



A Sustainable and Resilient Medway

Our Financial Strategy 2019 - 2024



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Introduction



I am pleased to once again present the refresh of Medway Council's Medium Term Financial Strategy (MTFS). This document is a key part of our budget and policy framework and sets out our financial strategy over the next five years. The MTFS also complements the Council Plan, which was refreshed and agreed at Full Council on Thursday, 21 February 2019.

The Council Plan sets out how we will continue to provide the best possible services for our residents.

Our priorities, which are 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 our priorities by providing value for money, working more closely with partner agencies and using the best digital innovation to meet residents' needs.

We are committed to delivering high-quality services which meet public expectations and this strategy addresses how we will meet our objectives during what remains a challenging financial climate. The Council has a great track record of balancing its budget year on year and we achieve this despite reductions in financial support from central government. We are committed to protecting the frontline services which we understand are important to the people of Medway.

We have invested tens of millions of pounds in Medway's schools to provide more places so children and their families have a range of fantastic schools to choose from to provide them with the best start in life. We also work closely with Medway's four universities and other higher education centres to ensure all residents are provided with opportunities to develop their skills and reach their full potential.

Supporting our residents remains a top priority and we will continue to support families and work closely with partner agencies to ensure residents receive high quality services across Medway.

As a unitary authority we are responsible for maintaining Medway's 519 miles of roads. We remain committed to improving the conditions of our roads to improve traffic flow and keep Medway moving.

We also recognise the importance of supporting Medway's 14,000 businesses and helping our economy continue to grow, which is why we are investing heavily in our town centres to ensure they also continue to thrive.

Medway is a place to be proud of and the MTFS sets out how we will continue to provide the high quality services that our residents are used to. Medway really is a great place to live, work, learn and visit.

Councillor Alan Jarrett
Leader of the Council

Medway: the place

Medway Council serves a population of more than 280,000 people in the communities around Chatham, Gillingham, Rainham, Rochester, Strood and the villages of the Hoo Peninsula. 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. 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.

Medway has one of the fastest growing economies in the south-east and is now worth £5.17 billion. Medway is the biggest regeneration zone within the Thames Gateway and it is one of the most promising growth areas in the south-east, so it comes as no surprise that more than 14,000 businesses are based in the area. More businesses are being attracted to Medway thanks to the many innovative businesses such as Dovetail Games and The Fountain Workshop. Rochester Airport is part of the pioneering North Kent Enterprise Zone and offers an exciting opportunity for businesses to grow; Innovation Park Medway is a prime development which is expected to become a magnet for businesses. Medway has fantastic connectivity with good motorway links and high-speed services to the capital. Local business owners and organisations have become Medway Champions – proactive advocates who work as ambassadors to promote the local area. The area's aspiration to become City of Culture will further boost the economy and benefit residents.

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.

As well as being a great place to work, learn and visit, Medway is a fantastic place to live. The area has picturesque greenspaces with the equivalent of 13.3 Hyde Parks under the Council's direct management and seven parks are Green Flag accredited. Medway has a rich cultural heritage and it boasts historic gems including Rochester Castle – the finest and tallest Norman castle in the country, Rochester Cathedral – the second oldest cathedral in England, Chatham's Historic Dockyard and Fort Amherst. Medway also has close ties with Charles Dickens, with Eastgate House in Rochester featuring in *The Pickwick Papers* and *The Mystery of Edwin Drood*. The Grade 1 listed Elizabethan mansion, which was built in 1590, was used as a Victorian school. There is also a highly successful, vibrant and innovative arts scene. Taken together, the area's attractions bring five million visitors to Medway each year and support 6,500 local jobs.

Medway: a place to be proud of

We want Medway to be a place that local residents and businesses are proud of. We will work to maintain a clean and green environment and to enable residents, visitors and businesses to move around Medway easily by tackling congestion hotspots and improving the public realm. By building on what makes Medway unique – the river, our heritage and sporting legacy – 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 has been 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.

Transport and Highways

Transport is a key issue in Medway, affecting our communities and the economic success of the area. 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.

Our Highways service supports a network of 519 miles of highways including bridges, footbridges, subways and tunnels valued at over £1.8 billion, through capital investment in the design and implementation of major improvements to the network, as set out in the Council's Capital Strategy. Our programme of planned and responsive maintenance, including carriageway and footway resurfacing, winter maintenance, drainage cleansing and road markings is delivered by Volker Highways through our Highways Infrastructure Contract. The MTFS assumes current levels of revenue expenditure (circa £6 million) will continue with a modest £200,000 per annum contractual uplift.

As detailed in the Capital Strategy, the annual maintenance and running costs for the Medway Tunnel are significantly higher than the existing budget, requiring additional capital funding of around £700,000. Representations have been made to the Department for Transport to provide financial support, however there remains a pressure of around £50,000 on the revenue budget.

The Council's Highways responsibilities extend to maintaining 25,667 streetlights and the Capital Strategy sets out the work to convert these to LED lighting by the end of the 2019/20 financial year. While LED lighting is more energy efficient, significant increases in energy tariffs mean that even with this work complete, the utilities costs for the Highways network will require £370,000 additional funding from 2020/21.

Parking Services

Our Parking Services Team are responsible for managing parking demand to support the local economy and customer needs along with providing an effective enforcement model to ease congestion and improve road safety. The Service has transformed over the last three financial years; introducing cashless parking, increasing the resilience of our enforcement activities through a new operating model, and improving our parking infrastructure including funding the new multi-story car park in Rochester to meet commuter demand.

The Parking Service delivers a significant annual surplus of over £4 million per annum, however this is significantly below the level of surplus assumed in the Council's budgets and represents a pressure of circa £1.5 million reflected in this MTFS. A range of drivers contribute to the shortfalls in income experienced;

changing retail habits is resulting in reduced car park usage, redevelopment for regeneration has resulted in the closure of car parks and in previous years, income budgets have been increased to reflect proposals to grow the number of Controlled Parking Zones that were not implemented following consultation with the public. Income from the issuance of Penalty Charge Notices is reducing over time demonstrating the effectiveness of our education and enforcement activity as drivers observe restrictions.

Parking Services are working on a range of potential solutions to address the income pressure; focussing on debt recovery, and introducing affordable smart technology solutions for parking enforcement compliance.

Waste Services

Medway Council is unique in Kent, as no other single local authority has responsibility for both waste collection and waste disposal. Waste collections and the street cleaning service affect every household in Medway and consistently rated by residents as being one of the top five most important Council services. There are over 18 million collections undertaken each year including weekly kerbside collections for households and annually the services cost the authority over £22 million for waste collection, waste disposal and street cleaning services.

Medway Council's waste service is delivered through a series of contracts. In October 2017 Medway Norse took over the management of the three household waste recycling centres (HWRC) and in October 2019, will take on the contracts to provide waste and recycling collection, waste disposal and street cleansing services. Falling values of recyclable materials have meant that when the Council re-let its contract to process recyclable materials collected from households, the market price was in excess of our budget, creating a pressure of £820,000 that is reflected in this MTF5.

Medway is relatively unusual as we have three HWRC facilities within our boundaries, however, each one of these facilities have a small foot print and no available room for expansion. With a 12.8% population growth projected by 2035, this will have a significant impact on these already stretched facilities. Annual footfall is currently around half a million visits per year and is only likely to increase, especially if the Housing Infrastructure Fund bid is successful for the new development on the Hoo Peninsula.

Medway faces financial pressures including contractual inflationary uplifts, and the significant demographic growth experienced and forecast for the area is driving up the cost of the disposal of materials based on the tonnages collected. These are forecast to increase the budget requirement by around £700,000 each year of this MTF5.

Open Spaces

The accessible countryside and open space in Medway Council's ownership 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. Since 2017/18 the Council's Greenspaces Service has been delivered by our partners, Medway Norse and provides the grounds maintenance at a multitude of local amenity, recreational, sports and urban grounds sites, and Bereavement Services grounds around Medway.

Bereavement and Registration Services

The Medway Crematorium has served the people of Medway and the surrounding areas since 1959 and sits on 14 acres of beautiful grounds of mixed woodland, shrub beds, formal planting and grass beneath large and stately trees. In 2017 the Thames View Crematorium opened in Shorne, Gravesend just nine miles from the Medway Crematorium. The new facility in Gravesham has proven attractive to funeral directors and families and we estimate that Medway's crematorium has delivered around 500 cremations per annum fewer as a result. Therefore this MTF5 assumes the income target for Medway's crematoria should be reduced by £510,000 to reflect the levels the service can realistically achieve.

Leisure, Culture and Sport

The Council operates four sports centres plus the Strand open air swimming pool, generating £3.5 million of income and two million visits each year. As part of its wider sporting offer, the Council also supports two further centres at Lordswood and Kings Rochester, brings national and international sporting events to Medway, and stages an array of activities from mass participation events such as the Medway Mile through to the annual Mini Youth Games primary schools competition. The service promotes Medway as a tourist destination, which secures around 4.8 million visits each year with a value of around £333 million to the local economy and supports 6,500 jobs. This includes managing and operating a range of heritage attractions including Rochester and Upnor Castles, Temple Manor, the Guildhall Museum and Eastgate House, as well as planning for the celebration and commemoration of major anniversaries including Dickens 150.

The Council has historically budgeted to subsidise the operation of the sports centres by circa £1 million and this continues to be in line with projections for 2019/20. Increased competition and capacity in the budget gym sector has significantly impacted on the Council's income as, in addition to low pricing, these gyms attract customers with 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. In addition the Council offers subsidies and concessions across a number of areas, including free swimming for under 16s and over 60s, and reduced cost membership for over 60s, disabled and students that are not so readily available in the private sector. These pressures mean that the Council's income budgets for leisure facilities are now higher than realistically achievable in the current model, and with the budget outturns in recent years presenting significant underachievement of income. We are reviewing our leisure delivery and have engaged an external consultant to advise on potential options and improvements including alternative operating models to reduce the level of Council subsidy. This MTFs reflects the pressure arising from the current model, reducing the leisure income target by £550,000.

The Council invests substantially in its heritage and tourism offer, directly operating a number of heritage attractions including the Guildhall Museum, the Rochester Corn Exchange and Eastgate House, as well as a Visitor Information Centre in Rochester which contains the Rochester Art Gallery. Officers are investigating the most effective way to deliver visitor information services, reflecting the changing way in which modern customers look for places to visit. Following a £2.2 million Heritage Lottery Funded project, the grade I listed Eastgate House in Rochester was reopened to the public in 2018. The Council sought market interest for an external business to operate the Corn Exchange during 2017, but that process did not conclude with an acceptable solution. Over time, increases in operational costs and lower than anticipated income across the heritage sites of the Corn Exchange, Eastgate House and the Rochester Art Gallery have combined to create a pressure of £225,000 which is reflected in this MTFs.

Libraries and Community Hubs

The Library Service continues to transform to meet the expectations of residents. This is very clearly shown in that during the year 2018/19 over a million visits were made to our libraries, a 1% increase on the previous year bucking the national trend, and over 965,000 books were borrowed (4% increase).

Libraries have a key role to play in supporting residents in the Council's digital transformation journey, supporting them in the need to go online to access a range of services. Assisted digital support is provided through equipment, free internet use, free Wi-Fi and support from staff and volunteer computer buddies. Not only does the Library Service support this transformation but it is rapidly able to offer an online remote service through eBooks, eMagazines, eNewspapers, eComics and access to a whole range of online reference sources. The satisfaction rate of Medway residents with their Library Service is currently 97%.

Community Hubs are a key feature of this transformation and so far five libraries have evolved into Hubs; Gillingham, Chatham, Rochester, Strood, Twydall, with a neighbourhood Community Hub being created at Hempstead. This gives residents the opportunity to ask about, pay and apply for a whole range of Council services. Further development this year is taking place at Wigmore Library as detailed in the Council's Capital Strategy. While the remainder of the library hubs operate from Council-owned buildings, the service rents the space for the Strood Library Hub and following a rent-free period, this MTFs reflects the rent increase of £35,000 that applies from 2019/20 onwards.

As part of this Hub approach a more flexible, user friendly space is created giving opportunity for many local community groups and agencies to meet their clients. This space plays host to many events that the service is able to offer to encourage and develop literacy skills. In the year 2018/19 over 71,000 people attended a library event.

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 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 our 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 with full details provided in the Capital Strategy.

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

Housing Infrastructure Fund (HIF)

Medway Council has bid for £170 million of central government funding to help unlock the potential on the Hoo Peninsula. If confirmed, the Council would establish a dedicated team to coordinate and deliver the HIF programme between 2019 and 2023/24. The HIF is set to cover 100% of the proposed road, rail and strategic environmental investment costs; it is not a loan and no direct match is required but will be complemented through developer contributions. The £170 million HIF scheme will be based on a retrospective claims process with evidenced claims for works completed and money paid being made to Ministry of Housing, Communities and Local Government. It has been calculated that based on an 3%

interest rate, the need to make retrospective claims will expose the HIF budget to a budget pressure of £675,000 over four years, however this pressure has not been built into the MTFs as the bid has not yet been confirmed.

Innovation Park Medway

Innovation Park Medway (IPM) is an important opportunity to help shape the economic future of Medway. The IPM forms part of the wider Rochester Airport site and whilst Medway Council's emerging Local Plan continues to safeguard the Airport as an enhanced aviation facility, there is support for the development of a strategic gateway and economic hub within the area. Our ambitions for the IPM are to:

- Attract high value businesses,
- Improve the number and quality of jobs,
- Retain and increase the local skills base,
- Strengthen links between educational institutions,
- Establish the IPM as a preferred destination and partner for local business,
- Promoting the area's brand and image.

To date the IPM project has been awarded significant capital investment including £8.89 million funding from the Government's Local Growth Fund (LGF), Growing Places Fund (GPF) and Sector Support Fund, through the South East Local Enterprise Partnership (SELEP). The Council's Capital Strategy sets out the further capital investment required to realise the Council's vision and maximise the full potential of IPM.

The IPM 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.

To demonstrate its confidence in the IPM, the Council have included a scheme in the capital programme to deliver a landmark six storey building on the site. The rent from the landmark building is expected to generate around £22.9 million over the next 25 years, which is expected to cover the cost of borrowing the £14.5 million required to build it. Overall business rates income from the whole site is estimated at around £64.0 million over the same period, representing over £5.0 million per annum by 2042.

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 at the October Skills and Employability Summit. The plan sets out a suite of activities against four priorities; matching business demand with skills supply, developing Medway's talent pool, establishing routes to employment and supporting people into education, employment or training. Activities will include piloting training programmes with employers, exploring the need for an online portal, bringing employers, graduates and potential apprentices together, and supporting careers education in school and college. This will be a key work stream in bringing the benefits of growth to local people and businesses.

Delivery vehicles

The Council's Regeneration, Housing and Property Services are working collaboratively in bringing forward new mechanisms, including Medway Development Company Ltd (MDC) 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.

Pentagon Centre

In April 2019 the Council completed on the purchase of the head lease Pentagon Shopping Centre in Chatham which will enable us to shape, invest in and improve the offer in Chatham. Proposals to build upon the opportunity the purchase represents are being worked on as referenced in the Capital Strategy. The Council is now the landlord for the centre, and is responsible for its operation and maintenance through a series of contracts. The purchase was financed by prudential borrowing, with rental income in excess of costs expected to contribute £1 million to the Council's revenue budget each year.

Markets

Medway hosts a selection of traditional markets across our town centres, providing shoppers with high quality and individual produce and gifts. There are weekly markets at Gillingham and Strood and a monthly Farmers Market in Rochester. Changing shopping habits have resulted in reductions in income from stallholders year on year and this MTFs reflects the reduction of the income budget by £125,000. An external consultant has been engaged to review our Markets and identify opportunities for the provision moving forward.

City of Culture 2025

Medway's aspiration to become the UK City of Culture in 2025 is supported by the Medway Place Board and Medway Cultural Partnership, and would create a legacy and sense of belonging, boosting local pride within our communities. Enhancing our cultural and creative offer, and raising our creative ambitions would improve health and wellbeing whilst supporting the economic regeneration that arts and culture bring. New creative and stakeholder partnerships would increase business engagement, create new employment opportunities, and the provision of creative and cultural skills through schools, our college and our four universities, would support our young people. Previous winning cities have witnessed significant economic and social benefits through increased tourism, new jobs and investment.

Preventing homelessness

Medway Council provides support to the most vulnerable people in our communities. We commission a range of support and accommodation throughout the year to help people find housing of their own. 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.

Core government support to address the issue of homelessness has continued and was rebranded as the Flexible Homelessness Support Funding in 2017/18. The Homelessness Reduction Act 2017 came into force on 3 April 2018, extending our duties to include providing advisory services, and since October 2018, certain other public bodies have been required to refer cases at risk of homelessness to us, in most cases triggering a duty for the Council to intervene. The government recognised these new burdens via increased funding for a period of three years, commencing in 2017/18, however the Spending Review 2019 suggests that this, along with other Homelessness grants, is included in the baseline for 2020/21. More recently, Medway has received significant additional funding under the Rough Sleeper Initiative, having been recognised as one of 38 priority areas by the government.

Table 1 summarises total expenditure on homelessness reduction and prevention, net of rents and other contributions towards the cost of temporary accommodation, and identifies to what extent this expenditure has been supported by government grant. The Spending Review announcements suggest that this grant support will continue into 2020/21 together with a 13% real terms increase and so Table 1 assumes that this increase will be applied across the current suite of grants.

Table 1: Homelessness Funding for the period 2017/18 to 20/21

	2017/18 Actuals £000	2018/19 Actuals £000	2019/20 Forecast £000	2020/21 Forecast £000
Core Expenditure (net of rents and other contributions)	2,275	2,824	3,378	3,378
Homelessness Reduction Act - New Burdens Funding	168	146	154	177
Flexible Homelessness Support Funding	679	850	895	1,026
Rough Sleeper Initiative	0	410	499	572
Rapid Response Project: 'Somewhere Safe to Stay'	0	68	253	290
Total Funding	3,122	4,298	5,179	5,443

Where homelessness prevention is not possible or effective, local housing authorities are under a statutory duty to provide temporary accommodation to all households where there is reason to believe that they may be homeless, eligible and in priority need. Between 2012/13 and 2017/18 the number of households in temporary accommodation in Medway increased by approximately 49 households per annum. Since this time the overall number of households in temporary accommodation has remained steady between 350 and 380 households. It is projected to remain at this level and does not therefore represent a pressure in this MTFs. The majority of temporary accommodation is procured from private sector landlords with a smaller percentage being provided in Housing Revenue Account or properties owned by the general fund.

Welfare Reform

Over the past few years the Government has introduced a programme of welfare reform. The Universal Credit (UC) full service went live in Medway on 30 May 2018 and so now the Council is only allowed to accept certain claims for housing benefit. The majority of new claims for housing costs are paid via UC. Our current caseload (14,199 in July 2019 reduced from 17,261 in July 2018) will partially 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. This MTFs does not make any assumptions about the likely impact of this on the Council's budgets. 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 are 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 June 2019 the arrears against the rent roll for Medway stood at 1.19%. Any increase in arrears would increase the cost to the authority of collecting rents due.

No Recourse to Public Funds

Whilst 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. NRPF also affects EEA / EU Nationals; individuals who are able to move freely within Europe and do not have to request leave via the Home Office. These families need to work to be able to access public funds, however we are now seeing more and more EEA / EU Nationals approaching the Council for support. Many of these families who require support due to NRPF, for a variety of reasons, are unable or unwilling to return to their Country of Origin. Under Section 17 of the Children's Act 1989, the Local Authority is required to support a child in need, which includes preventing destitution and street homelessness. 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 under Article 8 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 is currently supporting eight families with NRPF. Numbers have significantly reduced from January 2018, which showed the highest number of NRPF families (31) Children's Services had ever seen. The reduction in costings have been made due to the joint approach Medway Housing Options Team and Medway Children's Services have created, working together to ensure families who present as NRPF are supported in the correct way. The joint approach has enabled the Council to be thorough in its assessments of NRPF families and with the support from the NRPF Connect System. Information sharing between the Council and the Home Office has enabled families to be supported to access public funds within shorter timescales. Although there is a reduction in the number of families Children's Services are currently supporting, the number of NRPF families approaching the Local Authority continue to be at a steady number. For example, in just three weeks this summer, three new families presented for support, however due to the thorough assessments being undertaken by the Early Help Officers and Housing Officers, these families have not been eligible for immediate Section 17 Support.

Supporting Medway's people to realise their potential

We want to support all of our residents, 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 Medway Council, and nine independent schools. Following reform of schools funding in 2012, with the aim of making the 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 a reduced rate of academy conversions than previously experienced, schools related grant, including DSG, Pupil Premium Grant and Sixth Form funding is forecast to reduce over the next four years, as illustrated in Table 2 however this is less dramatic than in the previous iteration of the MTFs. The Retained (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.

In the Spending Review announcements in September 2019, the Chancellor announced that the schools budget would rise by £2.6 billion in 2020/21, £4.8 billion in 2021/22 and £7.1 billion in 2022/23, compared to 2019/20 funding levels, along with almost £1.5 billion of funding to compensate schools for the increased cost of employer pensions contributions. This MTFs assumes Medway's share of those national allocations will be in line with previous settlements, and the impact of these increases is shown in Table 2.

Table 2 Projected schools related grants for the period to 2023/24

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
DSG (Retained Schools Block)	0.743	0.762	0.781	0.800	0.820
DSG (Schools Block)	42.920	47.789	55.415	62.736	58.089
DSG (High Needs Block)	25.626	30.857	35.369	39.882	44.394
DSG (Early Years Block)	17.023	17.539	17.715	17.892	18.071
Pupil Premium Grant	3.773	3.190	3.081	3.066	2.954
Sixth Form Grant	0.703	0.483	0.483	0.483	0.483
De-Delegated Services	0.000	(0.020)	(0.040)	(0.040)	(0.040)
Total Grant	90.788	100.600	112.804	124.819	124.771

School places

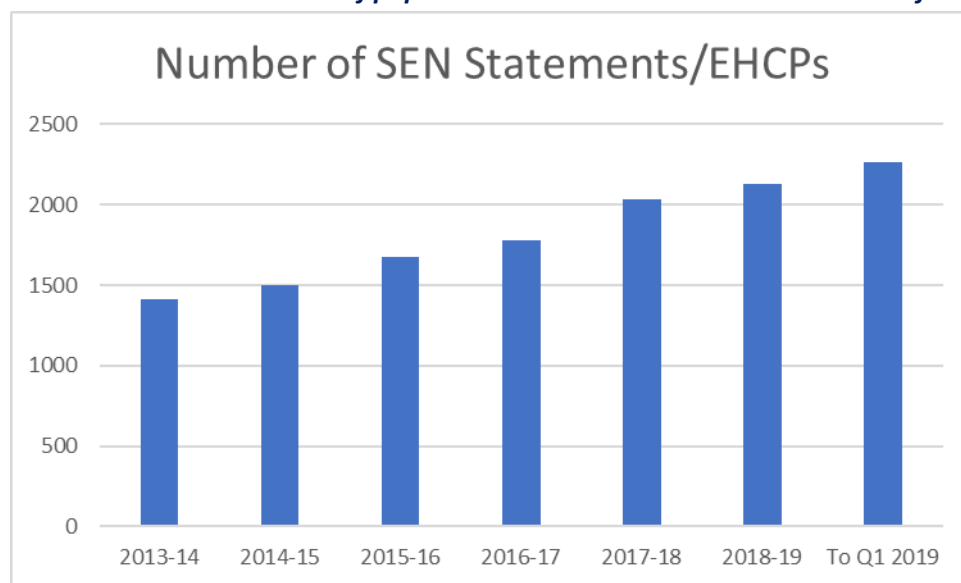
Whilst revenue funding is allocated to schools and academies to be managed by them, the statutory duty to ensure that there are sufficient school places for children in Medway rests with the local authority and the growth in the population has meant that there is a significant pressure on the capital programme to create more classrooms. Overall pupil numbers in primary schools have increased to 24,331 and there are sufficient places across the majority of Medway for the next five years, however any significant development on the Peninsula should the HIF bid be successful would result in an emerging need.

Whilst numbers of primary school pupils transferring into secondary has and will continue to increase over the coming years, the two new Free Schools announced in Medway will alleviate any pressure arising in non-selective schools over the medium term. However despite recent expansions at three schools, there remains significant pressure on grammar school intakes with expected oversubscription every year going forward.

High Needs provision

In common with other upper tier local authorities, Medway continues to experience significant pressure on services for children with Special Educational Needs and Disabilities (SEND). The Council currently maintains approximately 2,262 Education, Health and Care Plans (EHCP) for children and young people to aged 25 years. Table 3 illustrates how this has increased steadily over time.

Table 3: Growth in number of pupils with Education and Health Care Plans from 2013/14



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 from 16 to 18 years and many of our young people continue into college at 19 years old. Based on the trajectory of growth in SEND numbers experienced, this MTFs assumes it will be necessary to increase the budget by £5.701 million in 2020/21 to meet projected demand, with the addition of around £1.0 million further each year thereafter.

In 2018/19 this pressure resulted in a significant overspend and the Council transferred £3.688 million of High Needs expenditure into the DSG High Needs Reserve, putting the reserve at a total deficit of £4.139 million. As required, the Council submitted a Deficit Recovery Plan to the Department of Education at the end of June 2019, however this plan acknowledged that it would not be possible to bring the reserve to balance, without additional funding, in spite of proposing significant savings of circa £3.5 million. By the end of the current year the high needs element of the DSG reserve is expected to reflect a deficit of £8.244 million. The Council will need to formulate a deficit recovery plan to address this over the medium term, however the first step is to bring expenditure down to a sustainable level year on year. The Chancellor's

announcement of an additional £700 million is welcome and we estimate that this represents an additional £4.263 million for Medway in 2020/21. The service will need to identify significant management action to close the remaining £1.180 million shortfall against the high needs block and officers are formulating plans in consultation with the portfolio holder.

Table 4: DSG High Needs Block budget compared to requirement

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23
DSG High Needs Block Grant* ¹	37.992	42.489	42.989	43.489
Forecast High Needs Spend* ¹	42.513	43.669	45.127	45.206
Shortfall	4.521	1.180	2.138	1.717
Cumulative Shortfall	8.244	9.424	11.565	13.279

*¹ includes DSG high needs recoupment for commissioned SEN academy placements.

The demographic growth projected in SEND numbers will impact on the overall numbers entitled to SEN transport, impacting on the projected costs over the medium term. The impact of this demand has been reflected in this MTFs at £200,000 in 2020/21, reducing to £150,000 in 2021/22 and £100,000 in 2022/23.

Inclusion

Exclusion rates in Medway have historically, been very high. In 2015/16, permanent exclusions from Medway secondary schools was the 10th highest in England. This represented a 133% increase in the preceding three years compared to 40% nationally. Fixed term exclusion rates from Medway's secondary schools are significantly higher than national averages, although to a lesser extent than permanent exclusions.

Where children cannot be accommodated in mainstream schools, the Education Act requires local authorities to provide education for children in alternative provision. There are two publicly funded Alternative Provision schools in Medway, the Rowans, an academy within the Inspiring Change Trust, rated as 'Outstanding' by Ofsted, which provides for pupils from key stages 3 and 4 and Will Adams, a Local Authority maintained school, rated as 'Good', which caters for key stage 4 only. There are two independent alternative provision schools operating within Medway; Gillingham Football Club, rated 'Good' by Ofsted, and Manorway Academy rated as 'Inadequate'. High levels of exclusion coupled with the rarity of reintegration means that there is insufficient space in the two Medway Alternative Provision schools to accommodate even half of permanently excluded children. This forces the local authority to place in settings that are either less than 'good' or are outside of Medway. The Council is currently consulting on a restructure of the organisation, governance and capacity of Medway's Alternative Provision.

Our projections for the cost of provision for the current cohort of students represents a budget pressure of £240,000 reflected in the MTFs for 2010/21. A key area of focus Medway is to support and encourage more children and young people to attend mainstream schools, and to foster a culture of inclusion among schools to reduce the demand on specialist and out of area places.

Early Help and Targeted Services

In recent years, following changes in national policy and funding arrangements for local government, the Council reviewed its services to focus resources on children and families in greatest need, better integrating the range of services available and offering more outreach into the community. This not only met the financial challenge, but has also created integrated teams working in partnership delivering the 'right service to the right family at the right time'. A focused visit from Ofsted on the Council's 'front door' – the First Response Team, reported in February 2019 that "the leadership team has secured marked improvements in the local authority's response to contacts and referrals... Processes to support social work practice, new at the time of the previous visit, have been embedded and strengthened. In most cases, children and their families now receive a timely and proportionate response to their needs. The progress

that has been achieved has been sustained, despite a significant increase in the number of contacts and referrals.”

Adult Social Care

Pressures impacting on Adult Social Care

The MTFs figures reflect assumptions about both inflationary pressures and demographic pressures affecting Adult Social Care, 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 3.3 million. 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 around uplifts.

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. By offering good quality student placements within Adult Social Care each year, we have a ready supply of Newly Qualified Social Workers (NQSWS) who have developed a relationship with Medway and already have a knowledge of local needs and processes. Last year we were successful in recruiting five NQSWS, at the end of their course, and this year we increased this number to seven. We are also in the process of working with Kent County Council to develop a Social Work Apprenticeship Scheme and plan to train two existing staff each year to become Social Workers.”

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 had no remaining flexibility to increase Council Tax yield through the ‘social care precept’ in 2019/20.

However, in his Spending Review 2019 the Chancellor announced a further £1.0 billion of grant funding and extended the flexibility available to upper tier authorities, allowing us to raise Council Tax by an additional

2%, over and above the 2% referendum limit expected for 2020/21. These two measures increase the Council's funding by around £6.6 million next year, however it is not yet clear to what extent it will be ring-fenced for social care. Notwithstanding this unexpected boon, the Council still has a significant shortfall to address for next year and no guarantees can be made at this stage regarding provider uplifts.

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 over the past three years have included:

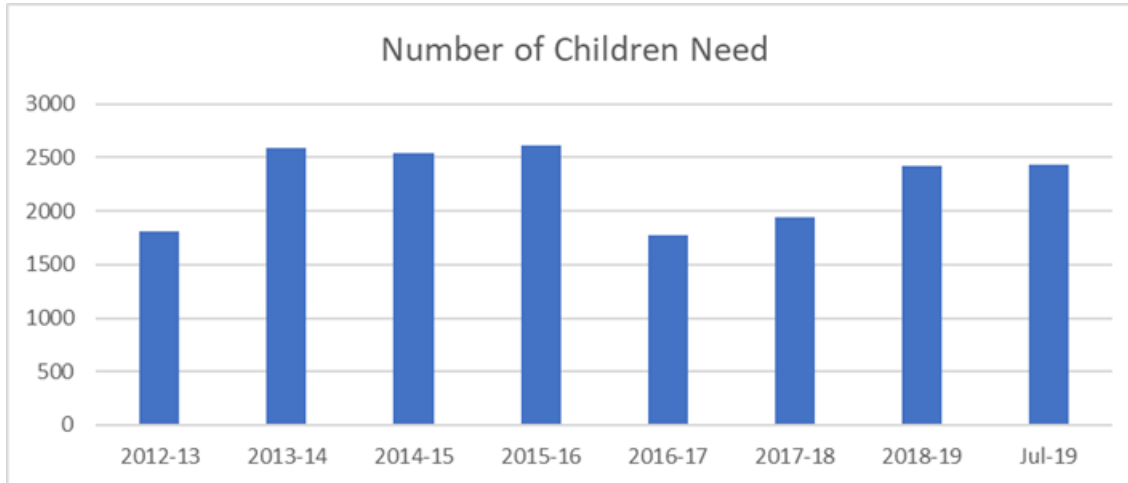
- Expanding and embedding Strengths Based Practice (three conversations) across all aspects of the service; work which continues at pace,
- Establishing a dedicated Reviews team to bring the benefits of strengths-based practice to our existing service users;
- Embedding a new locality-based structure 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;
- 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 living independently in the 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

A child in need is defined under the Children Act 1989 as a child who is unlikely to achieve or maintain a reasonable level of health or development, or whose health and development is likely to be significantly or further impaired, without the provision of services; or a child who is disabled.

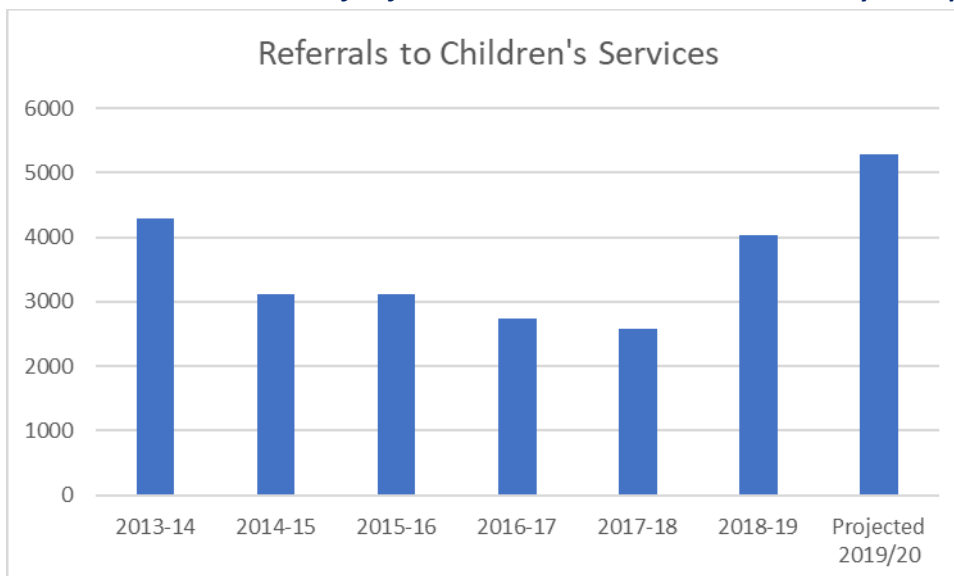
Table 5: Number of Children in Need in Medway 2012-present



As anticipated, 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, there have been more referrals from partners into the Multi Agency Support Hub leading to more assessments.

To ensure that the referrals received from partners are appropriate, regular training is provided to partners in respect of thresholds and also determining what makes a good referral. Threshold Audits are completed to evidence that the threshold is correctly applied. In addition, a review of Early Help is due to commence which will ensure that the right level of intervention is being provided at the right time. Partners' engagement will be included as part of the review, with the aim to ensure that joint working supports effective demand management and each agency takes an active role with Early Help assessments. The objective is prevention rather than protection.

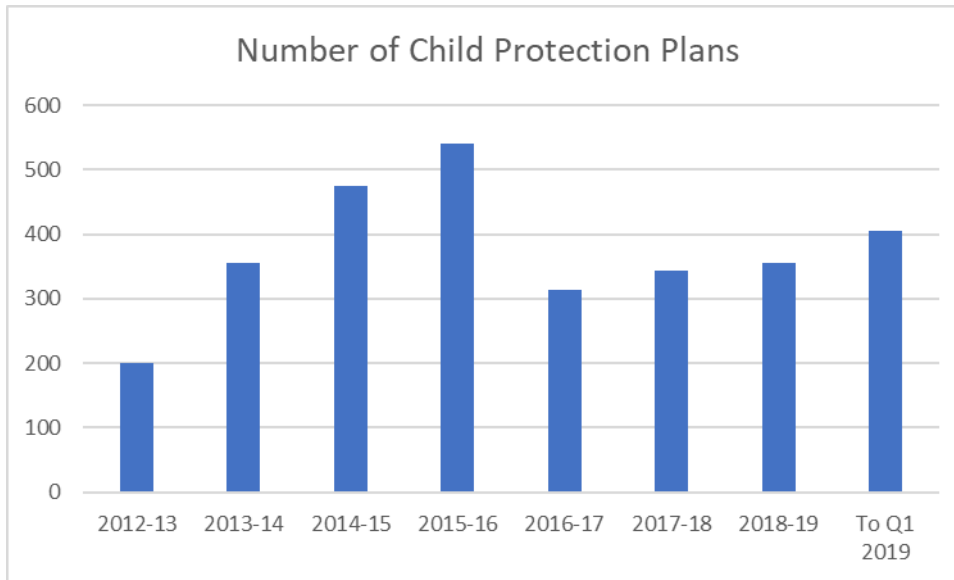
Table 6: Number of Referrals to Children's Services in Medway 2013-present



Child Protection (CP) Plans

Though the number of children with CP plans reduced significantly in 2016/17, they have climbed steadily in the years since. The increase in the rate of referrals reported previously has continued into Q1. The average in Q4 2018/19 was 792 per 10,000 population per month, in Q1 2019/20 it was 829 per 10,000 population per month. These changes may be the combined result of economic and demographic factors both nationally and locally, changes to practice and policy within our 'Front door' operation and a natural move towards risk aversion following feedback from the peer review in March 2018 and the Joint Targeted Area Inspection (JTAI) in June 2018.

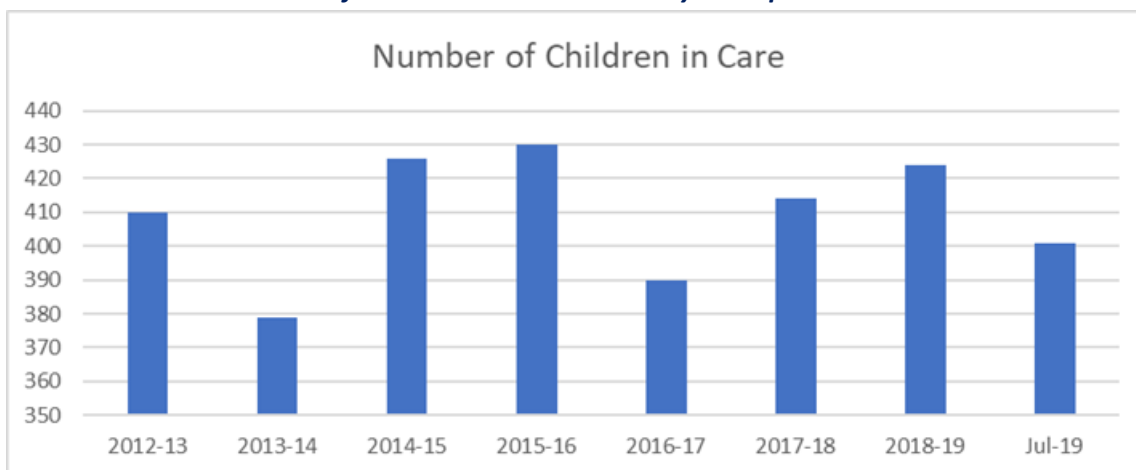
Table 7: Number of Child Protection Plans in Medway 2012-present



Children in Care

We work hard to support families to help them care for their children at home. If this is not possible, we try to find family members or friends who can provide safe, nurturing and positive care for children throughout their childhood and into adulthood. If this isn't possible, we will find the best possible placement for a young person which could be with adopters, foster carers or residential care.

Table 8: Number of Children in Care in Medway 2012-present



The 2019/20 revenue budget monitoring is forecasting a significant pressure on the cost of placements, across Independent Fostering Agencies, Special Guardianship Orders, Residential, Internal and External placements. There are three key drivers; increases in provider packages commissioned, increasing demand for placements and increasing complexity of need.

Projections for the period of this MTFS based on the demographic pressures shown, combined with anticipated price increases on existing placements combine to represent an additional budget requirement of £3.228 million.

Staffing Children's Services

These demographic pressures have increased the caseloads across all our social work teams, and this contributes to relatively high staff turnover and vacancy rates. In addition to the risk that this impacts on outcomes for children and families, the requirement to cover vacant posts with expensive agency and locum staff represents significant budgetary pressures. Staffing budgets for case-holding social work posts assume a vacancy rate (and therefore a premium for temporary staffing) of 25%, however at Q1 2019/20 the service was experiencing vacancy rates of around 39% in case-holding posts. This MTFS reflects the cost of additional staffing across Safeguarding and Quality Assurance, and both case-holding and managerial social work posts that total £1.6 million, representing a significant growth over the current budgeted staffing establishment.

In addition to the above, the outcome of the July 2019 Ofsted Inspection has highlighted additional staffing pressures. The Ofsted report commented on the negative impact on quality of practice of high caseloads, particularly in the Assessment service, and this will be subject to review by the Commissioner, appointed to report to the Secretary of State on the ability of the authority to make the necessary and sustained improvements. An immediate step in response has been to appoint additional social workers to reduce caseloads in key areas. An inadequate Ofsted judgement can impact negatively on both recruitment and retention of staff, which may lead to an increase in use of agency staff. This will be closely monitored and mitigated by a focus on support for all practitioners and a commitment to maintain manageable workloads.

Although, in the immediate term, additional resources have been employed to address the caseload issue, this is not sustainable given the Council's financial position and the Portfolio Holder will be leading a fundamental review of the division's structure and processes. This will seek to achieve the optimal balance between management, case holding and non-case holding posts and to deliver a more effective service within the existing budget. Significant work will also be required to improve practice and supervision. This in turn should help to improve recruitment and retention of permanent social work staff.

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 9.

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 form part of the wider national programme to implement the NHS 10 Year Long Term Plan. These initiatives will have significant implications for our public health function. They also offer an opportunity to access additional resources to support the delivery of public health services.

In his Spending Review announced on 4 September 2019, the Chancellor confirmed that “local authorities will receive additional resources through a real terms increase in the Public Health Grant and through the NHS contribution to adult social care through the Better Care Fund, which will increase by 3.4% in real terms, in line with the overall NHS long-term settlement.” We have therefore projected an increase of £838,000 for 2020/21 and have reflected this in the Public Health Directorate budget, as we will need to be able to demonstrate improved health outcomes as a result of the additional funding.

Table 9: Analysis of Public Health Grant for the period to 2023/24

	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m	2022/23 £m
Public Health Directorate	12.834	13.672	13.672	13.672	13.672
Children and Adults	1.871	1.871	1.871	1.871	1.871
Regeneration, Culture, Environment and Transformation	1.114	1.114	1.114	1.114	1.114
Business Support	0.943	0.943	0.943	0.943	0.943
Total Grant	16.762	17.600	17.600	17.600	17.600

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 funded from four 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);
- The amount raised locally by Council Tax, and
- Fees and charges.

Baseline Need and Business Rates Retention

The National Audit Office have reported that since 2010, successive governments have reduced funding for local government in England as part of their efforts to reduce the fiscal deficit; with a reduction in government funding of 49.1% in real terms from 2010/11 to 2017/18, and a reduction of 28.6% in local authorities' spending power in the same period. In 2016 Medway accepted the Government's offer of a four-year settlement to guarantee some stability in funding, with the 2016 announcement stating that: *"By the end of this decade, councils will be funded from revenues they raise locally, rather than central government grants."*

Despite the shift in local authority funding away from direct government grant towards locally raised taxes, the Government has been conducting a Review of Fair Funding. It has consulting with local authorities since 2016 on the methodology for allocating funding, which reflects the relative needs of each authority. It was intended that the new methodology would be implemented from April 2019, however in the Spending Review 2019 announcements in September the Government clarified its intention to delay this to April 2021.

The Chancellor delivered a one year Spending Review, setting departmental spending plans for the 2020/21 financial year. This settlement represents the biggest real terms increase in annual spending power for local government in a decade, with both increased grant allocations and flexibility to generate additional income through local taxation. The key announcements included national allocations of £1 billion for social care, £700 million for children and young people with Special Educational Needs and Disabilities and a real terms increase to the Public Health Grant and Better Care Fund, with other smaller increases indicated to funding for Homelessness and Discretionary Housing Payments. The announcement confirmed the Troubled Families programme will continue for a further year, but beyond that would be reliant on support from Reserves unless the Council decides to build this work into the base budget. The Chancellor also announced that the government will consult on a 2% Adult Social Care precept on Council Tax, and this MTFS assumes that the precept would be applied in Medway. This MTFS makes assumptions that Medway's allocation of the announced social care and education grant funding will be in line with our share of previous national announcements and assumes this funding will continue for the period of the strategy. This assumption is not without risk, however given that the funding has been granted to address a recurrent set of pressures, it is not unreasonable to assume that Government intends to reflect these increases in the base for future years.

Under the current Business Rates regime, the government estimates the total Business Rates that will be collected by all billing authorities, then shares that total figure between Central Government and local government; the current national scheme allocates 50% to Central Government and 50% to local government. Based on the Council's previous historical business rates collection, a proportion of this overall amount is calculated as the Council's Business Rates Baseline. According to whatever methodology

is in place, the Government then assesses the relative needs of each authority and where the need is greater than the baseline, a top-up grant is provided; conversely where the baseline is greater than need, a tariff is applied.

During 2018/19 Kent County Council, Medway Council and the twelve districts in Kent participated in a pilot for 100% retention; this meant the area retained 100% of the business rates growth achieved during the period between resets rather than the 50% under the national scheme. The growth in Business Rates experienced in the area and retained by Medway in 2019/20 represented an additional £4.8 million 'financial sustainability funding', plus a further £1.2 million of 'growth funding', compared to what we had anticipated receiving under the 50% retention national scheme.

Following a range of pilots of 100% retention and 75% retention schemes, the Government had aimed to introduce a new national 75% retention scheme with effect from 2020/21 alongside a reset of Business Rates baselines, however the Spending Review 2019 confirmed that the introduction of a 75% retention regime and the Fair Funding Review have been deferred to April 2021.

In previous iterations of the MTFs and in the Council's budget, we have shown the Revenue Support Grant as a separate line with the various components of the 'Business Rates Retention' scheme consolidated together in a single figure, comprising:

- The amount of Business Rates retained by the Council;
- The amount of Section 31 Grant Funding received from the Government to mitigate the impact of policy decisions on the Council's share of Business Rates, including additional discounts and exemptions; and
- The amount of 'Top Up' funding the Council received.

As stated in the Spending Review 2019, we have assumed a reset of the Business Rates Baseline with effect from 2021/22. This would see the Council lose its Section 31 grant funding but we have assumed that we would be compensated with a broadly similar amount of additional funding either via an increase to the Baseline Need, or through additional Revenue Support Grant. As such, while we do not know in exactly what form funding from government will come, we have estimated the quantum and have reflected that as 'Baseline Need'. The line described as 'Retained Business Rates' now represents exactly that.

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.

Table 10: Projected Retained Business Rates and associated grants for the period to 2023/24

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Retained Business Rates	47.352	46.091	47.025	48.263	49.532
Baseline Need Funding:					
Section 31 Grant	2.195	4.867	0.000	0.000	0.000
Top-up / (Tariff)	4.419	4.513	3.565	3.635	3.705
Revenue Support Grant	6.053	6.174	6.297	6.423	6.552
Total Funding	60.019	61.644	56.887	58.321	59.789

The Impact of housing growth on Council Tax and other funding

Medway's Council tax for 2019/20 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. In the Spending Review 2019, the Chancellor confirmed that local authorities will continue to be able to increase council tax within the existing referendum rules, and that the government would consult on a 2%

Adult Social Care precept. This MTFs assumes that the Council will continue to increase council tax by the maximum allowable under current referendum rules: by 1.994% in 2020/21 and subsequent years and that the 2% Adult Social Care precept would also be applied.

On 14 January 2019 the Chief Finance Officer, in consultation with the Leader agreed the Council Tax base for 2019/20 at 84,533.23 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 11.

Table 11: Projected council tax yield for the period to 2023/24

	2019/20	2020/21	2021/22	2022/23	2023/24
Projected growth in housing nos.					
- Band A (no. of dwellings)	N/A	0	0	0	0
- Band B (no. of dwellings)	N/A	298	338	220	216
- Band C (no. of dwellings)	N/A	518	547	367	329
- Band D (no. of dwellings)	N/A	494	298	117	140
- Band E (no. of dwellings)	N/A	143	117	62	58
- Band F (no. of dwellings)	N/A	29	0	5	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	84,533.23	86,123.38	87,243.74	88,125.05	88,831.02
Projected Council Tax Yield (£m)	119.651	126.771	130.980	134.942	138.735

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. Since 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 12.

Table 12: Projected New Homes Bonus for the period to 2023/24

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Projected New Homes Bonus	1.978	0.715	0.690	0.439	0.439

Our reserves and provisions

Long term financial sustainability must be underpinned by financial plans, which balance expenditure requirements with the available resources without recourse to general reserves. Historically the Council has managed to achieve this and indeed, at the end of the last financial year, we were able to increase general reserves by around £4.0 million, principally as a result of the 100% business rate retention pilot with Kent County Council and the twelve district councils.

The reduction in our reserves reported recently in the press, relates primarily to the reduction in earmarked reserves. This is inevitable really, as such reserves are eventually used to fund the activity for which they were originally earmarked. Having said that, Medway Council is still towards the lower end of the spectrum in terms of general reserves. In that context it is important that Medway Council's MTFS not only seeks to balance expenditure with resources, but has a further objective of rebuilding both general and specific earmarked reserves where possible over the medium term.

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 2019.

Table 13: Summary of Movement in Usable Reserves

Type of Reserve	Opening Balance 01/04/2018 £	Movement in Reserves £	Closing Balance 31/03/2019 £
General Fund Balance	5,000,000	0	5,000,000
General Reserve	88,566	3,950,849	4,039,415
Schools Balances	1,181,345	822,247	2,003,591
Insurance Fund	1,368,160	(152,012)	1,216,148
Earmarked GF Reserves	11,525,525	(1,757,475)	9,768,051
Housing Revenue Account	4,910,668	202,985	5,113,653
Earmarked HRA Reserves	5,570	1,188,288	1,193,858
Capital Receipts Reserve	330,966	778,609	1,109,575
Major Repairs Reserve	8,119	91,652	99,771
Capital Grants Unapplied	8,249,262	2,738,788	10,988,050
	32,668,181	7,863,930	40,532,111

The General Fund Balance represents the minimum reserve balance that the Council is currently prepared to operate with and might be considered to be at the lower end of the scale. Other general reserves represent the extent to which the Council holds non-earmarked balances in excess of this minimum level and at circa £9 million, the sum of these two balances represents circa 3% of net revenue spend.

Schools Balances comprise rolled forward revenue balances held on behalf of local authority maintained schools and the amount in the Council's balance sheet has reduced dramatically over recent years, due to the accelerated programme of academy conversions during that time.

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 £1.0 million per claim, whilst general property carries a £1.25 million aggregate limit. Liability claims carry an excess of £500,000 with an aggregate limit of £3.0 million 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 £2.0 million in the balance sheet.

There are numerous other earmarked reserves, built up over a number of years to fund future activity. Approximately £4.3 million of the current balance relates to Section 106 contributions, Section 38 contributions and other commuted sums paid by developers towards the necessary infrastructure to support new housing developments. Another £4.0 million relates to the South Medway Development Fund, a ring-fenced reserve created by the Leader in 2013 to fund initial works at Innovation Park Medway,

however the successful bids to the South East Local Enterprise Partnership have meant that this funding has not been needed to date.

The rest of the earmarked general fund reserves comprise around £5.6 million of funding for the four year cycle of local elections, development of the Local Plan, provision for the repair and maintenance of our property estate and the carry forward of a variety of specific ring-fenced grants. However, this is offset by a £4.1 million negative reserve, designed to manage the deficit against the high needs block of the DSG over the medium term, rather than taking an immediate hit on the general fund.

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

The last three reserves in the table represent capital receipts, developer contributions and grants that have been earmarked specifically to deliver the capital programme.

In addition to over £40.5 million of usable reserves, the Council also carries a number of provisions in its balance sheet, amounting to approximately £33.5 million. Under International Accounting Standard 37, a provision is defined as: *“a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation.”* These have been summarised below:

Table 14: Summary of Movement in Provisions

Type of Provision	Opening Balance 01/04/2018	Movement in Provision	Closing Balance 31/03/2019
	£	£	£
Provisions for Bad Debt	18,080,672	(432,822)	17,647,850
Provision for Non-Domestic Rates Appeals	7,039,000	5,990,000	13,029,000
Insurance Provision	2,381,000	(342,000)	2,039,000
Other Miscellaneous Provisions	635,000	200,000	835,000
	28,135,672	5,415,178	33,550,850

In his report to Audit Committee on 29 July 2019, the external auditor reported that: *“We are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.”* He did however recognise that: *“Your levels of general fund and earmarked reserves are below the average when compared to other Kent authorities.”*

Referring to Medway Council’s financial sustainability he also observed that: *“Overall, the achievement of your in year financial targets was as a result of a number of key factors, including income receipts being greater than planned. You recognise some of the factors were non-recurrent and reliance on these is not sustainable in the short to medium term. Demand for Adult and Children services are likely to continue their upward trajectory and as such, continue to place an element of risk to your plans should similar levels of overspends arise.”*

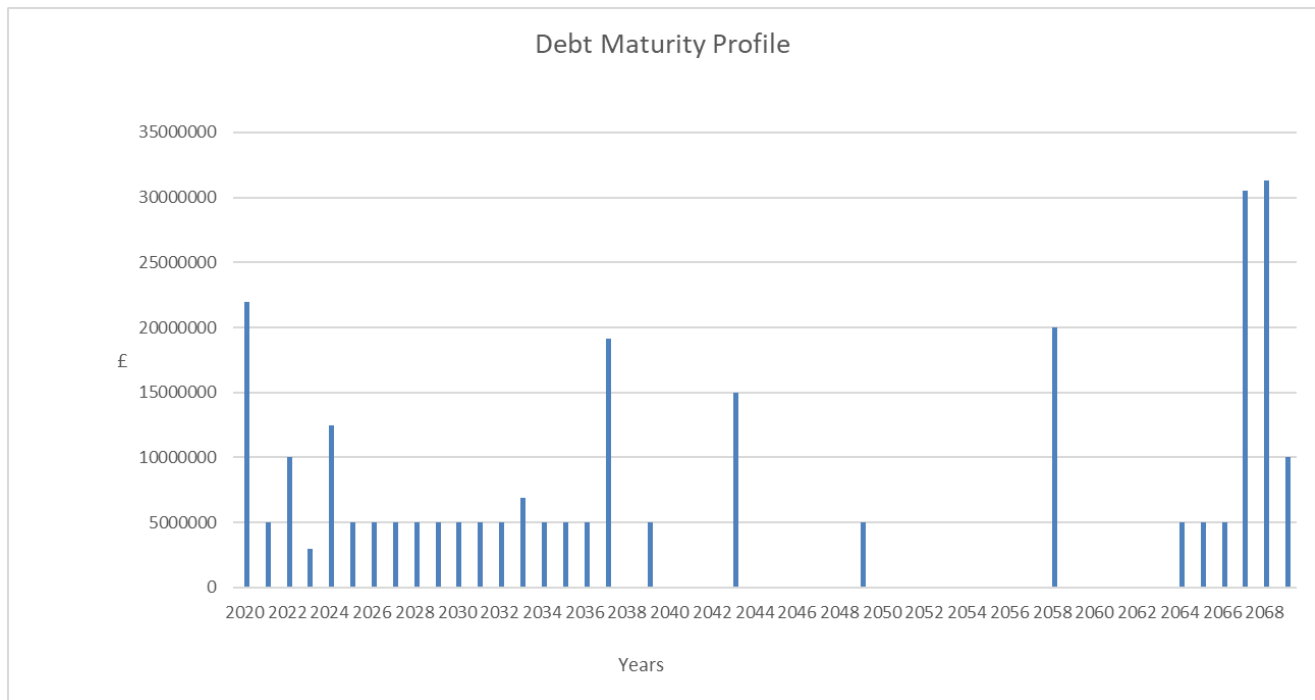
The Chartered Institute of Public Finance and Accountancy (CIPFA) has now introduced its ‘Financial Resilience Index’ and Medway is at the lower end of the spectrum in terms of revenue reserves. It must therefore remain an objective of our financial planning to protect and indeed rebuild general reserve balances to provide cover against continued austerity and significant unforeseen events and to demonstrate that the Council is financially resilient. This includes making adequate provision for future liabilities including the preservation and maintenance of its capital assets and the future replacement of plant and equipment. However this must be balanced against the considerable revenue pressure set out elsewhere in this strategy.

Interest and financing

With gross revenue expenditure of over £500 million per annum and a current capital programme worth almost £300 million, 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 £250 million of long and short term borrowing on its balance sheet and interest costs of around £9.5 million per annum. In recent years, the Council has taken advantage of low interest rates but as set out in the Treasury Management Strategy, some of this has been refinanced over longer periods to balance the debt maturity profile and protect against future interest rate rises. As at 31 March 2019, short term borrowing was reduced to £42 million from £69 million at year-end 2018. Most of the current longer term debt does not mature for almost fifty years.

Table 15: Debt maturity profile

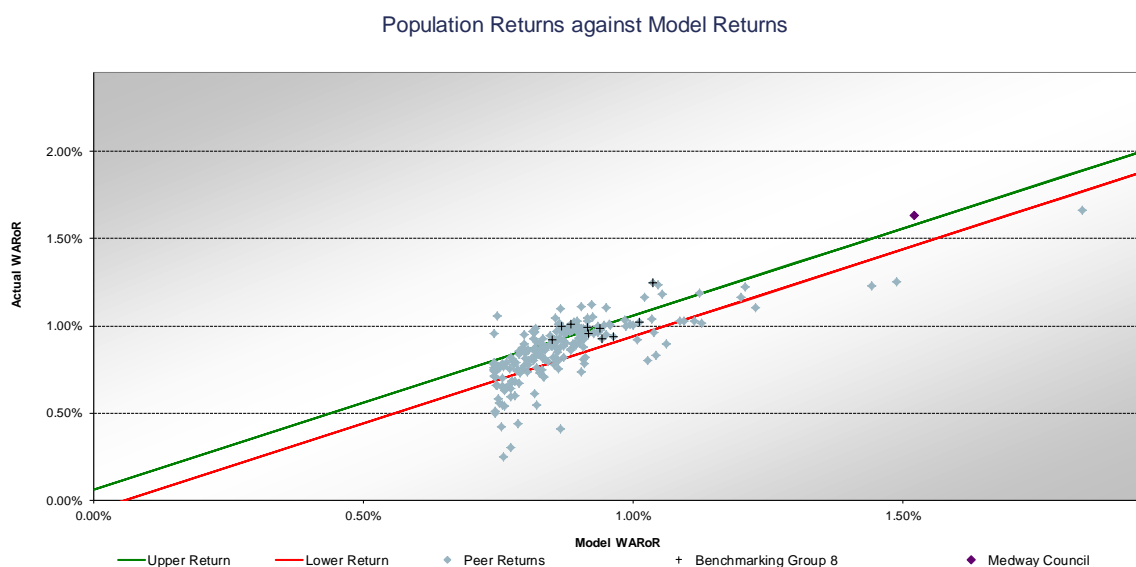


In addition to the borrowing shown above the Council also contributes to the repayment of a proportion of debt held by Kent County Council at the date of Medway's formation. Medway's proportion of this debt at 31 March 2019 was £33.7 million and repayments of principal and interest are running at about £2.9 million 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 16 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 £1.0 million per year.

The Capital Strategy refers to the £20 million that Council allocated to invest directly in property for commercial gain. To date, £6.8 million has been invested on the Bobby's Foods Distribution Portfolio, yielding total annual income of £442,700 per annum, against annual borrowing costs of just £255,400.

Table 16: Comparative Investment Returns

Our people

We currently employ 1,853 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 is likely to be reduced 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 MTFS 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 MTFS assumes the impact of the National Living Wage rates. The Office for Budget Responsibility is forecasting that the National Living Wage for Over 25s will increase to £8.75 per hour in April 2020 (an increase of 6.57% on the existing rate), this is equivalent to a 1 FTE salary of £16,835 per annum. Applying this increase will further erode the MedPay Range 2 span by £1,042 (MedPay Range 1 was completely eroded as a consequence of last year's increase to NLW).

Table 17: Impact of pay award and National Living Wage increases

	Number of FTE staff	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Children and Adults Services (including Public Health)	798	0.199	0.201	0.203	0.205
Regeneration, Culture, Environment and Transformation	874	0.381	0.385	0.389	0.392
Business Support	209	0.101	0.102	0.103	0.104
Total	1,881	0.680	0.687	0.694	0.701

Table 18: Medway staff in each pay range

Range	R1	R2	R3	R4	R5	R6	R7	Service Mgr +	Social Worker	Other t&cs
Number of Full Time Equivalent (FTE)	43	282	495	285	123	152	82	44	216	131

The Government announced in July 2019 that they were consulting with the public sector on a 2.75% increase to NJC pay ranges and allowances. This will impact our teaching cohort of staff, and some non-teaching staff who may have been transferred under TUPE regulations into the Council on historic NJC terms and conditions of employment.

All Medway Council staff are eligible to enter the Local Government Pension Scheme, administered by the Kent Pension Fund. In 2015 pension changes made by the government meant that some younger civil service staff and firefighters were moved from a defined benefit pension scheme to another one, which the Unions claimed was worse. In 2018 the Supreme Court ruled that the change was unlawful on the grounds of age discrimination. It is likely the contribution Medway Council makes to the scheme to meet the pension liabilities of our staff will increase as a result, and this MTFs estimates the impact as £650,000.

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.

Of our 1,853 FTE cohort of staff, 1,725 FTE are engaged on MedPay terms and conditions with the remainder working under other contractual terms such as Soulbury and NHS Agenda for Change.

Our property

Medway Council provides services from 340 operational buildings and a further 581 operational sites, including 65 car parks and 425 parks and greenspaces, 33 shops and business centres, four major regeneration sites, three civic amenity Sites, 13 cemeteries and a crematorium. The Council's Property Strategy, and arrangements for maintaining our operational buildings are set out in the Capital Strategy and ideally would require revenue expenditure of over £1.8 million per annum. Through previous iterations of the MTFs we have increased the operational budget for repairs and maintenance and continue to do so, projecting we will add £250,000 each year to 2023/24.

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

We are committed to transforming the way we provide services, the way we operate and the way we interact with residents. We will take advantage of the opportunities provided by digital technology 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 provide support, including education and access to technology, for those who can't go online at the moment.

Our Transformation Programme

Over the three years of the Council's Transformation Programme, substantial revenue savings have been delivered for the capital investment of £6 million, with the revenue budget reduced by £430,000 in 2016/17, £1.57 million in 2017/18, and £5 million in 2018/19. The Transformation Programme was managed by a temporary team of staff working closely with existing Council departments. Having delivered on its core objective, the Transformation Programme was formally closed on 31 March 2019.

In addition to financial savings, the transformation programme laid the groundwork to achieve the vision that *"The journey to a smart Medway will transform the Council's processes to make it quicker and easier for customers to access our services online, to suit their lifestyles and expectations, while delivering value for money."*

Business Change Team

To ensure the new capabilities delivered by the Transformation Programme are transitioned into business as usual a Business Change Team has been created. This team is working closely with Council services to ensure that transformational thinking becomes part of the day-to-day work to support the journey to a smart Medway, and to deliver the savings required to ensure the Council can deliver a balanced budget year on year without recourse to reserves. The Business Change Team function is a team of specialists in key business change areas to provide the "engine for change" for the Council and focus on two key areas:

- Delivering The Capability: managing projects and developing systems to deliver new capabilities, mapping, understanding and redesigning processes and introducing new digital and ICT solutions where appropriate.
- Realising The Benefits: identifying potential benefits and opportunities for new capabilities to be delivered, ensuring they are implemented, and fully embedded, to realise measurable benefits and savings to the Council.

Our Information and Communications Technology (ICT) Strategy

Medway ICT has recently undergone a full service review, which has resulted in a new management team and staffing structure, which has delivered a saving of £420,000 in 2019/20. The future ICT requirements within Medway have been reviewed as part of this process and the investment requires is detailed in the Council's Capital Strategy. Projected inflationary uplifts and expansions to existing ICT contracts to ensure the continued transformation and digitalisation of Council services will require an increase of around £200,000 for 2020/21 and a further £100,000 in the following years.

Innovation in social care delivery

Medway has introduced mobile working and provides all Social Workers with a laptop that provides them with access to the same suite of tools out in the field that they have in the office. This provides our teams with a greater level of flexibility, for example, hours of work can be more flexible, workers can input directly to case management records in the client's home or in a library for example. They can move from one

location to another rather than having to return to the office to input information into IT systems or collect paperwork.

Medway will be piloting the use of electric vehicles for Social Workers. The use of an electric fleet will support us in our recruitment of Social Workers by enabling and encouraging people who live outside Medway to commute by public transport and then take advantage of the electric vehicles to carry out their visits. This will also support Medway's climate change and air quality programmes.

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.

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 and in 2019, a new shared management arrangement has been established for the Revenues and Benefits Teams of both authorities. During 2018/19 Gravesham have taken the lead in hosting a shared Licencing Service for Medway. Medway Council will continue to explore opportunities to share services where this benefits our residents, and opportunities are being explored with the other Greater North Kent Councils; Gravesham, Dartford, Maidstone and Swale.

Medway Development Company

Medway Council is making considerable investments into its urban spaces and the development of new housing is an integral part of this process. With Medway becoming increasingly attractive, the Council as a significant land holder can play an important role in helping to alleviate this pressure. New homes also reinforce economic growth for local businesses and good quality housing can revitalise areas. Subsequently Medway Council has created Medway Development Company Ltd to bring forward housing sites. Having a directly owned company gives Medway Council the ability to control how new developments are delivered and relate to the regeneration initiatives that are being driven forward but also to maximise its financial returns by delivering the schemes directly. Since the company commenced its operations in 2018 it has obtained planning approval for 354 homes and the early sites (Chatham Waterfront, Whiffens Avenue, White Road and Brittan Farm) will commence later this year.

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 and deliver CCTV, telecare, community alarms and out-of-hours services, with a view to trading externally and growing the business such that it could eventually return an income back to the Council. Following early success in reducing the cost of those services to the Council, Schools Traded Services (Energy, Health and Safety Cleaning, Catering and Waste Management Compliance), and Temporary, Contract and Interim staffing were also transferred to the company.

MCG recorded a loss in 2017/18 and following a review of the company and its trading, the governance and board structure of MCG were brought into line with the Council's Housing Company, MDC along with strengthened monitoring and reporting arrangements. The company is making efficiencies, is projecting improved financial performance, and is now working closely with other organisations including MDC to explore the business cases for potential future work.

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. From October 2019, Medway Norse will be responsible for the Council's Waste Collection and Street Cleansing Contracts.

The Medway Norse 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, and
- Increase employment opportunities for local people.

Like all significant employers Medway Norse faces a number of challenges including inflationary pressures and increases in the national living wage, however the generation of additional business and delivery of cost saving measures means the JV continues to be profitable. Under the terms of the joint venture agreement, Medway Council receives 50% of any profit received and has budgeted to receive £263,000 in 2019/20. The Medway Norse Business Plan outlines projections of improved financial performance over the period of this MTF, with Medway's share projected to increase to £288,500 in 2020/21, £363,000 in 2021/22 and £410,000 in 2022/23. These Business Plan projections include the transfer of the Council's Waste Collection and Street Cleansing contact, however at this stage no assumptions are made about further efficiencies over the medium term.

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 2023/24

Directorate	2019/20 Quarter 1 Budget £m	2020/21 Forecast Requirement £m	2021/22 Forecast Requirement £m	2022/23 Forecast Requirement £m	2023/24 Forecast Requirement £m
Children and Adult Services (including Public Health): General Fund	124.444	135.025	140.464	145.567	150.804
Children and Adult Services: Dedicated Schools Grant	89.689	100.681	113.841	125.434	125.386
Regeneration, Culture, Environment and Transformation	57.452	63.461	64.926	66.163	66.857
Business Support	11.462	12.211	12.813	13.415	14.019
Interest and Financing	13.756	13.756	13.756	13.756	13.756
Levies	1.455	1.518	1.581	1.643	1.706
Medway NORSE	(0.263)	(0.289)	(0.363)	(0.410)	(0.410)
Budget Requirement	297.995	326.364	347.018	365.569	372.118
Council Tax	(119.651)	(126.770)	(130.980)	(134.942)	(138.735)
Retained Business Rates	(47.352)	(46.091)	(47.025)	(48.263)	(49.532)
Baseline Need Funding	(12.667)	(15.553)	(9.863)	(10.058)	(10.257)
New Homes Bonus	(1.978)	(0.715)	(0.690)	(0.439)	(0.439)
Education Related Grants	(90.788)	(100.600)	(112.804)	(124.819)	(124.771)
Adult Social Related Grants	(8.797)	(13.077)	(13.201)	(13.328)	(13.458)
Public Health Grant	(16.762)	(17.600)	(17.600)	(17.600)	(17.600)
Use of Reserves	0.000	0.000	0.000	0.000	0.000
Estimated Available Funding	(297.995)	(320.407)	(332.163)	(349.449)	(354.792)
Budget Gap - General Fund	0.000	5.956	14.855	16.119	17.327

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 20 February 2020, these plans will be formulated and consulted upon and the figures refined in order to produce a balanced budget and capital programme for 2020/21 and beyond.