We take a lifecycle planning approach to asset management and investment in our highways to maximise value for money, targeting investment to medium to long-term benefits, reducing reliance on expensive, short-term repairs.

Our continued investment in highways has resulted in Medway's class A and B roads assessed as being of sound condition, however prioritisation of funds towards those roads means that lesser used class C and unclassified roads and footways in some parts of our network now require maintenance. Similarly, current investment levels have enabled Medway's key structures, including the Medway Tunnel to continue operating well, however as the assets age we are working on detailed modelling of lifecycle costs to fully understand the investment required to support these assets in the medium to long term. We are working to develop and identify funding for a programme of replacement of our street lighting columns, and aim to take the opportunity to reduce our energy use by installing LED lighting through this programme.

In addition to planned investment, maintaining our highways infrastructure requires reactive, unplanned expenditure, with the impact of winter weather on the level of gritting required a key financial risk each year. Our work to fully understand these costs and model the level and timing of investment required across our highways network also includes exploring opportunities to fund the programmes in the most cost effective way. Until this work is completed the MTFs assumes current levels of expenditure will continue with the addition of around £250,000 per annum to fund contractual uplifts.

Parking Services

Our Parking Services Team are responsible for enforcing parking restrictions across Medway through the issue of Penalty Charge Notices (PCN), maintaining our car parks and parking meters and managing the permit parking schemes across Medway.

A full review of parking charges was carried out in 2016 with Cabinet approving significant amendments to the model previously in place. The Parking Enforcement service operating times were expanded to reduce dysfunctional parking and help keep the highways flowing. Digital solutions have been implemented to enable cashless parking in our car parks and on street bays. Charges for permits and the car park tariffs have all also been increased, however high numbers of residents and tourists visiting Medway's high streets and attractions mean income from our car parks continues to be strong.

During 2017/18 the Council planned to implement three new Controlled Parking Zones (CPZ) and the budget reflected a part year income target of £250,000 in respect of these, with the 2018/19 budget including the full year effect of £500,000. In response to consultation with the public on these schemes, Members of the Council have listened to the views of residents and agreed the new CPZs will not be introduced and we are therefore currently forecasting shortfalls against budgeted levels of income for off-street parking. To address this, we are working on detailed analysis of how residents and visitors currently use the existing parking provision in the area and modelling how this will change as the Council's ambitious regeneration plans for the area take shape. We anticipate this review will identify opportunities to reshape the provision so that it meets the needs of drivers in the area in a cost-effective way, and as such we are not reflecting this as a pressure in the MTFs.

Our new parking enforcement model continues to be successful both in enforcing parking contraventions but also educating drivers and rates of PCNs issued are declining. In 2017/18 the Council's Civil Enforcement Officers issued 81,881 PCNs with a total value of £4.146million but £1.507million of that debt remains outstanding due to a range of issues, some of which are outside of the Council's control including tickets issued to vehicles unregistered with the DVLA. As part of a corporate approach to debt recovery, we are currently exploring opportunities to recover a higher proportion of PCN income to fund continued improvements in our enforcement activity.

Waste Services

Medway Council is unique in Kent, as no other single local authority has responsibility for both waste collection and waste disposal. Medway Council's waste services are delivered through a series of contracts; Veolia Environmental Services provide waste and recycling collection, waste disposal and street cleansing services. During October 2017 Medway Norse took over the management of the three household waste recycling centres. Medway is among few remaining authorities in England to provide weekly waste and recycling collections for residents.

Household recycling rates have remained steady for the last two years with around 43% of all waste collected being recycled. The amount of household waste collected each year has remained relatively stable for three years.

Our contracts deliver excellent value for money and we have exceptionally high public satisfaction rates with 83% of residents being satisfied with recycling and 91% of residents being satisfied with refuse collection. Medway faces financial pressures including inflationary contractual uplifts, and on the cost of disposal of materials based on the tonnages collected. These are combining to manifest in the 2018/19 financial year and are forecast to do so through the period of this MTF5 with an increase in the budget requirement of around £1.0million each year.

Greenspaces

The accessible countryside and open space in Medway is large, totalling some 1,900 hectares, and consists of 48 countryside sites, 2 country parks, 1 farm reserve, 33 allotments, 125 play areas and 25 parks, collectively achieving seven Green Flags. The Council's Greenspaces Service has transferred to Medway Norse during 2017/18 with Norse now providing the grounds maintenance at a multitude of local amenity, recreational, sports and urban grounds sites, and Bereavement Services grounds around Medway.

Leisure, Culture and Sport

Medway residents benefit from over 30 days of free festivals and over 600 events every year for all ages. The 10 day Battle of Medway events culminating in the Medway in Flames show in 2017 attracted thousands of residents and visitors. The Council operates five sports centres; Medway Park, Strood Sports Centre, Hoo Sports Centre, Splashes and The Strand. Between them these centres provide modern gym facilities, more than 100 fitness classes each week and both fitness and fun pools.

The Council has historically budgeted to subsidise the operation of its five sports centres by around £1million, with the centres combined budgeted in 2018/19 to generate £4.321million in income and to cost £5.151million to run. In 2015 the Council carried out a review of Leisure Services designed to halve the level of subsidy and identified a programme of changes to increase income and reduce costs while continuing to deliver quality services. The 2018/19 budget is based on a subsidy of around £0.5million for the provision of the sports centres which is primarily the use of Public Health funding to continue to provide free swimming for all Medway residents who are under 16 and over 60.

While membership of UK gyms is increasing, so too is the number of facilities and the growth of the budget gym sector in Medway has been particularly strong in recent years. Increased competition and capacity in the sector has significantly impacted on the Council's income as, in addition to low pricing, these gyms attract customers with no annual contracts, 24-hour access and investment in brand new technology. It is notable that the budget gym model does not include swimming facilities, which despite their continuing popularity, are significantly more costly to operate than 'dry side' facilities.

This new landscape presents a much more difficult environment in which to deliver the savings targets the service agreed, and the current forecasts project a shortfall in income of £583,000 in 2018/19. To address this gap we are working to better understand how our facilities are used and which facilities are maximising the subsidy to shape our strategy for delivering services. We are exploring how leisure facilities are being delivered across the country, for example through alternative delivery models, and seeking to understand the benefits and issues. This will inform our strategy to address this pressure both in the immediate term and over a longer timeframe.

Both the Central and Brook Theatres in Chatham provide a diverse range of professional theatre, community productions, live music and comedy. The Brook also boasts a thriving arts centre providing theatre, dance classes, gallery exhibitions and arts workshops.

Medway incurs a significant annual revenue expenditure (£1.64million in 2018/19) on supporting its tourism and heritage offer, delivering economic and social benefits and actively supporting the Council's ambition to put Medway on the map. We are exploring options to reduce the direct expenditure incurred by the Council while continuing to deliver a vibrant offer for the area.

Libraries and Community Hubs

The Library Service has continued to evolve and five of our fifteen libraries have now become Community Hubs, providing face-to-face contact for a variety of enquiries about Council and partner services, including making payments, purchasing parking vouchers, and access to information and support.

The Library Services' traditional reading for study and pleasure and information providing roles continue to be in demand and very successful, with our libraries receiving over a million visits in 2017/18 and issuing over 930,000 items. The growing focus of the service however is to support the Council's ambitious digital transformation programme. Library users cannot only download e-Books from home or on the move, they can also access over 100 e-Magazines and the online reference library for all their enquiries. With over 150 free public PCs and free WiFi at every location, our support for helping all residents to get online is growing all of the time. We provide targeted help through the assisted digital service for first-timers and those requiring particular support. Residents that now need to get online to claim Universal Credit, enrol on a course or apply for a blue badge can now receive support at their local Community Hub or Library. This support is either provided by a member of staff or one of the increasing number of volunteers that the service has recruited to help this agenda.

The provision of events and activities and the hosting of many community groups in libraries adds to the vibrancy of the buildings and presents the Council in every community as a place to get support, information, try new things, and to have fun.

Maximising Regeneration and Economic Growth

We want to ensure that Medway's regeneration drives economic development to encourage new and existing businesses to grow in Medway, which will benefit local residents through the creation of the new employment opportunities and homes they need. We will work to promote jobs, skills and employability. We will work to deliver new homes to meet the needs of Medway residents, and prevent homelessness through a council-wide approach. We will also enable residents, visitors and businesses to move around Medway easily by tackling congestion hotspots and improve the public realm.

We have wide-ranging ambitions and work programmes related to:

- Destination and Placemaking – putting Medway on the map as a smart and sustainable waterfront university city
- Inward Investment – increasing high-value businesses and high quality employment opportunities
- Innovation – continuing to support business creation and growth
- Business accommodation and digital connectivity – providing the right infrastructure for business success
- Sector Growth – enhancing our strong mixed economy
- Improving Employability – matching business demand and skills supply.

By 2035, Medway will be a smart and sustainable waterfront university city, with an estimated population of 330,000. Chatham centre and waterfront will be at its heart, with the towns of Strood, Rochester, Gillingham and Rainham well recognised for their exceptional geography, rich heritage, resurgent economies and popular town centres which support local demographics. There will be a diverse mix of high quality housing and employment space, and new waterfront and town centre communities. Fast and efficient transport connections and outstanding infrastructure and services will link us all. Healthy, prosperous and active residents will enjoy spending their leisure time locally, exploring Medway's world-class heritage, nature and culture. Medway will be at the forefront of innovation, learning and creativity; a smart and sustainable city offering growth for all – a city where people want to live, work, learn and visit.

Medway is the biggest regeneration zone in the Thames Gateway and its capital programme represents a fantastic opportunity to deliver the Council's ambitions. It will generate:

- Major transport infrastructure
- Up to 30,000 new homes
- More than 17,000 new jobs
- High quality spaces and places.

The Council's ambitious Regeneration Programme currently prioritises four key sites; Rochester Riverside, Chatham Waterfront, Strood Waterfront and Innovation Park Medway.

Table 2: Regeneration delivery profile for the period to 2021/22

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m	Outcomes
Strood Waterfront, including the Civic Centre site	14.327	1.933	0	0	16.32	1,166 homes and 2,000 jobs
Chatham Town Centre and Waterfront	2.026	0.269	0	0	2.295	4,000 homes and 6,260 jobs
Rochester Riverside	0.175	0.141	0.136	0.747	1.199	1,400 homes
Innovation Park Medway	1	5.113	1.67	0	7.783	1,000 jobs
Command of the Heights	1.201	0.793	0	0	1.994	Improved offer
Total Funding	18.729	8.249	1.806	0.747	29.591	
Capital Receipts	0	0.199	0	0	0.199	
Prudential Borrowing	6.439	2.134	0.136	0.747	9.456	
Growing Places Fund	0	0	0	0	0	
Growing Places Fund	0.072	0	0	0	0.072	
Local Growth Fund	10.722	5.113	1.67	0	17.505	
Developer Contributions	0.295	0.28	0	0	0.575	
RCCO	0	0	0	0	0	
Lottery Funding	1.201	0.583	0	0	1.784	
Total Income	18.729	8.309	1.806	0.747	29.591	

In addition to the existing Regeneration Programme, the council are considering additional opportunities to accelerate growth. These include:

Housing Infrastructure Fund (HIF)

Medway Council is currently working up a full HIF business case, following government approval of our stage 1 application. If successful, this £170million bid will provide the infrastructure support to enable the delivery of our Local Plan and regeneration priorities within the Hoo Peninsula and adjoining areas. Council funding has been committed to co-developing a full business case with Homes England with a submission by March 2019 and an expected decision by May 2019.

Innovation Park Medway

Preparations for enabling work are well underway (alterations and improvements to the existing airport infrastructure), following a South East Local Enterprise Partnership (SELEP) award of £4.4million Local Growth Fund (LGF) investment. In addition, Medway Council has (subject to approval of the final business case) been awarded a further £3.7million of LGF investment for improvements at the northern site (including access and infrastructure). In 2018, SELEP approved Medway Council's Growing Places Fund (GPF) application – a £650,000 loan investment to fund the access road and service strip at the southern end of the Innovation Park Medway site. Taken together this funding is intended to encourage a number of high-quality businesses to locate on the site at an early stage.

Innovation Park Medway is one of the three key locations comprising the North Kent Enterprise Zone which officially opened for business on 1 April 2017. Businesses that locate on an Enterprise Zone can access a number of benefits including up to 100% business rate discount worth up to £275,000 per business over a 5-year period, with the Council reimbursed for this cost through Section 31 grant funding. All business

rates growth generated by the Enterprise Zone is retained for 25 years to reinvest in local economic growth.

The current LGF and GPF funding will need to be significantly supplemented in order to continue momentum and maximise the full potential of the site. We will continue to take a holistic approach to the wider site, and seek funding opportunities to accelerate delivery and maximise the impact of Enterprise Zone status. Borrowing against business rates is a potential funding source. The potential for borrowing and other funding options will be progressed once marketing has begun in earnest, and interest in the site begins to be shown.

Medway 2035

Medway's ambitions for the future are set out in *Medway 2035*. This forward-thinking document provides the framework for future capital investment in areas as diverse as skills and employability, green spaces and Public Rights of Way, and smart technology. Delivery of the exciting vision set out in *Medway 2035* will require significant external investment (some of which is already secured) and match funding. We are committed to seeking this match from within existing budgets and resources wherever possible, and to horizon scanning for all available funding opportunities.

Skills and Employability

Skills and Employment is a growing area of focus within the Council, with the new Skills and Employability plan set to launch in the winter. The plan will set out a suite of activities that will include hosting an inaugural Skills Summit, piloting training programmes with employers and exploring the need for an online portal, bringing employers, graduates and potential apprentices together. This will be a key work stream in bringing the benefits of growth to local people and businesses.

Delivery Vehicles

Regeneration, Housing and Property Services are working collaboratively in bringing forward new mechanisms, such as the recently established Medway Development Company Ltd (MCD), and joint ventures to accelerate our development priorities and provide additional housing. There are a number of roles going forward for Regeneration to represent the Council as "intelligent" client and ensure the MDC is maximising the benefits of their development for the wider Medway and also support in delivery as the build programme rolls out.

Accelerated Construction

Medway Council has successfully gained circa £3.3million from the Homes England Accelerated Construction Fund for the Council's Whiffens Avenue and Queen Street developments. This is a grant with a clawback clause if the sale of the respective sites exceeds the agreed residual land value once the grant funded works are implemented. There will be further discussion and agreement of the exact terms between Homes England and the Council which are ongoing. There is also the opportunity to draw down further grants for other sites such as the Chatham Waterfront Development site which officers are considering and will raise with Homes England.

Local Growth Fund (LGF3b)

In summer 2018, SELEP announced their intention to maintain a pipeline list of projects which could be delivered utilising underspends from, or returns to, the LGF capital programme. Officers, in conjunction with Members, will maintain a list of 'oven ready' projects, which respond to SELEP criteria and which can be submitted in response to funding calls. This will need a modest budget to progress any projects to a full business case if they are considered successful at the Expression of Interest stage. Successful applications to the first of these – LGF3b – would allow projects to start in early 2019.

Pentagon/Brook Multi Storey Car Park Development

The Council and the head leaseholders of the Pentagon Shopping Centre, multi storey car park and Mountbatten House have been in discussion about various options and models of partial redevelopment for mixed use development and replacement car parking. This would represent a major regeneration opportunity for Medway's city centre and would significantly complement other interventions such as the Chatham Placemaking Project and the Chatham Waterfront, Queen Street and Whiffens Avenue developments. Additional budget may be needed to assess the emerging options and establish a preferred option most aligned to the Council's best interest and benefit.

Preventing Homelessness

Medway Council provides support to the most vulnerable people living across the five towns, commissioning a range of support and accommodation throughout the year to help people with nowhere to live. We provide specialist advice at Kingsley House on the issues that can cause people to become homeless, such as debt and rent arrears, as a preventative measure to reduce the number of people who find themselves without a home.

The Homelessness Reduction Act 2017 came into force on 3 April 2018, increasing the homelessness duties on local authorities. This extends the duty to provide homelessness advisory services, to seek to prevent or relieve homelessness for all eligible applicants who are either homeless or threatened with homelessness within 56 days. It also requires the local authority to work with all applicants to whom we have a duty with a written plan, agreeing steps the Council will take and steps the applicant will take to prevent them becoming homeless. From October 2018, all public bodies will be required to refer cases at risk of homelessness to the local housing authority, in most cases triggering a duty for the Council to intervene. In recognition of these new burdens, the government increased Medway's Flexible Homelessness Support Grant allocations by £146,000 and the MTFS assumes this will increase by £100,000 every year.

In addition to the increasing duties introduced by the Homelessness Reduction Act, increasing private sector rents and a slowdown in affordable housing delivery has meant that the number of households approaching the Council for assistance increased in 2017/18 compared to 2016/17.

Where homelessness prevention is not possible or effective, the provision of temporary accommodation (TA) is a statutory requirement that falls under part VII of the Housing Act 1996. It requires local housing authorities to provide temporary accommodation to all households where there is reason to believe that they may be homeless, eligible and in priority need. Since 2014/15 the number of households in TA in Medway has increased by approximately 49 households per annum. The majority of temporary accommodation is procured from private sector landlords (282 units during 2017/18) with a smaller percentage being provided in Housing Revenue Account (HRA) or properties owned by the general fund (71 units).

Demographic growth in the area is increasing pressure on the provision of support and accommodation for people who may be homeless. In particular the net migration flow to Medway from London has increased in recent years with the 2016 inward flow from the capital of 2,141 people 28% higher than in 2012. In addition, London Councils relocating homeless households in Medway place further burdens on the Council's services and the increased competition makes securing suitable and cost effective temporary accommodation for homeless clients more difficult. Based on the increasing number of households placed in temporary accommodation and these demographic projections, the MTFS assumes the homelessness budget will increase by £425,000 in 2019/20 and by a further £355,000 each year across the medium term.

The government's programme of welfare reform continues with Universal Credit (UC) full service going live in Medway on 30 May 2018. The Council is only allowed to accept certain claims for housing benefit, with

the majority of new claims for housing costs to be paid by UC. Our current caseload (17,261 in July 2018) will migrate at a date to be confirmed between 2019 and 2023. There is anecdotal evidence that Council Tax and Rent arrears may increase, whilst other authorities have experienced a decrease in their Council Tax Reduction caseload after the roll out of UC. The Council is working in partnership with Chatham Job Centre and various voluntary organisations to help mitigate the potential impacts of this change, including signposting, providing personal budgeting support and assisting the claimant in making digital applications, thereby ensuring appropriate reductions in liability and/or reducing Council Tax/Rent arrears.

The rollout of UC will also directly impact on the Council's HRA (Housing Landlord Services) as tenants of working age in receipt of Housing Benefit will transfer. UC payments will be made directly to working age tenants, rather than to the landlord as at present, and there is a risk that the more vulnerable members of the community may not have the capacity to manage their finances and ultimately may not be able to prioritise rent payments. Some authorities have seen their arrears levels increase to 8% of the rent roll, while as of July 2018 the arrears against the rent roll for Medway stood at just over 1%. Any increase in arrears would increase the cost to the authority of collecting rents due.

While the Council's homelessness duties extend only to those who are eligible as defined in the legislation, we may also be required to support those defined as having 'No recourse to public funds' (NRPF). This applies to a person who is subject to immigration control, does not have the right to work and has no entitlement to welfare benefits, public housing or Home Office asylum support. NRPF affects a wide range of people who are subject to immigration control, including refused asylum seekers, visa over stayers, post-18 former unaccompanied asylum seeking children and victims of domestic violence in the UK on spouse visas. Many of these people are, for a variety of reasons, unable or unwilling to return to their countries of origin. Case law has ruled that those who are destitute and in the country lawfully are entitled to local authority support where they are assessed as being in need of care and attention or, if they are in the country unlawfully, where it would be a breach of their human rights to withhold or withdraw support. Local Authorities have a duty to provide accommodation and subsistence payments, and any social care required. Local authorities receive no funding for these costs from central government.

Medway Council are currently supporting 31 families with NRPF costing in excess of £300,000 and there is a risk that costs in this area will grow. The number of new families requiring support is increasing year on year; with 10 new families supported in 2016, 19 new families in 2017 and a projected 24 families in 2018.

Supporting Medway's People to Realise Their Potential

We want to support all of our residents and especially young people to realise their potential through the provision of services and initiatives that will help Medway become an even healthier and safer place to live. We will work to further improve everyone's health and reduce inequalities, support families to give their children the best start in life and help all children to achieve their potential in school. Working with partners we will continue to improve support for vulnerable adults, maintaining and prolonging independence.

Schools and Education Related Spend

Funding for Schools

There are currently 112 schools in Medway including Special and Alternative Provision; 70 academy and free schools, 33 maintained by the Local Authority, and nine independent schools.

Following reform of schools funding in 2012, with the aim of making the school funding system fairer and more transparent, the funding arrangements changed again in 2018 with the introduction of the national funding formula. This determines funding at a Local Authority level, but based on a national allocation of funding per school, rather than on the local authority's historic funding level. The funding is received in four non ring-fenced blocks; schools, central services schools block, high needs and early years.

Whilst the schools block of the Dedicated Schools Grant (DSG) is essentially passed straight to schools and academies, the continued transfer of schools to academy trusts does have an impact on the funds available for core functions in support of maintained schools. Based on the predicted trajectory of academy conversions, schools related grant, including DSG, Pupil Premium Grant and Sixth Form funding is forecast to reduce dramatically over the next four years, as illustrated in Table 3.

The central services school block was introduced in 2018 and replaced the former Education Services Grant to fund statutory services local authorities must provide to both maintained schools and academies, such as admissions and school place planning, but also a share of the Council's support services.

Table 3: Projected schools related grants for the period to 2022/23

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
DSG (Retained Schools Block)	0.714	0.729	0.729	0.729	0.729
DSG (Schools Block)	40.527	40.527	19.826	13.337	1.500
DSG (High Needs Block)	24.397	24.897	20.425	19.925	19.925
DSG (Early Years Block)	17.014	17.014	17.014	17.014	17.014
Pupil Premium Grant	3.694	3.694	2.071	1.608	0.000
Sixth Form Grant	0.482	0.482	0.482	0.482	0.482
Total Grant	86.828	87.343	60.547	53.095	39.650

School Places

Whilst revenue funding is allocated to schools and academies to be managed by them, the statutory duty to ensure that there are sufficient school places for children in Medway rests with the local authority and the growth in the population has meant that there is a significant pressure on the capital programme to create more classrooms. Overall pupil numbers in primary schools have increased to 24,191 and these are predicted to rise to 25,706 over the next five years. This will then impact on secondary numbers over the next few years with overall numbers expected to rise from 18,661 in 2015/16 to 21,602 by 2024/25.

The Council has already provided an additional 3,075 primary school places between 2013 and 2018. Using its Basic Needs Grant, together with four planned free schools, it is forecast that the Council should be able to meet its requirement for primary, secondary and selective places for the next five years. The four free school schemes are as follows:

- The Maritime Academy: a mainstream all-through (ages 3 to 19) school with places for 1,940 pupils (including 250 sixth form pupils) in the Strood area. A site is currently being sourced by the Education and Skills Funding Agency (ESFA).
- Medway Academy: a mainstream secondary school with places for 1,150 pupils (age 11 to 19 including 250 sixth form pupils) in Rainham. A site is currently being sourced by the ESFA.
- Rochester Riverside Church of England Primary School: a mainstream Christian faith primary school with places for 420 pupils. This school is expected to open in September 2021 when the development reaches a certain trigger of completed dwellings. The site for the school is agreed and the design is underway.
- The Beeches: an alternative provision primary school with places for 35 pupils with behavioural issues and excluded children. This will be managed by the Rowans Academy Trust and will be located adjacent to the current Rowans site in Walderslade.

Table 4: Schools Capital Programme for the period to 2024/25

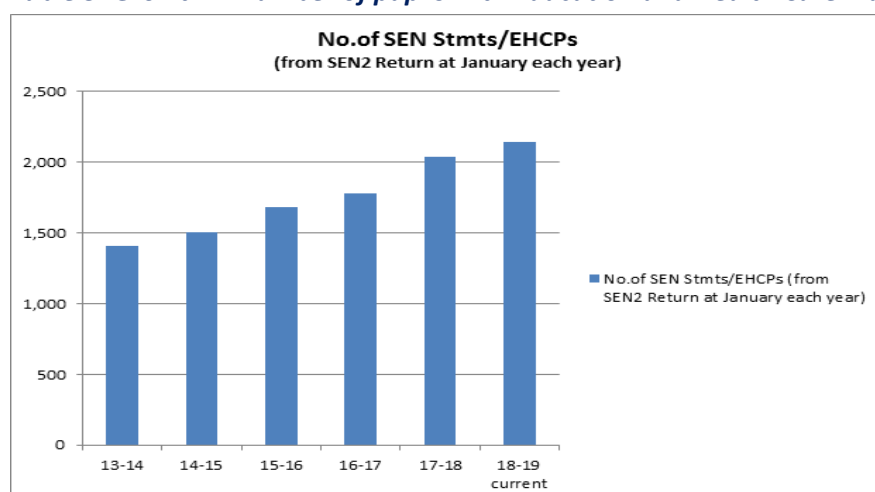
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total
Basic need for School Places	7.896	2.200	1.247	0.794	0.000	12.137
Condition Programme	2.090	0.696	0.250	0.000	0.000	3.036
Devolved School Capital	0.250	0.200	0.150	0.100	0.050	0.750
Total Expenditure	10.235	3.096	1.647	0.894	0.050	15.923
Capital Grants - Basic Need	1.696	4.911	0.000	0.000	0.000	6.607
Capital Grants - Condition*	1.011	0.600	0.250	0.000	0.000	1.861
Capital Grants - Schools DFC*	0.250	0.200	0.150	0.100	0.050	0.750
S106 Contributions*	1.500	1.000	1.000	1.000	2.205	6.705
Total Income	4.457	6.711	1.400	1.100	2.255	15.923
Impact on Cash Flow	(5.778)	3.614	(0.247)	0.206	2.205	0.000

N.B. Amounts with an asterisk are estimates based upon past allocations.

High Needs Provision

Medway Council currently maintains approximately 2,140 Education, Health and Care Plans (EHCP) for children and young people to aged 25 years. This has increased steadily as follows;

Table 5: Growth in number of pupils with Education and Health Care Plans from 2013/14

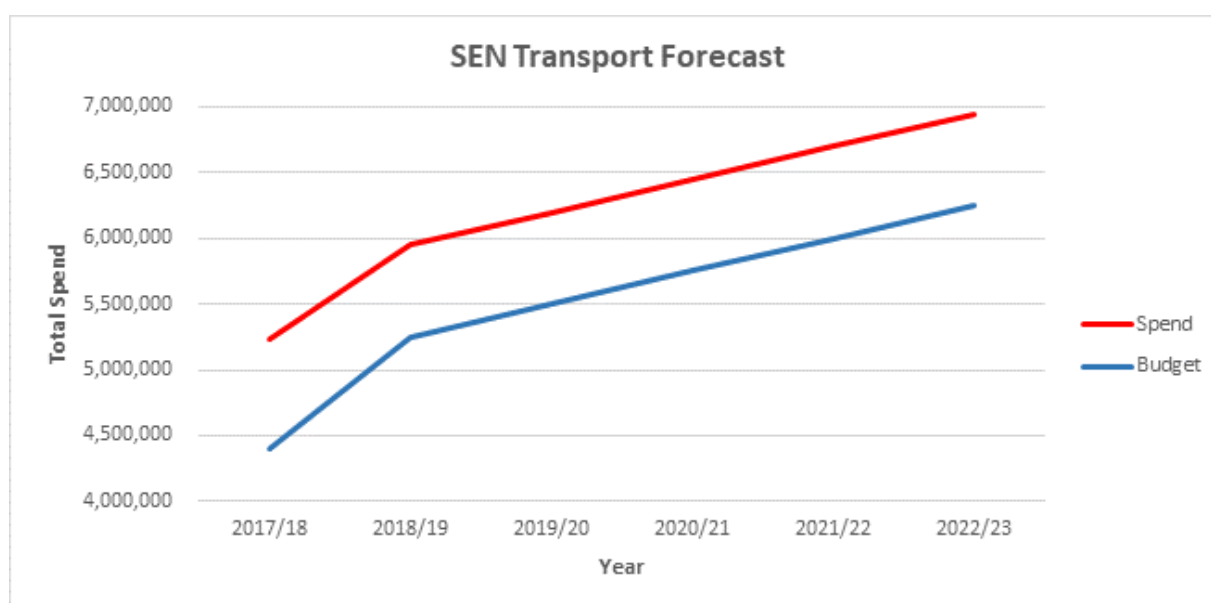


This represents an increase of 52% from 2013/14 to the current year (1,409 in 2013/14 to 2,139 currently). Previously, a Special Educational Needs (SEN) Statement would cease at age 16 in 2012/13 and now an EHCP (which replaced the SEN Statement) continues until 25 years of age. In addition, the compulsory school age has also increased for 16 to 18 years and many of our young people continue into college at 19 years old. This will represent a significant pressure on the DSG in future years and so the Council will need to find ways to reduce unit costs, by ensuring that there is sufficient local provision to reduce the need to educate out of borough, with all of the additional costs of transport and/or residential care that this entails.

The SEN Team Area service has reported a forecast underspend of £233,000 for 2018/19 based on the cost of the current service, however with further pressure over the medium term, with projected increases in the number of SEN children this forecast underspend is expected to reduce in-year. However, if Medway continues to support and encourage more children and young people to attend mainstream schools, it should be possible to use the places freed up in special schools to accommodate children who would otherwise be placed out of area.

Because our responsibilities for children with special needs now extend to 25 years old, over the next few years the overall numbers entitled to SEN transport will increase, and this has impacted on the projected costs over the medium term as shown below. The SEN Transport policy has been reviewed and a Portfolio Holder led task group has been established with a view to manage demand and reduce unit costs to mitigate this pressure.

Table 6: SEN Transport forecast cost profile for the period to 2022/23



Whilst the projected increase in demand is clear and the impact of this has been reflected in the MTFs figures, a number of measures have been put in place to manage and address the shortfall between the current budget and the actual cost of the current cohort of children requiring transport. These include:

- The establishment of a panel to manage referrals;
- Driving down provider costs by better micro-commissioning;
- Rigorous adherence to mileage criteria;
- The adoption of suitable pick up points in place of home collection and drop offs;
- Better use of personal budgets with the aim that most will receive a personal budget.

Early Help and Targeted Services

Changes in national policy and funding arrangements for local government, including Early Years provision, required the Council to review its offer, including the number of Children's Centres and the scope of

services provided. To meet its statutory responsibilities for early childhood services and reducing inequality, it was proposed that the Council refocuses its resources to target children and families in greater need. Services have been reconfigured to better integrate the range of services available to children and families, and to provide a model that offers more outreach into the community for those who need it the most. The Transformation of Early Help Services recommended a transformation of Early Help services, including Children's Centres, to maximise opportunities for Children's Centres to work collaboratively with Early Help Services in the community. This has not only met the financial challenge, but has also created integrated teams now working in partnership delivering the 'right service to the right family at the right time'. We are already seeing the integrated teams having an impact on their delivery of services. At this early stage, the feedback from staff, partners and service users is positive.

The Youth Offending Team recently piloted the new Her Majesty's Inspectorate of Prisons (HMIP) inspection framework and this was very successful. They have an action plan to achieve 'outstanding' over the next 18-24 months and the Youth Service has also been restructured to meet the targeted work needed to support Children's Services. The team now works with children at the edge of care, going missing or at risk of placement breakdown.

School attendance has improved again in the last 12 months in Medway and a recent audit highlighted the improved processes in place. We are currently undertaking a review of Inclusions across Medway. We have a working group (Schools, Academies, Alternative Provision provider and the local authority) to look at the system and plan how this will be improved. The Department for Education are aware and we are keeping them updated with progress.

Social Care

Pressures Impacting on Social Care

The MTFs figures reflect assumptions about both inflationary pressures (CPI at 2.5%) affecting Adult Social Care and demographic pressures, based on the Directorate's comprehensive needs assessment. As well as an ageing population, with the number of people over 85 projected to increase by 85% by 2030, the main driver for this pressure is the number of adults with long-term and multiple health conditions and disabilities who are living longer. It is estimated that by 2022, the number of people in England aged 65 and over with some disability will increase by 40% to 3.3million. The number of people in Medway aged 65 and over with dementia is expected to increase by over 80% between 2010 and 2030, in line with the national trend.

These demographic changes and the steady overall growth in the population will put pressure on existing services. The increases in particularly vulnerable groups: very old people living alone, with long-term limiting illness and needing high levels of care, older people with dementia, and older people with learning disabilities will add to the pressure for additional care requirements. However, the evidence does also suggest that there will be a less significant increase in the numbers of younger vulnerable adults, although their needs may be more complex.

Social care providers in the market are experiencing significant cost pressures including planned increases in the National Living Wage and rising inflationary costs and it will be a challenge to temper providers' expectations to the level of uplift assumed in the MTFs.

Nationwide there are issues with the recruitment and retention of social care staff with the resultant staff shortages making reliance on expensive agency staff a further pressure within the service. Medway has responded to this challenge with the innovative social care academy, providing skills training, qualifications and progression opportunities to help us grow and retain excellent social care staff.

Funding for Social Care

In the 2010 Spending Review, the then coalition government made an additional £7.2 billion available for adult social care through a combination of general grant and the NHS transfer (which subsequently formed part of the Better Care Fund). It argued that this money was sufficient to prevent a social care funding gap when combined with efficiency savings.

In recognition of demographic changes which are leading to growing demand for adult social care and increased pressure on council budgets, from the 2016/17 financial year the government allowed local authorities to increase the Council Tax yield through the 'social care precept'. Having availed itself of the maximum flexibility allowed (i.e. an additional 2% in 2016/17 and 3% in each of the financial years 2017/18 and 2018/19, which equated to an additional £11.5 million increase in the base budget) the council has no remaining flexibility to increase Council Tax yield through the 'social care precept' for 2019/20. The Council's Revenue Support Grant will have reduced by £28.149 million between 2012/13 and 2022/23, whilst demographic pressures have increased the number of people requiring social care by around 3% per annum according to the Association of Directors of Adult Social Care. Even taking into account the Improved Better Care Fund, worth an additional £5.1 million to Medway in 2018/19, the additional funds available for social care have not addressed the twin impact of demographic growth and an overall reduction in funding for local government.

Our Adult Social Care Improvement Programme

The Adult Social Care Improvement Programme was initiated in October 2016 to drive the transformation of Adult Social Care and to deliver significant efficiency savings.

Key achievements of the programme in the last 12 months have included:

- Establishing a dedicated Reviews team to bring the benefits of strengths-based practice to our existing service users;
- Embedding a new locality-based structure to our social work teams to create closer links to the community and to our colleagues in partner agencies;
- Establishment of a brokerage function that now manages all placement activity for Adult Social Care. This allows Social Care staff to focus on service delivery and ensures that the Council is achieving best value for money when procuring individual packages of care;
- Expanding and embedding Strengths Based Practice across all aspects of the service; work which continues at pace.

Future phases of the programme will deliver:

- The expansion of our Shared Lives service to make the benefits of this pioneering service available to even more people;
- Strengthened links to our local Voluntary and Community sector;
- A significant expansion of local Extra Care housing which will enable people to remain connected to their communities;
- Rebalancing of our provision of Respite Care to ensure we have the right type of care available in the right amounts to cater for the wide variety of needs of our local population;
- A long term care and accommodation strategy, which will ensure that we develop the right type of provision to meet people's needs in the future, with a particular focus on options that seek to promote independence;
- Delivery of mobile working to allow our teams to work more flexibly and responsively in the community.

Children's Social Care

Children in Need

The children in need rate in Medway in 2017/18 rose to 305 per 10,000 children from 279 in 2016/17. This latest rate is higher than in the South East (303), but lower than England (330) and our statistical neighbours (357). As the Department for Education's (DfE) counting rules for children in need include open assessments, we should expect to see a further increase in the rate of children in need in line with our increasing rate of assessments. Following the establishment of the Multi-Agency Information-Sharing hub (MASH) in April 2018 and the outcome of the Joint Targeted Area Inspection in June 2018, it is anticipated that there will be more referrals from partners into the MASH leading to more assessments. However, the majority of these additional cases are likely to be of a less complex nature.

Children and Family hubs

The establishment of multi-agency teams in Children and Family hubs in April 2018 was designed to strengthen our early help offer to families. It is expected that these teams, which are located in four areas across the borough, will be able to intervene earlier with families and prevent need escalating. This is likely to reduce the pressure on the MASH.

Child Protection (CP) Plans

Medway's rate of CP plans in 2017/18 rose to 54.0 per 10,000 children from 49.1 in the previous year. While this figure is higher than both the England (43.3) and the South East (41.3), it is below the rate of our statistical neighbours (56.4) and has reduced significantly since 2016, when it was 85.3%.

Our figure of 22% for repeat CP is in line with our comparators; England (19%), the South East (22%) and our statistical neighbours (19%).

Although CP plans ending after two years fell to 5.1% from the previous year's 6.0%, it continues to be higher than our comparators; England (3.4%), the South East (4.4%) and our statistical neighbours (3.5%). Indications for improvement next year are not good as we currently have 23 (6.3%) CP plans open for over two years. Although CP reviews in timescale fell to 95.1% from 97.8% in the previous year, we continue to remain significantly higher than our comparator groups; England (86.3%), the South East (84.9%) and our statistical neighbours (93.4%).

Children's Services in Medway have had two external inspections in the last six months. Both the Special Educational Needs and Disabilities (SEND) Inspection in December 2017 and the Joint Targeted Area Inspection (JTAI) in June 2018 had a partnership focus. The division is working with partners on action plans to address some of the areas for development arising from the inspections. In addition, we are expecting to receive an Inspection of Local Authorities Children's services (ILAC) within the next 12 months. It is nearly three years since the Single Inspection Framework (SIF) took place in November 2015 and inspections are due within a three/four year rotation. As the new ILAC framework is very case based, there is a clear need to progress the improvement of the quality of practice at pace during 2018/19.

It is a key priority for the service to increase the number of permanent staff in the children's social care workforce. A more stable and consistent workforce will improve the quality of practice as well as reduce spend on locums. A new recruitment and retention offer has been designed with robust recruitment activity planned for the autumn of 2018.

The current overnight short break service based at Aut Even is being re located to Parklands, following a period of consultation. Capital funding of £398,000 has been used to provide an improved environment and to ensure the service continues to develop and improve. The new unit will open in autumn 2018 following Ofsted registration.

Improving and Protecting the Public's Health

In April 2013 local authorities took on a range of new statutory public health responsibilities that had previously been discharged by the National Health Services. These duties were accompanied by a ring-fenced Public Health Grant from the Department of Health. The Council uses its grant to commission a variety of services, including children's health services, sexual health, substance misuse and alcohol services. Significant resources are also invested in the prevention of illness and disease, by helping people to stop smoking, manage their weight and become more physically active.

Taking action to protect and improve the health of local people has been made more challenging in recent years. In 2016 the Chancellor of the Exchequer announced there would be a 3.9% real term reduction in the Public Health Grant awarded to local authorities through to 2020. This announcement followed a 6.2% in year cut of local authority public health funding in 2015. Indicative amounts and the effect of the ongoing reduction in grant awarded to Medway Council are set out in Table 7.

To mitigate against the reduction in resource allocation, Medway council has taken a number of innovative steps to safeguard public health services. These include restructuring the Council's public health function and reviewing a number of major public health contracts. These new contracts have new service specifications, which deliver efficiencies whilst maintaining high quality outcomes for local people. The Council has also adopted an inclusive holistic approach to delivering its public health function. It has embedded public health outcomes and delivery of services through all Council divisions. This way of working promotes better sustainability of services and offers greater efficiencies.

In the coming years, the Kent and Medway Sustainability and Transformation Partnership will reshape the health and care landscape across Kent and Medway. These changes will have significant implications for our public health function and offer an opportunity to access additional resources to support the delivery of public health services.

It should be noted that national government has proposed that from 2020, the Public Health Grant awarded to local authorities, be taken directly from local authority business rate receipts. The funding model is currently being piloted by a small group of local authorities in the North of England. We are unsure what the impact of this change might have on Medway, if introduced.

Table 7: Analysis of Public Health Grant for the period to 2022/23

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m
Public Health Directorate	13.922	13.466	13.466	13.466	13.466
Children and Adults	1.856	1.856	1.856	1.856	1.856
Regeneration, Culture, Environment and Transformation	0.941	0.941	0.941	0.941	0.941
Business Support	0.484	0.484	0.484	0.484	0.484
Total Grant	17.203	16.747	16.747	16.747	16.747

Giving Value for Money

We are committed to delivering efficient and effective services for Medway residents, businesses and visitors.

Maximising Resources

The Council's net revenue budget is met from three principal sources:

- Grant support from central government in the form of Revenue Support Grant and other specific grants, including Public Health Grant and the Dedicated Schools Grant;
- The Council's share of local business rates (NDR); and
- The amount raised locally by Council Tax.

Business Rates and the Settlement Funding Assessment

Local authorities currently continue to retain 50% of all business rates collected, pending consultation on the future of the scheme from 2020/21. However in October 2017, Kent County Council, Medway Council and the twelve districts submitted proposals to pilot 100% business rates retention (100% BRR). In the provisional Local Government Settlement on 19 December 2017, the Secretary of State announced that the Kent and Medway submission was successful and was to be one of ten new pilot schemes.

Whilst the scheme implies that local authorities in the pilot retain 100% of all business rates collected, the extent to which the 'baseline NDR' differs from a local authority's 'baseline need' is adjusted through a system of top-ups and tariffs and accompanied by the loss of Revenue Support Grant. Although under the 50% BRR scheme Medway is a top-up authority, since joining the pilot and pooling its rates with the rest of Kent for the 2018/19 financial year Medway has become a tariff authority. The system underpinning the business rates retention scheme, whether 50% or 100%, is theoretically fiscally neutral. The real benefit of the business rates retention scheme is that the business rates growth achieved during the period between resets is retained by the local authority. The advantage of the 100% BRR pilots is that local authorities retain 100% of that growth rather than just 50% under the current scheme.

The original submission predicted that across the Kent and Medway area, additional retained growth could represent between £18million and £25million in additional revenue. However as the final amount and distribution thereof is dependent upon the final business rates position for all 13 authorities with responsibility for business rates collection, it was deemed prudent not to include any assumptions in the 2018/19 revenue budget. Furthermore, the pilot is only for one year and so these financial benefits cannot be relied upon in future years.

This iteration of the MTFs assumes that Medway Council will revert to a 50% business rates retention scheme in 2019/20 and that the previous assumptions around Revenue Support Grant will apply. We have assumed a 2.2% increase in the multiplier for 2019/20 and broadly 2.0% per annum thereafter. These inflationary assumptions and the impact on the Council's 50% share of business rates under the current scheme are reflected in the projections at Table 8.

Table 8: Projected business rates yield for the period to 2022/23

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Medway Council's share of rates	79.535	45.043	45.918	46.832	47.853
Section 31 Grant	7.186	2.195	2.241	2.286	2.332
Top-up / (Tariff)	(26.627)	4.419	4.118	4.201	4.200
Projected Business Rates Yield	60.094	51.657	52.277	53.319	54.385

Officers within the Regeneration division continue to share intelligence with Finance colleagues to try to predict business growth over the longer term. However, the scale and timing is difficult to predict and there are also a significant number of outstanding appeals that could impact upon rateable values, therefore it would be premature to reflect any growth in our MTFS predictions.

The Settlement Funding Assessment (SFA) for each year comprises the Revenue Support Grant allocation, together with government's assumptions regarding the Council's share of business rates. Since the introduction of the business rates retention scheme, Medway Council's Revenue Support Grant will have reduced from £63.3million in 2013/14 to just over £6.0million by next year. By contrast, retained business rates have only increased by around £9.5million over the same period. Work undertaken by our advisors to evaluate the impact of the government's departmental expenditure projections, indicates that the Revenue Support Grant is likely to continue to reduce beyond this period and projections for the period up to 2022/23 are summarised in Table 9.

Table 9: Projected Revenue Support Grant for the period to 2022/23

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Projected Revenue Support Grant	0.000	6.053	5.105	4.137	3.137

The Impact of Housing Growth on Council Tax and Other Funding

Medway's council tax for 2018/19 remains one of the lowest in our peer group of mainland unitary councils and the lowest in Kent, despite increasing council tax by the maximum permitted without a referendum. The MTFS assumes that the Council will continue to increase council tax by the maximum allowable under current referendum rules: 2.994% in 2019/20 and then by 1.994% in subsequent years.

On 30 January 2018 the Chief Finance Officer, in consultation with the Leader agreed the Council Tax base for 2018/19 at 83,435 band D equivalents. The tax base is calculated by converting the total number of dwellings across the eight Council Tax bands into a band D equivalent value, taking into account the impact of the Council Tax Reduction Scheme and any other discounts and exemptions and then further adjusted to take into account the predicted collection rate, currently estimated at 97.6%.

By working with colleagues across the Planning and Strategic Housing divisions, the increase in the number of dwellings falling within each Council Tax band has been estimated and the impact of this on the Council Tax yield over the next four years calculated. These projections are summarised in Table 10.

Table 10: Projected council tax yield for the period to 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23
Projected growth in housing nos.					
- Band A (no. of dwellings)	N/A	73	39	10	0
- Band B (no. of dwellings)	N/A	275	434	49	0
- Band C (no. of dwellings)	N/A	227	195	115	0
- Band D (no. of dwellings)	N/A	222	448	689	1013
- Band E (no. of dwellings)	N/A	51	0	0	0
- Band F (no. of dwellings)	N/A	0	0	0	0
- Band G (no. of dwellings)	N/A	1	0	0	0
- Band H (no. of dwellings)	N/A	0	0	0	0
Projected tax base after adjusting projected growth for CTRS, SPD and anticipated collection rate	83,435.21	84,275.33	84,890.79	85,515.75	86,194.53
Projected Council Tax Yield (£m)	114.663	119.034	122.125	125.308	128.649

The growth in housing also affects other sources of funding, including the availability of developer contributions towards the cost of investment in infrastructure, addressed elsewhere in the MTFs, and the New Homes Bonus. From 2018/19 the diluted scheme only rewards new homes with grant funding for four years and only on growth above 0.4% per annum. This has significantly impacted on the grant anticipated over the medium term and the latest projections are illustrated in Table 11.

Table 11: Projected New Homes Bonus for the period to 2022/23

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Projected New Homes Bonus	2.512	2.117	0.908	1.016	0.000

Our Reserve Strategy

Long term financial sustainability must be underpinned by plans and annual budgets, which balance expenditure requirements with the available resources without recourse to reserves. Unfortunately, the steep decline in government grant over a sustained period has meant that the Council has been compelled to draw on scarce reserves in the short term, in order to protect services. The MTFs seeks to address this through a reserve strategy with the objective of rebuilding both general and specific earmarked reserves where possible over the medium term to ensure the Council's financial sustainability in the future.

The Council's balance sheet includes both usable and unusable reserves. Unusable reserves include the pensions fund reserve and the revaluations reserve, which are essentially accounting entries to reflect the value of these assets in the Council's financial statements. Usable reserves represent cash backed reserves, which are available to fund specific activity and to act as a contingency against unforeseen financial pressures. The table below summarises the usable revenue reserve balances as at 31 March 2018.

Table 12: Summary of Usable Revenue Reserve Balances

Type of Usable Reserve	Balance as at 31/03/18 £m
General Fund Reserve (minimum balance)	5.000
Other General Reserves	1.312
Schools Related Reserves	1.984
Insurance Fund Reserve	1.368
HRA Reserves	4.916
Other Earmarked Reserves	9.500
Total Usable Reserves	24.080

The General Fund Reserve represents the minimum reserve balance that the Council is currently prepared to operate with and would probably be considered at the lower end of the scale, representing around 2% of net revenue spend. Other general reserves represent the extent to which the Council holds non-earmarked balances in excess of this minimum level.

Schools related reserves comprise individual schools rolled forward balances and underspends against the high needs and early years blocks of the Dedicated Schools Grant. These funds are ring-fenced for education related expenditure.

The Council is essentially self-insured for property and liability claims and carries significant excesses both for individual events and in terms of the annual aggregate limit. Commercial property claims carry an excess of £1.0million per claim, whilst general property carries a £1.25million aggregate limit. Liability

claims carry an excess of £500,000 with an aggregate limit of £3.0million per annum. Services make an annual budgeted contribution to the reserve, in order to maintain it at a level sufficient to smooth out annual variations in total claims liability, as well as ensuring that the Council can meet any exceptional liabilities over the medium term. In addition to the Insurance Reserve, the Council has also made provision for unsettled claims, which stands at £3.27million in the balance sheet.

The balance in the Housing Revenue Account (HRA) reserve is committed over the medium to longer term to fund the forward programme of capital expenditure on HRA properties.

There are numerous other earmarked reserves, built up over several years to fund future activity. They include funding for the four year cycle of local elections, development of the Local Plan and the carry forward of a variety of specific ring-fenced grants.

The previous iteration of the MTFS introduced other earmarked reserves to help create more resilient and sustainable financial plans, including provision for the repair and maintenance of our property estate and an ICT infrastructure plan.

In his report to Audit Committee on 30 July 2018, the external auditor reported that: *“We are satisfied that the Council has adequate arrangements for setting and monitoring financial budgets and that it has clearly identified its funding gap and savings requirements through to 2022.”*

He also said that: *“We are satisfied that the Council is undertaking appropriate arrangements to manage this in a way that will ensure that it remains financial sustainable over the period of the MTFS.”*

It was however noted in his report that: *“There is little margin available in reserves and balances to support any further revenue budget overspends or slippage on savings plans and management will need to revisit how these reserves are being utilised in the event of continued pressures on budgets.”*

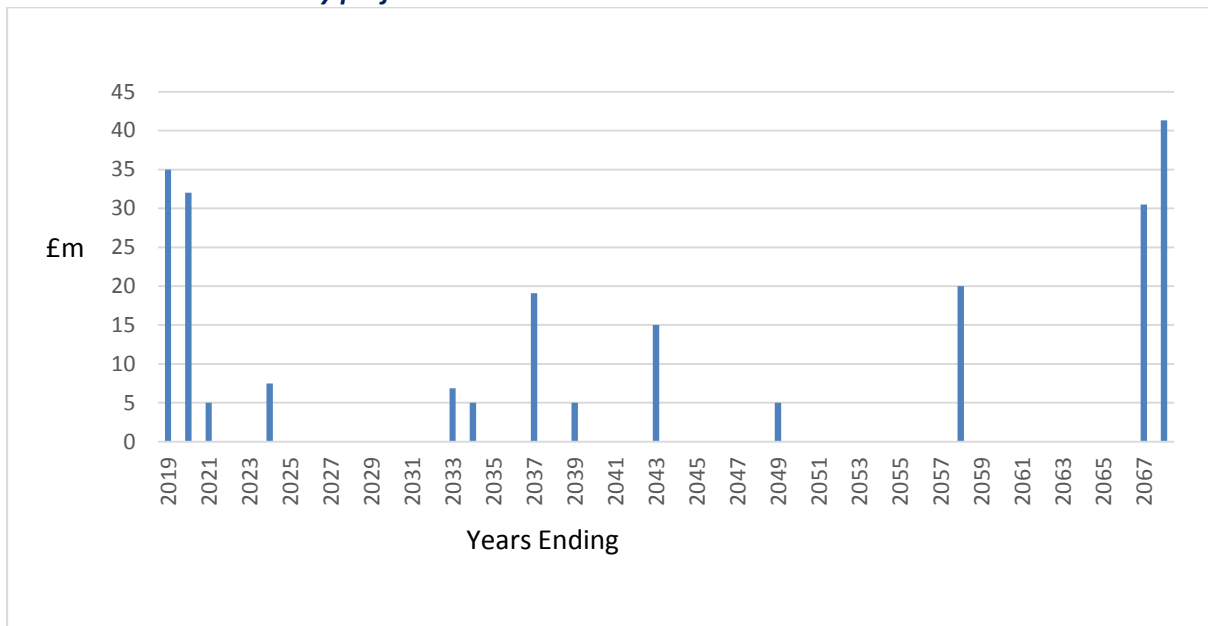
In light of Northamptonshire County Council’s experience, the Chartered Institute of Public Finance and Accountancy (CIPFA) recently commenced consultation on its proposed ‘Financial Resilience Index’. Two of the proposed six criteria relate specifically to reserves – the total level of reserves as a proportion of net revenue spend and the percentage change in reserves over the past three years. It must therefore remain an objective of our future financial planning to protect and indeed rebuild general reserve balances to provide cover against continued austerity and significant unforeseen events and to demonstrate that the Council is financially resilient.

Interest and Financing

With gross revenue expenditure of over £500million per annum and a current capital programme worth around £227million, it is vital that the Council exercises sound financial stewardship over public funds. This includes the way in which long term borrowing, working capital and surplus cash is managed by the Finance division.

The Council currently has around £227million of long and short term borrowing on its balance sheet and interest costs of around £7.5million per annum. Recent borrowing has been for short periods to take advantage of current low rates. At 31 July 2018, £65million of short term borrowing is due to be repaid before 31 March 2020. The aim is to refinance this over longer periods but this will have to be taken at higher interest rates. Most of the current longer term debt does not mature for almost fifty years.

Table 13: Debt maturity profile



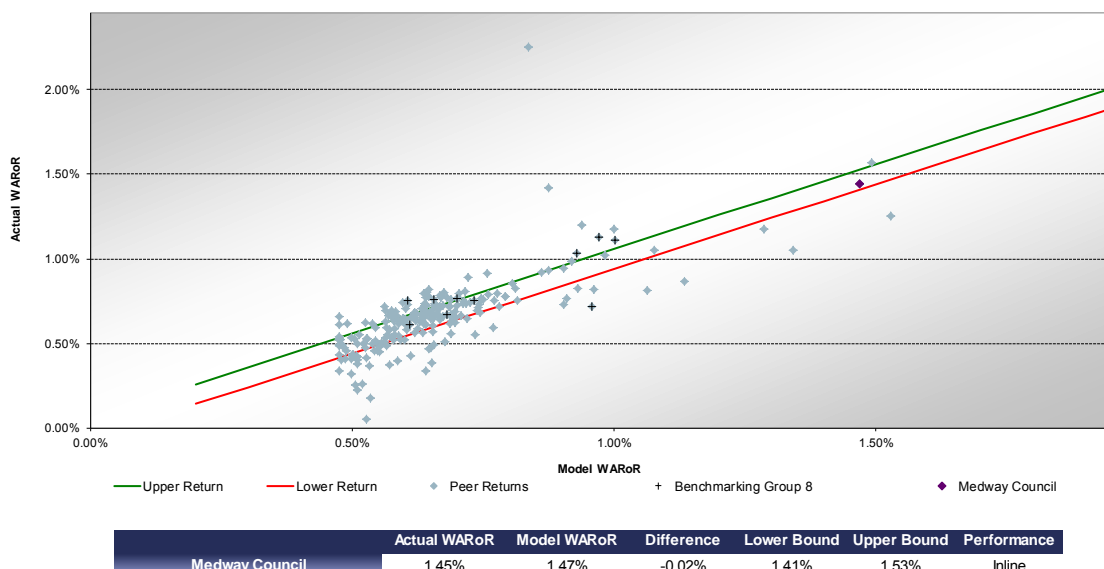
In addition to the borrowing shown above the Council also contributes to the repayment of a proportion of debt held by Kent County Council at the date of Medway’s formation. Medway’s proportion of this debt at 31 March 2018 was £35.1million and repayments of principal and interest are running at about £3million per annum.

In the meantime, as annual provision is made for the repayment of debt and through the creation of other cash backed reserves, the Council builds up surplus cash. As a local authority, the principles of security and liquidity must take primacy in the exercise of our treasury management function and so opportunities to maximise investment returns are limited, however lending to other local authorities and now more recently investing in property funds has allowed the Council to generate better returns than our peers. We will continue to explore investment opportunities as they arise, and will be proactive in seeking such opportunities. Table 14 below demonstrates that Medway’s performance continues to be strong when compared with our peer group.

The decision to invest in property funds is generating revenue returns of around £1million per year.

Table 14: Comparative Investment Returns

Population Returns against Model Returns



Our People

We currently employ 1,908.24 Full Time Equivalent (FTE) staff to deliver services for Medway and achieve the objectives in our Council Plan. We are committed to supporting, developing and engaging with our staff and as a result our workforce is vibrant and dedicated to our transformation journey. The Council is changing how services are delivered and accessed by residents at pace, and with that the shape of our workforce will adapt to enable us to realise the opportunities that transformation brings.

As our transformation programme delivers realigned, more efficient services we are reviewing how they are delivered and structured to capture the efficiencies of digitalisation. Our establishment could be reduced by as much as 10% over the course of the programme, with much of that reduction met through natural wastage. We are committed to training and developing staff within Medway to enable them to adapt and successfully deliver services in the new design and structure. There are increasing opportunities to work more flexibly, increasing home and remote working as digital solutions are progressed and this will impact on our property strategy, reducing demand on central officer space. We are committed to succession planning and investing in learning and development of the workforce for the future, including our award-winning Apprenticeship Academy, which maximises the use of the Apprenticeship Levy for Medway.

There are significant pressures on staffing costs anticipated; for the purposes of this MTF5 we have assumed a pay award resulting in an annual uplift of 1% for staff, however pay awards are agreed following due process and local negotiations with Trades Unions. In addition the MTF5 assumes the impact of the National Living Wage rates, we are forecasting that the National Living Wage for Over 25s will increase to £8.20 per hour in April 2019 and then to £8.57 per hour in April 2020 (equivalent to £15,777 per annum and £16,488 per annum respectively). The increase in April 2019 will erode all of MedPay Range 1 and will increase the entry salary at Range 2 by £276. It is expected that other pay elements will remain within budgets however, as the actuaries have not indicated changes in the pension valuation and it is anticipated that National Insurance contributions will remain static over the medium term.

Table 15: Impact of pay award and National Living Wage increases

	Number of FTE staff	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Business Support (including Public Health)	292.89	0.120	0.121	0.123	0.124
Children and Adults	705.48	0.358	0.362	0.366	0.369
Regeneration, Culture, Environment and Transformation	909.87	0.363	0.371	0.379	0.387
Total	1908.24	0.842	0.855	0.867	0.880

Of our 1,908.24 FTE cohort of staff, 1,662.57 FTE are engaged on MedPay terms and conditions with the remainder working under other contractual terms such as Soulbury and NHS Agenda for Change.

Table 16: Medway staff in each pay range

Range	R1	R2	R3	R4	R5	R6	R7	Service Mgr +	Social Worker
Number of Full Time Equivalent (FTE)	53.71	53.71	482.14	309.30	121.90	148.32	75.59	48.76	96.17

Our Property

Medway Council maintains and operates a wide range of assets, including 157 operational buildings, 682 operational sites (including 71 car parks and 506 parks and greenspaces), 40 shops and business centres, three major regeneration sites, three civic amenity Sites, 13 cemeteries and a crematorium.

The Corporate Property Strategy 2017-2022 was agreed by Cabinet on 8 August 2017. Our Core objectives are to have a property portfolio that is:

- Fit for purpose, in the right location and sustainable;
- Sustainable, safe and accessible;
- Flexible, efficient and which provides us with value for money;
- Capable of providing us with a revenue income.

The strategy clearly articulates the Council's strategic aims for the management of its property portfolio. These strategic aims include:

- Maximising the opportunities for regeneration and economic growth in Medway, through innovative use of our property portfolio;
- Rationalisation of property, by disposing of those properties which are either not required for the delivery of services or do not provide a financial or economic benefit to the Council;
- Continuing to achieve average revenue returns on non-operational property of over 7% per annum;
- Creating a flexible working environment that enhances professional practice and can be adapted to changes in staffing levels and service delivery models, including the shift to more digital channels;
- Implementing more sustainable energy solutions to save money and benefit the environment.

Over the period of the previous property strategy, through the review and disposal of operational property, the council has reduced the required maintenance on its buildings from £16.2million to £10.5million on corporate buildings. These disposals have averaged net capital receipts of around £3.6million per annum over the last ten years and we have reduced annual revenue costs from around £28.0million to £17.7million per annum. The MTFS assumes a level of funding for building repairs and maintenance to allow investment in those key strategic buildings which are crucial to the delivery of the Council's future ambitions.

A complete condition survey was recently commissioned, which identified required maintenance of around £10.5million for the next five years. This would require investment of around £2.0million per annum, however before simply accepting the costs identified in the surveys, the next step is to consider the overall cost versus benefits of each property comprising the Council's portfolio. There would be no justification for investing significant sums in individual properties if they have no long term future as a Council asset, unless that investment would be recouped from an increase in the eventual capital receipt on disposal or generation of an additional income stream. There are a number of factors to consider in determining the Council's future property and asset strategy, including the following:

- The Joint Venture between Medway Council and Medway Norse has been reviewing the condition programme, and will develop a plan of works for buildings with a long term future as a Council asset. As the condition surveys have been completed for all Corporate buildings, a programme of priority works over the next five years is to be drawn up with a new position of Corporate Compliance and Strategy manager being put forward for Cabinet Approval;
- The future size of the Council's workforce, whether as a result of becoming more a commissioner than provider of services, the transformation of services to embrace digitalisation and self-service models or simply the inevitable impact of budget reductions;

- The implementation of more community based models of service provision and alternative operating models, utilising mobile technology;
- Greater co-location of public services, and cooperation around local public sector estate use and planning. This is exemplified by the government's One Public Estate programme, which has seen the Council receive £300,000 of feasibility funding to pursue a range of projects with other public sector partners.

Delivery Plan:

- To support the successful and popular Community Hub model transforming local libraries into thriving community spaces where customers can access a wide range of council services in one place.
- We continue to deliver and develop a wide range of energy solutions that reduce costs and benefit the environment. We are meeting with energy experts in their field to gain knowledge of changes and new technologies in energy, to consider new work areas to generate savings, and consider an in house energy solution. We have completed LED lighting replacement schemes at Medway Park, Central Theatre, Gillingham Library and Boiler replacement at Gun Wharf will be completed in 2018 with Salix funding. Combine Heat and Power has been installed at Strood leisure centre and will be installed at Medway Park, and we are exploring ways of generating/storing energy at Gun Wharf.
- The Old Civic Centre site in Strood has now been demolished, with services having moved to other Council buildings. We will continue to review the Gun Wharf and Broadside sites to establish transformation objectives and consider off site working, home working and space utilisation.
- Formation of the Medway Development Company Ltd (MDC) for new private and where possible social housing will generate additional revenue, and create redevelopment/regeneration opportunities.
- To achieve at least 85% occupancy of work stations during core hours 10.00-12.00 and 14.00 to 16.00 on weekdays, various teams have moved into Gun Wharf from other sites, such as the Old Civic Centre site in Strood. We are carrying out a space audit to identify where additional desks can be added and working with the transformation team to identify areas for a potential move from Broadside and to free up space due to new ways of working in Adult Social Care.
- Exploring the potential for the installation of Electric car charging points.
- Continuing to develop and implement a programme of behavioural change across the operational buildings, by providing advice to building managers on energy usage.
- The archiving and storage transfer from the Old Civic Centre has been achieved with the rolling racks now installed in Gun Wharf. A new strategy for recording and destruction of records is being undertaken with a new apprentice position within Corporate Property and Legal, to ensure compliance and record keeping as well as compliance with the General Data Protection Regulation.
- We continue to deliver primary and secondary grammar school projects, however the anticipated fall in education projects will be replaced by new work streams with the Education and Skills Funding Agency and new clients, including Community Healthcare and the One Public Estate funding streams, where our activity has assisted the Clinical Commissioning Group to raise a further £15million for projects in Chatham and Strood.
- Heritage and conservancy work streams across our portfolio and works with English Heritage require a new experienced Heritage Project Manager to join the team. We will consider utilising this officer across Capital Projects to ease workload across the team of Capital Project managers.

Finding the best digital innovation and using it to meet residents' needs

We want to make it quicker and easier for customers to access our services online, to suit their lifestyles and expectations, while delivering value for money. We will continue to provide support, including education and access to technology, for those who are unable go online at the moment.

Our Transformation Programme

The Council Plan sets out our aim: 'Finding the best digital innovation and using it to meet residents' needs'. A Member led Transformation Board has successfully overseen the first three years of the programme, which will realise savings of £8million. We will continue this programme with a dedicated team of specialists in business process re-engineering, delivery management and web content design, to secure additional financial savings over the next five years by reviewing all of the Council's services, contracts and systems.

A new approach to the transformation programme was adopted in February 2018 to increase the pace of delivering improvements to services and residents. Rather than trying to build whole end-to-end processes before implementing them within services, a more agile approach to delivering improvements has been adopted. This has enabled the coordination of individual projects to support each other and paved a way for Transformation becoming part of the Council's business as usual.

Increase Use of Digital Channels

The Council is partnering with JADU to develop efficient digital access to services. By using this approach the transformation team have delivered an online application process for Blue Badges, online Bulky Waste collection booking and payment, online enrolment for adult education and a new option to sign up for sports centre memberships online. The pace of delivering online services has increased as we have implemented the new JADU system, which will enable us to continue to build bespoke online services quickly.

New Technologies

The transformation programme has set out clear return on investment business cases for new technologies where appropriate. A recent example is the Children and Adults mobile working project where over 400 social workers have been issued with Surface Pro devices to enable them to carry out assessments in client's homes, feeding directly into the back office systems. The previous way of working involved the completion of paper forms, which were then re-entered into the system when the social worker returned to the office. This way of mobile working will be rolled out to other service areas as appropriate.

Transformation Programme Road Map

All of the individual transformation projects are inter-related, for example reducing the amount of telephone contact to the Council is dependent on the implementation of e-forms and offering customers effective digital channels, and the completion of the first three years of this programme has ensured that we have a solid foundation to build future transformation on.

By the end of 2018/19 the transformation programme will have delivered base budget savings of £7.0million per annum, but there is more that can be done and it is proposed to invest a further **£2.1million per annum** targeted at delivering further budget reductions over the life of the MTFs. The proposed savings and the additional revenue costs of 'business as usual' are summarised in the tables below, but as a minimum are expected to deliver a further £5.1million of savings against base budget by 2022/23.

Table 17: Proposed/provisional transformation savings over the medium term

	Savings to 2018/19 £m	2019/20 Target £m	2020/21 Target £m	2021/22 Target £m	2022/23 Target £m
Business Support	0.772	0.154	0.079	0.079	0.079
Children and Adults	2.829	1.101	0.517	0.517	0.517
Public Health	0.224	0.092	0.000	0.000	0.000
Regeneration, Culture, Environment and Transformation	3.175	0.790	0.404	0.404	0.404
Total	7.000	2.137	1.000	1.000	1.000

Table 18: Business as usual post-transformation

	Annual Budget £
Business Change Team	887,374
Consultancy Provision	250,000
Hardware / Software / Licences	425,090
Children's Services Mobile Working	200,000
Prudential Borrowing Costs for Year 3 Spend	375,000
Total	2,137,464

Our Information and Communications Technology (ICT) Strategy

The ICT strategy for the next two years will focus on moving the Council's systems, software and applications to a cloud based service. This strategy will involve us investigating the use of Software as a Service (SaaS) at each software contract renewal point, which could require an increased revenue budget. The impact of the increased revenue costs will be mitigated by the reduced costs in running an on-site Data Centre and savings made from transformational change coming from the SaaS solution.

Working in partnership where this benefits our residents

We cannot achieve our vision for Medway on our own. We will continue to work with partners to deliver the services that matter most to the community.

Our Housing Company

The Council has a challenging target of enabling the delivery of 29,000 new homes in the area by 2035. In June 2017, there was planning permission in place for 7,500 units across the area on sites owned by third parties, however these developments were not being progressed, and the Council has very little influence to ensure that these new homes are built. On 5 September 2017, Cabinet approved the creation of a Housing Company, which was incorporated in October 2017 and is known as the Medway Development Company Ltd (MDC). Four directors were appointed, including two Cabinet Members. A Head of Operations has been recruited to drive delivery of schemes. MDC will carry out development on behalf of the Council and may in later years invest in property too. MDC will concentrate in the early years, on bringing forward Council owned sites for development. This will make a visible contribution to alleviating the pressure in the system between the demand for housing and the supply, will show the Council leading by example, will support the Council's ambitious regeneration plans and give the Council an opportunity to generate revenue and capital returns.

MDC will operate as a 'Teckal' company providing consultancy, predominantly to the Council, to turn land assets into viable residential schemes and ultimately investment returns. The cost of operating the company will be offset against eventual receipts. The Council has agreed £120million of investment over the first five years of the company with twelve sites identified; this will be funded through borrowing. There are four stages to each scheme; high level feasibility, business case, pre-contract and delivery. The MDC Board will bring their expertise to each scheme, which will be assessed before funding is made available by the Chief Finance Officer in consultation with the Leader. The cost of borrowing remains at historically low levels and offers the Council an effective means to fund the company, to drive town centre regeneration and to achieve healthy investment returns. The Business Case considered by Cabinet indicates that by the end of the programme income of £9.4million could be achieved. The first planning applications for the initial schemes will be submitted during 2018. Modelling of anticipated cash flow has started, and once the necessary financial approvals are in place, more accurate predictions can be included within the Council's budgets.

Alternative Delivery Models

Shared Services

Medway Council launched its first shared service, delivering a Building Control Service for the areas of Medway, Gravesham and Swale in 2007, but has more recently followed this up with a number of other shared services with Gravesham Borough Council. Medway currently hosts shared service arrangements with Gravesham to provide Audit and Counter Fraud Services, Legal Services, Payroll and HR services. Even more recently Gravesham has taken the lead in hosting a shared Licencing Service for Medway.

The five local authorities representing Greater North Kent – Medway, Dartford, Gravesham, Swale and Maidstone – are working together to explore more opportunities for sharing back office functions but no further savings assumptions have been made within the MTFs at this stage.

Medway Norse

In March 2013 Cabinet agreed for the joint venture company, Medway Norse, to be established for the provision of facilities management (FM) services from 1 June 2013. In 2014 the joint venture also took on responsibility for the grounds maintenance contract and for an initial phase of school transport for children with special educational needs attending three schools. Medway Norse is now responsible for activity amounting to just under £15.0million per annum.

The Joint Venture Company was established to:

- Provide services to the Council more efficiently to give better value for money;
- Grow the business through taking on external contracts;
- Increase employment opportunities for local people including through apprenticeships.

The Council and the Medway Norse Board has determined the appropriate balance between internal and external growth and this is likely to focus on a period of short term consolidation. Priority council services to come into the joint venture over the next two years have been agreed and the partnership is continuing to develop and grow its self-delivery model to further improve speed of delivery and cost efficiencies to the Council and provide a competitive platform when tendering for external contracts.

During 2018/19 the plan is to consolidate the current services in partnership with Medway Council. Tendering for new works continues and each contract and associated the risks reviewed on its own merits. Further growth is expected in cleaning services for schools and the grounds maintenance service will be targeting commercial works around the Medway towns, however, the trading environment is challenging with relatively few opportunities available – an experience mirroring other Norse joint ventures. The Medway Norse Board has been very clear in its strategy that external growth must be in the right markets to be profitable to grow the business. Multiple low margin contracts place an unsustainable strain on the management capacity of the joint venture.

Medway Norse will be reviewing contracts with MHS Homes and looking to grow/exchange certain sites to give a more efficient service offering. Minor repair contracts are coming on line and the joint venture will also begin mobilisation of the waste contract which transfers to Medway Norse in October 2019.

Like all significant employers Medway Norse faces a number of challenges:

- The national living wage and the apprenticeship levy;
- Other inflationary pressures;
- Developing and maintaining a high quality workforce;
- An ageing workforce;

The pressures facing the joint venture for 2018/19 have largely been mitigated by the full year effect of previous cost saving measures, including expanded self-delivery, effective management of third party spend and income generation.

Under the agreement with Medway Norse, the Council receives 50% of any surplus and during the first four years of trading, Medway Norse has returned a rebate to the Council of circa £1.3million. The joint venture has also brought over £7.2million of capital investment into Council services. Given the financial pressures facing the joint venture and its focus on consolidation, the Council has maintained the rebate income target at £263,000 in the current year, which Medway Norse expects to deliver.

Medway Commercial Group Ltd (MCG)

In November 2015, Cabinet agreed to the creation of a 100% Local Authority owned trading company, to commence trading from 1 April 2016. This was set up to allow the Medway Control Centre to develop its

core CCTV, telecare, community alarms and out-of-hours business, with a view to trading externally and growing the business such that it could eventually return an income back to the Council.

In its first and second years of trading the cost of these services to the Council was reduced to almost nothing and the current budget reflects a net income from the company. Following this early success, Cabinet considered proposals for a number of other Council services to be transferred into the trading company and it is anticipated that MCG Ltd. could be the vehicle for our traded services moving forward. During 2017/18 a number of business units were created, which are outlined below.

Area Security Solutions – Retailers are looking to improve security of their premises and local authorities are exploring out-sourced security options and looking to pursue the SMART city agenda, delivering technological solutions to ensure citizens safety. MCG provides a state of the art, innovative CCTV control centre that is already providing security solutions to four local authorities. The opportunity exists to expand to other local authorities, however investment in infrastructure improvements are required to achieve this.

Telecare and Telehealth – MCG provide telecare and telehealth solutions that allow local authorities and NHS trusts to have one point of contact to monitor and care for their patients/customers and a state of the art call centre ensuring individuals get through to staff quickly. It is important to stress that this is a technology driven business and therefore we must ensure that an innovation culture is embedded within the business. This will allow the business to develop new technology that provides quality solutions to clients but also improves efficiency and margins. MCG is currently in discussions with Medway Community Healthcare in relation to a possible joint venture.

Ocelot Education Solutions – A number of schools traded services were transferred to MCG last year, including catering, cleaning and waste contract management, governance services and health and safety. The continued transfer of schools into academy trusts has impacted on the viability of these services and in the case of governance services, this has now been sub-contracted to Kent County Council.

Ocelot People Solutions – There are three main strands to the work of this business unit; managing the Council's relationship with external temporary staff agencies, directly recruiting and providing agency staff to Medway Council and other organisations and providing executive recruitment expertise and delivering resourcing solutions, for example the Medway Test invigilators. There is a real opportunity for this business to generate increased revenue over the medium term, whilst making significant savings to the Council via direct recruitment and employment.

Other Projects – The MCG Board is also exploring other opportunities, over and above its core activities. These include:

- The development and disposal of Aburound House and exploring the potential for other small property developments;
- Investment in the development of SEN provision;
- Development of both extra care and supported living accommodation;
- Provision of battery storage and peak power to meet the Council's own energy needs and to generate revenue from selling back to 'the grid';
- MCG positioning itself at the forefront of the SMART Cities agenda, for the benefit of Medway Council;
- Development of leisure provision;
- Working with the four universities to generate revenues from bringing overseas students to Medway.

These are all ideas at this stage, although some are at a more advanced stage of development than others and they will be brought forward to Members for decisions at the appropriate time.

Medium Term Financial Projections

This Strategy has identified and quantified the service pressures and financial constraints facing the Council over the next four years and the scale of this challenge is summarised in Table 19.

Table 19: Summary of the Budget Gap for the period to 2022/23

Directorate	2018/19 Quarter 1 Budget £m	2019/20 Forecast Requirement £m	2020/21 Forecast Requirement £m	2021/22 Forecast Requirement £m	2022/23 Forecast Requirement £m
Children and Adult Services	197,035.7	198,179.7	184,520.5	172,960.6	175,570.1
Regeneration, Culture, Environment & Transformation	54,930.9	57,493.8	58,614.1	59,855.6	60,911.0
Business Support	15,606.0	16,028.2	16,210.5	16,185.5	16,226.5
Public Health	13,286.2	12,838.6	12,838.6	12,838.6	12,838.6
Interest & Financing	9,243.3	9,968.3	10,292.6	10,390.2	10,305.6
Levies	1,260.3	1,455.4	1,691.5	1,977.1	2,306.3
Medway NORSE	(263.0)	(263.0)	(263.0)	(263.0)	(263.0)
Budget Requirement	291,099.4	295,700.9	283,904.8	273,944.6	277,895.2
Council Tax	(114,663.3)	(119,033.9)	(122,125.3)	(125,307.5)	(128,649.2)
Revenue Support Grant	0.0	(6,052.7)	(5,104.5)	(4,137.4)	(3,137.4)
Business Rate Retention	(60,094.1)	(51,657.0)	(52,277.3)	(53,318.7)	(54,385.5)
New Homes Bonus	(2,512.1)	(2,116.6)	(907.9)	(1,016.3)	0.0
Education Related Grants	(90,787.5)	(90,787.4)	(74,383.7)	(59,979.7)	(52,528.2)
Adult Social Related Grants	(5,775.3)	(6,094.8)	(6,094.8)	(6,094.8)	(6,094.8)
Public Health Grant	(17,217.0)	(16,769.4)	(16,769.4)	(16,769.4)	(16,769.4)
Use of Reserves	(50.0)	0.0	0.0	0.0	0.0
Estimated Available Funding	(291,099.4)	(292,511.7)	(277,662.9)	(266,623.8)	(261,564.5)
Budget Gap - General Fund	0.0	3,189.2	6,241.8	7,320.8	16,330.7

Throughout its content this document has also sought to present a range of proposals and plans to manage expenditure, identify efficiencies and generate additional revenues and it is these which represent the main thrust of the Medium Term Financial Strategy. During the months leading up to the Council meeting on 21 February 2019, these plans will be formulated and consulted upon and the figures refined in order to produce a balanced budget and capital programme for 2019/20 and beyond.