

Contents

Introduction from the Leader of Medway Council, Cllr Alan Jarrett	1
Introduction from the Chief Finance Officer, Phil Watts	3
Covid-19 and our planning assumptions: Epidemiological view of the COVID-19 epidemic in Medway.....	5
Epidemiology and uncertainty	5
Frequency and regularity of spikes and outbreaks.....	5
Modelled scenarios.....	6
Most likely scenario	6
Reasonable worst-case scenario.....	7
Reasonable best-case scenario	8
Nature and duration of lockdowns.....	8
Vaccine.....	8
Overall interpretation for planning.....	9
Medway's economy.....	10
Summary	10
Before the crisis:	10
During the crisis:	11
Medway's economy 2020 and beyond.....	11
Sector impacts.....	12
BREXIT	12
Retention of existing employment	13
Job losses and vulnerability	13
Future unemployment outlook.....	14
Conclusion.....	15
Health and Social Care	16
Pressures impacting Adult Social Care.....	16
The future of Health and Social Care in Medway	17
Our financial projections.....	17
Children & Young People	18
Our Improvement Journey.....	18
Covid-19 Impact on Children's Services delivery	18
Special Educational Needs and Disabilities (SEND).....	19
Our financial projections.....	20
Voluntary & Community Sector	21
Financial impact of Covid-19 on the Voluntary and Community Sector.....	21
Medway Community Lottery	22

Delivering infrastructure	23
Regeneration and growth	23
Delivering Housing – Medway Development Company (MDC)	23
Transport and Highways	24
Parking	24
Regulatory Services	24
Waste Services	25
Greenspaces	25
Climate change	25
Back to Better	26
Medway Council’s Covid-19 Recovery Plan	26
Business Change	27
Capital Investment	27
Investment in ICT	27
Our people	28
Property Rationalisation	29
Medium Term Financial Projections 2020 - 2023	30
Our Financial Sustainability and Resilience	31
Government Funding	31
Income from Local Taxation	32
Business rates	32
Council Tax	33
Risk: The Ongoing Financial Impact of Covid-19	34
Social Care	34
Adult Social Care	34
Children’s Services	34
Education	35
Collection Fund	35
Income from sales, fees and charges	35
Our Reserves Strategy	36

Introduction from the Leader of Medway Council, Cllr Alan Jarrett



The last six months or so has been a challenging time for all of us, however as we come out of the national lockdown, and with the country adapting to social distancing and other control measures as the 'new normal', Medway Council is keen to get back to business as usual. We remain as ambitious for Medway as we have ever been and this most recent experience has seen a coming together of all our communities in Medway, people working together and supporting each other through this challenging time. We want to return to focussing on our journey to improve the quality of care for Medway's looked after children and on delivering our ambition to regenerate Medway and put it on the map as one of the best places to live, work, learn and visit in the South East. We have more work ahead from our ongoing response to Covid-19, to establishing Medway as a child-focused city and our ambition to bid for UK City of Culture 2025.

The annual refresh of the Medway Council's Medium Term Financial Strategy (MTFS) is a key element in planning that recovery. Under normal circumstances it would complement the Council Plan and set out our financial strategy for the next five years, however the Covid-19 pandemic has generated such uncertainty over the way we will all live our lives over the next few years, the impact on the economy and the financial landscape for public services, that even Nostradamus would struggle to predict the future. That's why this refresh of the MTFS sensibly focusses on the shorter term and we have attempted to articulate the financial challenge, as we see it, over the next two years.

Our priorities, agreed by Medway's elected members, remain as they were:

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

However, our immediate priority at the present time is ensuring that Medway recovers from the impact of the pandemic, as strong and resilient as its always been. With that in mind and given the uncertainty over future finances, our latest refresh of the Medium Term Financial Strategy focusses on a much shorter planning horizon and presents our projections for the next two financial years.

We continue to be committed to supporting Medway's children and families, and providing young people with opportunities. We are committed to ensuring every child is given the support they need to thrive, be healthy and learn well throughout their childhood.

The council has invested heavily in providing more school places and has also set out plans to offer more choice on school places for children with special educational needs and disabilities (SEND). Medway also benefits from excellent higher education opportunities and the council is supportive of work to boost Medway's skilled workforce.

We also recognise the importance of supporting Medway's 14,000 businesses and helping our economy continue to grow. We are investing heavily in our town centres to ensure they continue to thrive and that we build a sustainable future for Medway. We also continue to push forward with our plans for the development of Innovation Park Medway to open up further economic and job opportunities, as well as continue to support Medway Development Company with its projects in Chatham and Gillingham creating new homes, as well as more opportunities for Medway's residents and businesses.

High streets up and down the country have been hit hard, however following the acquisition of the Pentagon Shopping Centre last year, we have ambitious plans for the regeneration of Chatham town centre and the pandemic will not stop us from pressing on with this work.

As a unitary authority, the Council provides all local authority services in Medway, and continues to invest in roads and other infrastructure, including the maintenance of Medway Tunnel. We have also invested in miles of on and off-road cycling paths and have shown our commitment to protecting Medway's beautiful green spaces. We are also taking seriously our responsibility to help tackle concerns around climate change.

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.

Introduction from the Chief Finance Officer, Phil Watts



On 12 March 2020, the World Health Organisation advised that Covid-19 had become a Global Pandemic. In response the Local Resilience Forum (Kent Resilience Forum) put in place a Strategic Coordination Group (SCG) which declared Covid-19 a Major Incident on 24 March 2020. Medway Council activated its emergency procedures and working alongside our partners across the public and private sector, voluntary and community groups and the Medway community at large, entered into a monumental response effort to support vulnerable residents and businesses through the crisis.

The pandemic put the spotlight on local government to respond and support residents in many different ways. Both elected Members and the senior leadership team are very proud of the way our staff at Medway Council stepped up to the mark, with many teams working on the frontline and others redeploying to step into vital roles to support colleagues and residents. Our responsiveness, innovative thinking and committed professionalism has enabled us to continue to provide as many services to local people during this time as well as creating new platforms for helping people. Council teams worked even closer together to support each other and the strength of our partnership working has deepened as we have worked as one to respond to the pandemic.

The Covid-19 pandemic has created a perfect storm for local authority finances, simultaneously increasing spending requirements and reducing income. Personal protective equipment (PPE) and social distancing requirements are increasing the unit costs of some services including Adult Social Care. We have new responsibilities including housing rough sleepers, supporting those shielding and work on the test, track and trace activity to control any local outbreaks. The wider economic effects of the crisis are reducing local authority income streams as some residents and businesses struggle to pay bills for local taxes and rents, and dramatically reducing our income from parking and leisure facilities.

Clearly the ongoing response to, and recovery from the pandemic will have significant implications for the assumptions underpinning this Medium Term Financial Strategy, and so we present here our best estimates of the likely impact of the pandemic on Medway's economy over the next couple of years. We have attempted to predict future prospects for businesses in Medway and the impact on employment for local people. This in turn drives our assumptions around the future demand for statutory services (social care, housing and welfare benefits), the impact on income from fees and charges and the risks to our council tax base and business rates income.

At the beginning of the national response to the emerging Covid-19 pandemic in the UK, on 16 March the Communities Secretary Robert Jenrick assured Local Government Leaders that: *"This government stands with local councils at this difficult time. Everyone needs to play their part to help the most vulnerable in society and support their local economy. The Government will do whatever is necessary to support these efforts."* Since then, the Government has announced a wide range of financial support packages for individuals, businesses and public sector bodies leading the response, including emergency funding for councils for 2020/21. The level of funding provided across the sector has addressed the immediate issues faced by local authorities, and without it the sector as a whole could not have withstood the pressures faced in year. At this stage, the level of support local authorities can expect from the Government for 2021/22 and beyond, to address the continued impacts of Covid-19, is not yet clear. In July 2020 the Chancellor launched the 2020 Comprehensive Spending Review (CSR), which was scheduled to be published in the autumn, setting out individual government departments' resource budgets for 2021/22 to 2023/24. The Chancellor had stated that this CSR will prioritise strengthening the UK's economic recovery from Covid-19 by prioritising jobs and skills, levelling up economic opportunity and improving outcomes in public services. He had not fixed a set spending envelope, but he confirmed that departmental spending would grow in real terms across the CSR period. However in October it was

confirmed that the Chancellor would be making a one year spending announcement in the last two weeks of November 2020. We continue to lobby the Government to fund the anticipated pressures faced by local authorities, both in the immediate and longer term.

The Council is producing a new two-year Council Plan for 2021/22 to 2022/23, enabling a focus on those priorities and actions that are critical to our residents and businesses during the ongoing crisis, while leading a focussed recovery with services returning 'back to better' rather than simply returning as before. This MTFS broadly aligns with the Council's Recovery Strategy, with sections outlining the key aims and challenges identified by each of our strategic areas of focus for our recovery:

- Medway's Economy
- Delivering Infrastructure
- Health and Social Care
- Children and Young People
- Voluntary and Community Sector
- Financial Sustainability

To align with that new Council Plan this refresh of the MTFS will make projections over a two year timeframe, rather than the usual four years. We have prepared this MTFS on the assumption that the government will continue to honour its pledge to support local authorities through the exceptional circumstances generated by the Covi-19 crisis. We will however identify the risks of the pandemic on the Council's funding, income and expenditure in this document and the extent to which they would impact on our budgets should the support from the government be inadequate.

Covid-19 and our planning assumptions: Epidemiological view of the COVID-19 epidemic in Medway

Our Public Health colleagues have been at the fore of our response to Covid-19 and we are blessed with world-class epidemiologists. They have been working hard to understand the impact of the virus nationally and in Medway and what this might mean in terms of the Government's response. Our assumptions about the economy and the Council's finances have to be formulated in the context of how we believe the Covid-19 epidemic in Medway is likely to develop over the medium term. This section seeks to provide that context.

Epidemiology and uncertainty

It became clear when we developed the first models, very early in the epidemic, that small changes in key parameter values result in large changes in the trajectory of the epidemic. One of the key parameters is the measure of effectiveness of social distancing, i.e. how well the population adheres to social distancing measures. This is hard to measure and it is difficult to estimate how it may change when national or local policy changes.

There are also other factors that introduce an unknown amount of uncertainty, for example the effect of temperature and the weather. Nationally we have seen relatively low levels of infection in most parts of the country through the summer period and we expect that rates will rise in the autumn and winter, but are not able to quantify the effect of ambient temperatures and weather at this stage.

Even though there is much uncertainty regarding specific values used in the epidemiological model, we can interpret the broad shape of the epidemic, how key elements interact and say something about the implications of these interactions. The early phase of the epidemic showed how the number of cases rises very rapidly if the epidemic is left unchecked, and how the imposition of the national lockdown rapidly led to a fall in infections. Subsequent outbreaks in some parts of the country have shown that infection rates in local authority areas rise rapidly from national average levels to relatively high levels requiring local action in the space of one to two weeks.

Medway and districts in Kent currently have rates of infection that are below the national average.

Frequency and regularity of spikes and outbreaks

There are likely to be localised outbreaks in specific settings, such as certain workplaces or perhaps schools, and the Medway public health team will work with the Public Health England (PHE) health protection team to respond to these outbreaks. Response plans have been developed and tested. Depending on the scale of these outbreaks specific locations may need to be shut down in these circumstances, e.g. if a large number of pupils or staff in a school, or large numbers of workers in a factory, test positive. It is not possible to say at this stage how many of these outbreaks are likely to occur, where they will occur or how often they will happen.

As noted above large scale outbreaks in a local authority area requiring broader local action, e.g. a local lockdown, tend to happen very rapidly. Once the local lockdown measures have been put in place, if they are effective, infection rates also tend to fall rapidly. To be sure that rates have truly fallen to acceptable levels at least one clear week is needed after rates have falling to normal levels. Therefore, the duration of a local lockdown, assuming the lockdown measures are effective, is likely to be around six weeks.

The frequency and regularity of spikes caused by broader outbreaks like this are hard to predict, however, as shown in the scenarios in the next section, we may see periods of six weeks of local lockdown followed by four to six weeks without local lockdown, repeating in cycles.

Modelled scenarios

Both the Medway public health team and the Kent public health team have been working with NHS colleagues and consultants from the Whole System Partnership (WSP) to model the epidemic using an approach called system dynamics. A key element of this approach is that it incorporates the inter-relationships between different factors, and feedback loops¹.

As noted above, the model is very sensitive to changes in key parameter values and it is possible to create a wide range of possible scenarios by choosing different values. We have settled on three scenarios, and are regularly checking the model assumptions against reality to see which set of trajectories we are following.

The models below are for Kent and Medway combined, and with the current level of uncertainty around the parameter values this is a reasonable approach for developing our understanding of the possible trajectories in Medway.

Most likely scenario

In the most likely scenario (Figure 1) the number of positive cases rises slowly through September and October. Left unchecked the numbers will rise to more than double what we saw in April, with about 40 new cases per day in Medway at the peak period, around 280 per week, but this is unlikely to be allowed to happen, and we are likely to implement measures to reduce transmission, such as some form of local lockdown. It is likely under this scenario that we will need to implement such measures by November which would reduce the number of new cases on average to around three per day. It is likely that there would be variation around this number and the public health team will monitor the trajectory (as it is now) to ensure that the overall trend is not rising.

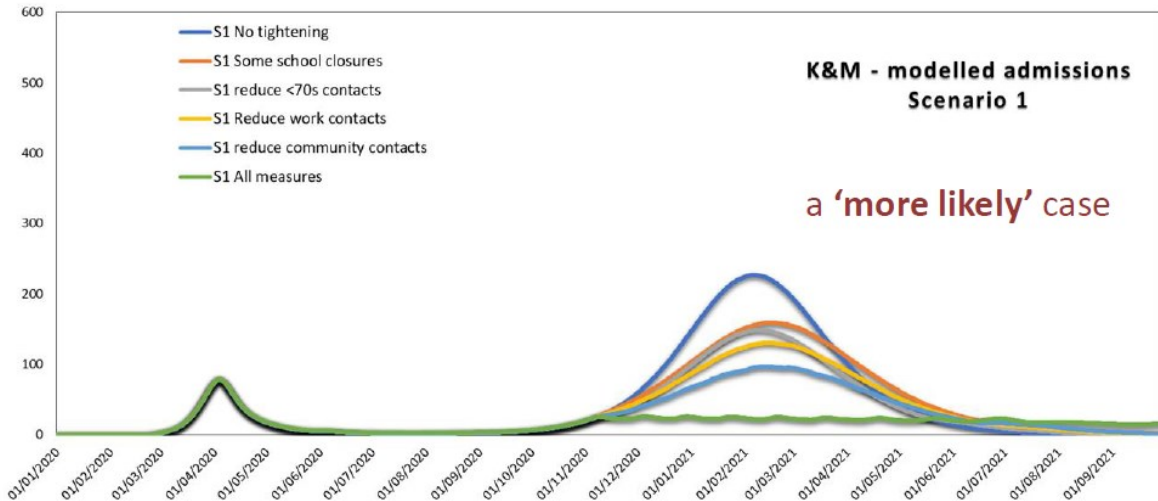
In this scenario we may need repeated implementation and relaxation of measures to keep numbers down (green line), with periods of around four to six weeks duration.

This will create a “long-tail” that will see measures needed until at least July 2021, possibly on to September 2021 and beyond.

In the unlikely event that the epidemic is allowed to run without interventions, the number of cases will fall to manageable levels by around mid-May 2021 through the exhaustion of numbers of susceptible people.

¹ For example, the number of people infected in a given day is dependent on the number of people who are susceptible, which in turn is dependent on the number of people who have previously been infected, and so on. The model contains a number of these feedback loops. The model also handles different age and risk groups separately.

Figure 1: Most likely scenario for Kent and Medway



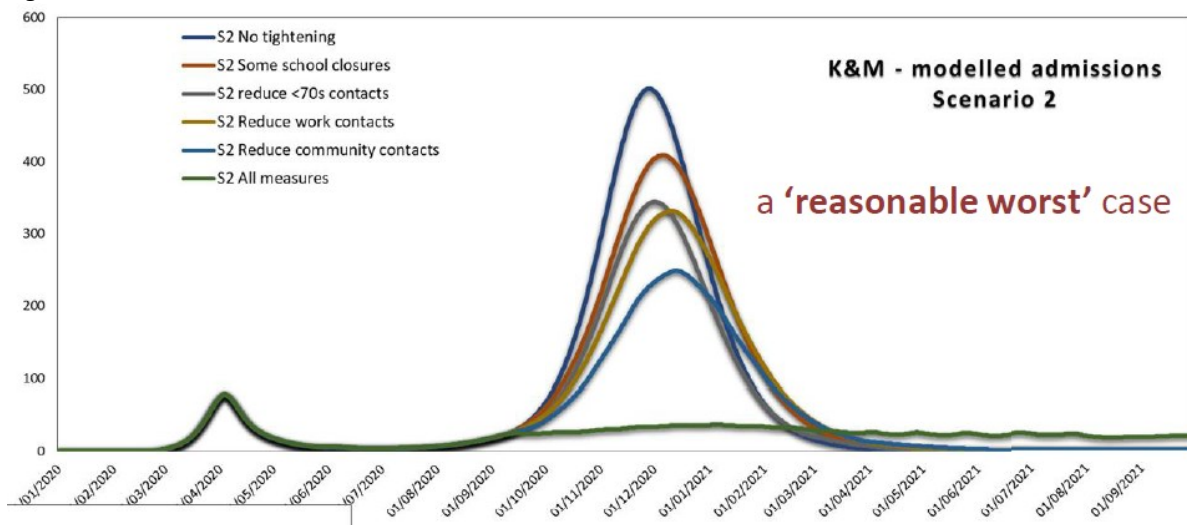
Reasonable worst-case scenario

In this scenario the effect of social distancing is weaker than in the most likely scenario. Again, the numbers would rise in September and October (Figure 2), but in this scenario the rise is more rapid and the peak is much higher. Measures to prevent a peak of this size, e.g. local lockdown, would be needed by late September or early October.

If left unchecked the peak would be perhaps five times that seen in April, and this would overwhelm the NHS, with around 80 new cases per day in Medway. The epidemic would, however, become self-limiting at manageable levels by March 2021.

It is unlikely that coronavirus would be allowed to spread to these levels and again repeated implementation and relaxation of measures could keep the numbers under control, with the epidemic continuing until beyond September 2021. This would potentially mean alternating periods of six weeks of lockdown and release for at least a year, again with an average of three new cases per day, although a hot summer in 2021 may contribute to lower rates of transmission and longer periods without lockdown.

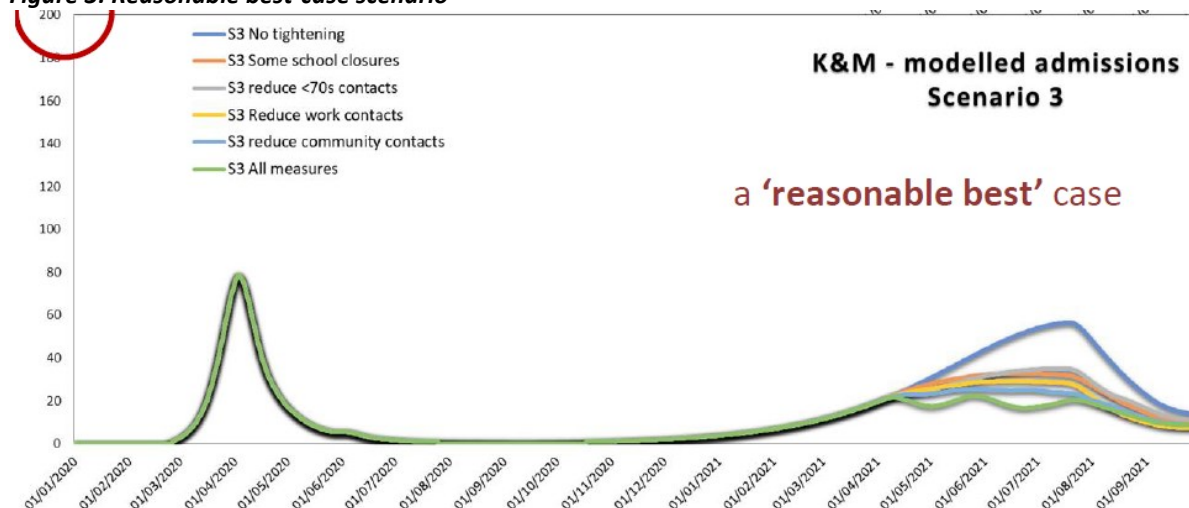
Figure 2: Reasonable worst-case scenario



Reasonable best-case scenario

If social distancing, and the wearing of masks etc. is more effective than in the most likely scenario we may see a much slower, longer rise and the number of cases may not exceed what we saw in April, with around 10 new cases per day across Medway. This could push a second wave to the middle of next year, with some form of lockdown in the summer months, unless the summer weather also reduces transmission. Again, lockdown measures may be introduced to keep the number of new cases to around three per day on average.

Figure 3: Reasonable best-case scenario



Nature and duration of lockdowns

The idea of repeated relatively short lockdowns was the expected response in the first phase of the epidemic to keep the number of cases low enough to avoid overwhelming the NHS. Instead we had a much longer period of lockdown with a gradual release. We have not modelled this scenario for the second phase, but it is a possibility that we also need to consider. A BBC report² of a leaked government document suggests just this, with a lockdown starting in November and possibly continuing until March 2021. This would help to deal with winter pressures and push subsequent waves through to the period where we should have warmer weather and less transmission, but it would also be harder on businesses and school children to close for this long.

At the moment local lockdowns are being used to manage local increases in cases, however, we don't know to what extent local areas will be able to control their own lockdowns in autumn and winter, especially if the number of cases rises across the country. It is not clear, therefore, whether we in Medway would be able to choose between a series of short local lockdowns or a long one.

Vaccine

Several vaccines are in development, both in the UK and globally, and the government has now secured access to three different types of COVID-19 vaccines that are being developed here and around the world. Most experts think a vaccine is likely to become widely available by mid-2021.

However, we have never before been able to create an effective vaccine for any coronavirus that is common in humans, including those responsible for the common cold. It has also been reported recently that reinfection is possible. A patient from Hong Kong has been infected with two different

² <https://www.bbc.co.uk/news/uk-53954492>

strains of coronavirus, proven by genetic sequencing in each case. This suggests that it might be more difficult to create a vaccine that will be universally effective.

Overall interpretation for planning

- In the current most likely scenario the number of people with COVID-19 is likely to rise through September and October and at some point, probably by early November, local or national restrictions will be needed to control the increase.
- With no lockdown the number of new cases will rise to around 40 per day. This would overwhelm Medway hospital.
- The three scenarios show how sensitive the model is to small changes in the values of key parameters. This creates uncertainty in the modelled outcomes. Small changes could push the point at which a local lockdown is needed forward or back by a month or more.
- Experience from other parts of the country has shown that local situations can deteriorate rapidly, within two weeks, and therefore the imposition of lockdown measures is likely to be swift, with no more than a few days warning.
- Two of the three scenarios result in the rise in numbers of cases happening in winter when the health and social care system is normally under pressure. The health and social care system is likely to be under considerable strain in the winter.
- A vaccine is unlikely to be available in time to assist with this autumn and winter.
- The three scenarios are being reviewed and updated regularly. The next important effect will be that of people returning from holidays (who may have been at increased risk of exposure). At the moment it is not possible to quantify this effect, but as we track the data we will start to see indications over the next two weeks, assuming testing capacity is not adversely affected. This may result in changes to the modelled scenarios.
- In terms of the impact on the local economy, the number of new cases per day, even at the peak in the worst-case scenario, is not large compared to the size of the working age population in Medway. If large numbers of cases occur in a single organisation, however, this could result in closure and the loss of income. It is not possible to predict which organisations will be affected in this way.
- The larger impact on the economy will come from any local lockdown, which is likely to affect entire sectors, e.g. closure of pubs and restaurants. It is therefore important to understand the likely dynamics of COVID-19 in Medway as outlined above.
- Our current thinking is that a local lockdown is almost inevitable, and a series of lockdowns and relaxation of measures is highly likely. The next four to eight weeks will be very important in understanding which scenario Medway is following.
- It should be noted that the testing programme is extremely important in understanding how the epidemic is progressing in Medway and the amount of testing capacity will determine how well informed we will be.

Medway's economy

In July 2020, many of the public health restrictions imposed to contain the Covid-19 pandemic have been lifted, and the Government has taken far-reaching action to mitigate the impacts of the economic crisis. However, output has fallen sharply, unemployment has risen, and it is likely that the economic downturn will be severe over the medium term. In this context, the Kent and Medway Economic Partnership is developing an Economic Renewal and Resilience Plan, setting out the actions that must be taken over the next 12-18 months to support jobs, businesses and a sustainable path to economic growth.

Using the latest available national and local data to August 2020, we have assessed the likely economic impacts of the crisis on Medway and the resultant likely impact on the Council's finances. It is important to note that the speed of the crisis means that the evidence of impact is changing rapidly. 'Conventional' economic data is also of limited use, given the time lag within many datasets. We have drawn on a range of sources, both official and unofficial, to provide a 'best estimate' of the economic impacts on Medway.

Summary

Output fell sharply from the start of lockdown. Between March and May, the national economy shrank by about 20%. For Medway accommodation and food service activities, wholesale and retail trade, repair of motor vehicles and motorcycles, arts, entertainment and recreation and construction were the worst hit.

Since then, there has been some recovery as restrictions have eased. But over the course of 2020, the economy nationally is still likely to shrink by 11-14%. Medway's economy is currently worth £5.6billion (2018). A contraction of our economy at this rate would be a reduction between £613million and £780million.

Unemployment has risen rapidly, with the Universal Credit claimant count across Medway increasing by around 6,254 (108%) between March and July. However, potential unemployment has been mitigated by Government's schemes, including 'furlough' and the self-employed income support scheme.

The outlook even in the short term is uncertain and will depend on the prevention of further outbreaks of Covid-19, changes to government support schemes, and the way in which the crisis evolves in the UK's trading partners.

Building on recent analysis by the Office for Budget Responsibility in July 2020, three scenarios for the medium term have been applied to all Medway's sectors and unemployment. All of these scenarios anticipate a very sharp downturn in 2020, although the depth and length of the downturn varies.

Before the crisis:

- In terms of output, Medway's GVA was growing steadily, in line with the UK picture, following a relatively slow recovery from the recession at the start of the last decade.
- Average national forecasts in February anticipated modest GDP growth of 1.2% in 2020, rising to 1.4% in 2021.
- Medway unemployment was at 4.1% of the workforce (slightly above the national average 3.9%). Claimant count levels rose in the first months of 2020, although this was linked to the rollout of Universal Credit.
- Medway business stock had grown steadily over the past decade – by 37% between 2010 and 2019. Recent survival rates in Medway have also been slightly better than the national average.
- In terms of productivity, for each filled job, the Medway economy generated £52,333 GVA.

During the crisis:

- The Office for National Statistics reported that the UK's GDP fell by 20.4% in the three months to June.
- All sectors experienced contraction, with the exception of public administration and defence. Unsurprisingly, the output loss was greatest in those sectors that largely 'shut down', with an 87% contraction in hospitality and food service activities nationally.
- No GDP estimates exist below national level. However, applying the estimated national change to Medway economy suggests a total loss in the first quarter of approximately £300million (or 20% of GVA) – slightly greater than the UK average).
- It should be noted that the ONS's estimates are subject to revision, especially given the substantial changes associated with the pandemic. Local analysis should also be seen as indicative.
- The greatest fall in output took place in April, when restrictions on activity were most severe.
- Across the UK, June saw a very modest return to growth of 8.7% across the economy as a whole. This has been driven by further relaxation of restrictions and growth in consumer spending, construction (mainly housing) and manufacturing activity, and a lesser extent some return of retail demand (especially driven by record online sales).

Figure 4: Estimated output change, April to June (estimated for Medway, based on UK monthly GDP data). Source: ONS, GDP monthly estimates Q1 and Medway Council Corporate BI Team 2019 estimated GVA.

SECTOR	OUTPUT LOSS %	OUTPUT LOSS (£m)
ACCOMMODATION & FOOD SERVICES	-86.7	-25
CONSTRUCTION	-45.4	-70
EDUCATION	-35	-37
FINANCIAL & INSURANCE SERVICES	-34.4	-18
ADMINISTRATIVE & SUPPORT SERVICES	-30.2	-23
TRANSPORT & STORAGE	-30	-12
INFORMATION & COMMUNICATION	-27.2	-11
PROFESSIONAL, SCIENTIFIC & TECHNICAL	-20.4	-9
MINING, ENERGY & WATER SUPPLY	-20.2	-22
WHOLESALE, RETAIL & MOTOR TRADES	-20	-28
MANUFACTURING	-11.8	-16
OTHER SERVICES	-7.3	-5
AGRICULTURE	-4.8	0
HUMAN HEALTH & SOCIAL WORK	-3.7	-6
REAL ESTATE	-3.2	-7
PUBLIC ADMINISTRATION & DEFENCE	0.4	0
TOTAL LOSS	-20	-289

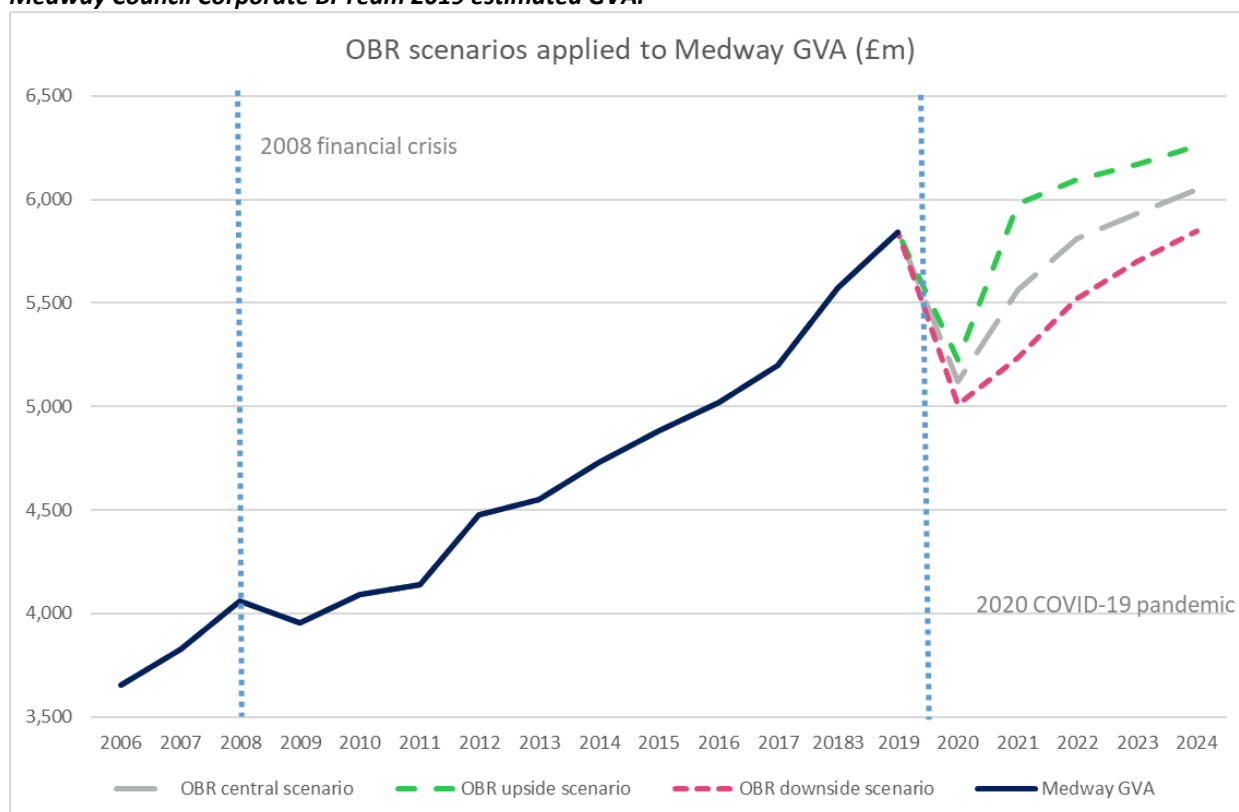
Medway's economy 2020 and beyond

The OBR has prepared a range of national output scenarios. For 2020, the OBR anticipates a sharp contraction, ranging from -11% to -14%. For Medway, this would suggest a negative impact of between £613million and £780million over the course of the year. This is much sharper than the level of output loss following the 2008/09 financial crisis (-2.6% of Medway GVA)

In all scenarios, this is followed by a return to growth in 2021. However, the longer term outlook is uncertain – in the OBR’s most pessimistic scenario, the economy does not return to its 2019 level of output until 2024.

However, the true extent of the contraction (and its impact in Medway) will depend on the impacts on specific sectors, the effectiveness of the Government’s mitigation measures and any further public health restrictions.

Figure 5: Estimated GVA change, 2020 to 2024. Source: ONS GVA, OBR Fiscal Sustainability Report July 2020 and Medway Council Corporate BI Team 2019 estimated GVA.



Sector impacts

The biggest sector contributors to Medway’s GVA in 2018 were real estate activities (15% £819million), human health and social work activities (12% £643million) and construction (10% £571million).

Applying the OBR downside scenario, the Medway sectors that will see the largest estimated value change in GVA for 2020 will be human health and social work (-13% £89.7m), construction (-14% £88million) and wholesale and retail trade (-15% £83.7million).

BREXIT

The Covid-19 pandemic is not the only external factor with the potential to impact on economic output in Medway over the medium term. In particular, the nature of the UK’s trading relationship with the EU after the end of the Brexit transition period is a significant uncertainty.

The OBR’s scenarios beyond 2020 assume that the UK will “move in an orderly fashion to a new trading arrangement with the EU – with the effect broadly consistent with the terms of a conventional free trade agreement”. However, it is possible that the transition period could end in December without a trade agreement being in place, meaning that the UK would revert to trading on World Trade Organisation terms.

In this event, this “would pose downside risks to short-and medium-term growth prospects on top of the economic challenges created by the pandemic”.

Retention of existing employment

The Government has taken action to limit job losses through the Coronavirus Job Retention Scheme (CJRS), which enables employers to furlough staff, with up to 80% of salary costs paid for by the state (tapering down from August). By 31 July, around 35,300 workers in Medway had been furloughed. This accounts for 28% of all eligible employees.

Up to 30 June a further 12,700 people in Medway had also been supported through the Self Employment Income Support Scheme (SEISS) – a taxable grant worth up to 80% of profits and capped at £7,500 (and subsequently extended to a second grant worth up to 70%). A total of £41.1million has been distributed to the Medway self-employed, an average of £3,200 per claim. Currently 15,300 Medway people are registered as self-employed; 8.3% of all those employed between 16-64 years.

Businesses in receipt of small business rate relief could apply for a grant of £10,000 and those in retail, hospitality or leisure could receive a grant of either £10,000 (where rateable value is below £15,000) or £25,000 where RV is above £15,000. Progress to date:

Figure 6: Retail discount & Nursery discount businesses business rates rebate this year

Small business grants	2,217 @ £10,000	£22.170million
Retail, hospitality & leisure grants	275 @ £10,000	£2.750million
Retail, hospitality & leisure grants	451 @ £25,000	£11.275million
Total value of grants		£36.195million

Business Rates discount 2020/21* £34.006million

In May the Government released guidance for the delivery of a Discretionary grant fund for businesses, to be administered by Local Authorities. £1,848,250 was made available to Medway which was based on a percentage of the current Business Rate Grants.

These schemes have probably played an important role in maintaining existing employment. However, there is a significant risk of a rise in unemployment as the furlough scheme concludes in October 2020, the Government Job Retention Scheme ends in January 2021 and other Government initiatives come to an end.

Job losses and vulnerability

Nationally, furloughed jobs are especially concentrated in retail, hospitality, manufacturing and construction and the SEISS scheme has very strong take-up in construction and related trades. This highlights areas of vulnerability as these schemes come to an end.

Further analysis of employment in ‘shutdown’ sectors (hospitality, retail, personal service and leisure) highlights specific distributional vulnerabilities, with employment in these sectors disproportionately female, composed of younger workers and dominated by lower earners: those in the lowest decile of earnings are seven times more likely to work in ‘shutdown’ sectors than those in the highest. So overall, impacts are likely to be greatest on groups with relatively low incomes in the first place.

Evidence from previous recessions suggests that younger workers and new entrants to the labour market are especially at risk of unemployment. Younger workers are also especially vulnerable to longer term ‘scarring’, with periods out of work at the start of their career affecting job and wage prospects in future years.

This has informed the Government’s measures to support employment among younger people, including the Kickstart job guarantee scheme and additional funding to support traineeships and apprenticeships.

In July 2020, there were around 2,590 people aged 18-24 claiming out-of-work benefits in Medway. This represents an increase of 112% since March – higher than Medway’s growth in claimant count overall.

Future unemployment outlook

The key issue in the future labour market outlook is what happens as the CJRS and the SEISS schemes unwind. The OBR assumes that between 10% and 20% of those currently furloughed will move into unemployment when the subsidy ends – so unemployment will continue to rise later in 2020, even as output returns to growth.

- Within the OBR’s three scenarios:
 - In the ‘upside’ scenario, unemployment peaks at 10% in Q3 2020 and quickly falls, returning to pre-crisis levels in 2022
 - In the ‘central’ scenario, unemployment peaks at about 12% at the end of 2020 and is still above pre-crisis levels in 2024
 - In the ‘downside’ scenario, unemployment rises until early 2021, peaking at 13.2%

Figure 7: Estimated unemployment 2020 to 2024. Source: ONS population mid year estimates 2019 16+ population, OBR Fiscal Sustainability Report.

	Scenario period					
	2019	2020	2021	2022	2023	2024
Upside scenario						
Unemployment rate (%)	3.8	7.9	5.6	4.0	4.0	4.1
Unemployment number 16+	5617	11555	8240	5815	5890	6053
Central scenario						
Unemployment rate (%)	3.8	8.8	10.1	6.9	5.9	5.3
Unemployment number 16+	5617	12882	14755	10122	8724	7836
Downside scenario						
Unemployment rate (%)	3.8	9.1	11.6	8.1	6.9	6.3
Unemployment number 16+	5617	13287	17001	11907	10181	9224

The point is that on all scenarios, unemployment rises substantially. This is consistent with previous recessions, in which employment lagged behind output growth, as firms remain cautious about new hiring commitments and workers dislocated from previous activities are hard to absorb into new industries.

Out of work claimant levels took between five and seven years to start to recover after the 1990 and 2008 financial crisis recessions; they did not get back to post recession claimant figures for six to nine years. But the scale of the furlough scheme is unprecedented, and in some industries, demand for labour is likely to remain very limited.

Conclusion

We have initial evidence of the impact to date on Medway's economy, and while the outlook remains uncertain, substantial new analysis has been prepared by Government and independent observers. Following the 'mini-Budget' in July, the OBR published further analysis of the medium-term outlook within its Fiscal Sustainability Report: this set out three quantified scenarios, which we have outlined above as a basis for considering potential impacts on Medway.

The three scenarios should be considered indicative. They are not 'predictions'; rather, they are intended to set out the range of possibilities which should be borne in mind when thinking about the further actions that the UK Government might take to support economic recovery, and the actions that might be considered at a local level.

The three scenarios all assume a sharp downturn in 2020 – and this has already happened. However, there is still uncertainty about the length and severity of recession. Several variables will influence this, most fundamentally the future direction of public health restrictions; the effectiveness of Government action in mitigating the effects of the shock; and the wider international context.

There is probably not much that can be done locally to fundamentally change the nature of each scenario (and each scenario has been developed based on national data). But each will imply local action, whether as 'Government agent', filling the gaps in the national offer, reorienting existing services and priorities to meet changed demand, and planning for longer-term investment.

Health and Social Care

Pressures impacting Adult Social Care

Medway's Joint Health and Wellbeing Strategy sets out that over the next five years, the number of people aged over 65 years will increase by over four thousand (10%) and the number aged over 85 years will increase by 900 (18%). 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. Many older people prefer to stay in their own home for as long as they can and to do so they may need additional support. There have also been increasing numbers of older people who need specialist accommodation that combines support, care and housing provision. This ageing of the population is forecast to result in a substantial increase in costs to the health and social care system. 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.

Medway Council provides support to over 2,700 adult residents with care and support needs, and the Council has ensured that those needs continue to be met during the Covid-19 pandemic, despite Government passing the Care Act Easement legislation, which allowed local government to prioritise the delivery of services to ensure that the most urgent and acute needs continued to be met. We worked closely in partnership with health to implement new arrangements, particularly to support the prompt discharge of residents from hospital. This work ensured that Medway Hospital was well placed to manage any additional pressures resulting from COVID-19.

There are a number of indicators that suggest that there will be a negative impact on both physical and mental health as a result of Covid-19 as screening programmes have been stepped down, health checks have been delayed, many have made negative behaviour and lifestyle changes i.e. diet, exercise, drinking and smoking, and there has been reduced access to services and support for those with mental health issues. Partners have identified that Covid-19 will disproportionately affect different groups within society as well as different areas of Kent and Medway. This will include those already living in poverty, those most financially impacted by Covid-19, black and minority ethnic people, those experiencing domestic abuse, family and informal carers, children and adults with learning disabilities, families with children with special education needs, people with dementia, those already mentally unwell, those experiencing digital poverty, and neighbourhoods which have been at the centre of an outbreak. Health Inequalities already exist across Kent and Medway, with areas of deprivation the most affected. Throughout the pandemic, preventative services have been less accessible and there has been an impact on the physical wellbeing for those already experiencing health inequalities and with less resilience to self-manage - i.e. opportunities to exercise and eat well or work at home. There is also the likelihood of poorer outcomes for those who are obese or smoke.

Changes in demand patterns have significantly affected provision in the private sector, e.g. the reduction in demand in care homes and short break services. At the same time there has been increase in the number of people with complex needs who are supported in the community. This will need to be managed to ensure that the right wrap around support for people is in place. Social care providers in the market are experiencing significant cost pressures including planned increases in the National Living Wage and rising inflationary costs, alongside Covid-19 impacts including the provision of PPE and

enhanced cleaning, while social distancing requirements impact on capacity. Nationwide there continue to be 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.

The future of Health and Social Care in Medway

The NHS, social care and public health in Kent and Medway are working together to develop an Integrated Care System (ICS) that will radically transform the health and wellbeing of people in Kent and Medway, the quality of the care they receive, and the sustainability of the system. Partners across Health and Social Care have worked together in new and focussed, dynamic and effective ways, during the Pandemic. Partners have come together to deliver against a common purpose in responding to Covid-19 which has resulted in improvements in system communication, trust and speed of decision making. We intend to sustain this approach to partnership working and new dynamic infrastructure built to bring partners together to face the challenges ahead. This will enable partners to base their decision making on a collective understanding of demand, activity and pressure and develop a shared demand management model.

The advancement in the use of digital technology has offered improved efficiency across the system and the real potential to increase capacity. Medway Commercial Group are operating to a new business model focussed around the provision of telecare and telehealth and are looking to strengthen relationships with colleagues in the Health and Social Care sector.

Our financial projections

This MTFS reflects our assumptions around both demographic and inflationary pressures affecting Adult Social Care of more than £4million, based on the Directorate's comprehensive needs assessment. The pressures reflected have been reduced by the activity underway and planned as part of our new Adult Social Care Transformation Programme designed to deliver savings of more than £1million. Our action plan includes activity to continue the review of care packages and placements; ensuring they are appropriate for the individual, consider both their well-being and how this is promoted, while offering value for money to the council. We will work to ensure that we are obtaining maximum efficiency from existing contracted arrangements. There will be a renewed focus on enablement, and working with our partners Medway Commercial Group, we will look at new telecare opportunities seeking to maintain people's independence for longer so that wherever possible, they can stay in or return to their own home. In addition, we will review our 'front door' processes to identify how peoples' needs can be met in a variety of ways that supports them to maintain independence.

Our MTFS projections reflect the impact of demographic and price increases not attributable to Covid-19, on the assumption that the government will continue to fund those pressures directly driven by the pandemic as it has during 202/21 to date. The Risk section at the end of this MTFS sets out the forecast impact of Covid-19 on Adult Social Care in 2021/22 and the significant risks to the Council's finances should the Government not honour its commitment to continued financial support for the impact of the pandemic.

Children & Young People

Our Improvement Journey

In August 2019 Ofsted concluded their inspection of Medway's Children's Services with the overall judgement for Medway rated Inadequate and an independent Children's Services Commissioner was appointed by the Secretary of State. In October 2019 an Improvement Plan was developed to address the recommendations made by Ofsted, and an Improvement Board set up, comprising the Leader of the Council and the Lead Member for Children's Services, local authority officers including the Chief Executive, and key partner agency representatives. The Board oversees the progress on the Improvement Plan and provides challenge and support.

In response to the Ofsted findings, a peer review, the observations of the Children's Commissioner and feedback from staff, the Director and new AD agreed that priority needed to be given to the realignment of service as one of the key building blocks to ensure longer term and sustainable improvement. The staffing structure was redesigned, with the number of staff required modelled against target caseloads and this work has resulted in reductions in caseloads and less complexity in terms of competing demands, in turn improving social work practice.

Two new areas of service have been established. Firstly, the 16 plus team for young people transitioning to Leaving Care. This service is focussing on improving the outcomes for young people with strengthened planning to secure education, employment, training, and accommodation. Secondly, we have established the Adolescent Service to focus on prevention and intervention with young people who are on the edge of care, young people facing exploitation, school exclusion, criminality, mental health or serious substance misuse issues. We have also commissioned a new and bespoke specialist Edge of Care service working with young people identified as being at risk of family breakdown leading to care episodes.

This work has been possible due to the significant additional investment of more than £7million added to the revenue budget for Children's Services in 2020/21.

Covid-19 Impact on Children's Services delivery

The Covid-19 health emergency has presented unprecedented challenges for the children's sector, with the impacts likely to play out for many years to come. Children's services were already confronted by the combined effects of rising demand, increasing placement costs and fewer preventative services to support children, young people and their families. The Children's sector is now beginning to plan for recovery and in doing so, has assessed the impact of the pandemic on children and families. It is likely that the number of children and their families who will need support during transition and recovery, will grow.

Children's services have been doing their best to maintain services for the most vulnerable children and families as far as is possible. However, the easing of restrictions is anticipated to bring a short to medium term surge in demand for family services. During the lockdown, services have had to reprioritise and adapt service delivery, sometimes requiring services to temporarily cease, sometimes to provide a reduced service and often services have had to be provided and accessed virtually. As schools return and children's health services come back on-line for all children and young people, rather than just the prioritised vulnerable, demand could spike in terms of referrals. Colleagues in Health and Children's Social Care in both Kent and Medway worked together on modelling data to assess and plan for latent demand as restrictions eased.

Issues or difficulties that are emerging consequent upon Coronavirus, may increase the number of families needing support, who have not been accessing services before the pandemic. These issues include:

- Poverty and financial hardship caused by unemployment/loss of income due to the economic shut down;
- Deteriorating children’s mental health and resilience;
- Growing safeguarding concerns;
- Experience and escalation of domestic abuse;
- Increased suicidal thoughts/acts by young people;
- Lost learning, consequent upon school closures.

Focused conversations involving all key agencies and partners concerned with children’s services in Kent are now being undertaken, in order to assess and evaluate the impact of Covid-19, using the SWOT analysis tool. By sharing issues and challenges facing the children’s sector, we hope to identify opportunities to use our limited resources differently and help to inform a new joint approach to recovery.

Special Educational Needs and Disabilities (SEND)

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. 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.

In 2019/20 this pressure resulted in a significant overspend and the Council transferred £5.460million of High Needs expenditure into the DSG High Needs Reserve, putting the reserve at a total deficit of £9.184million. 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. Continued growth in this area during 2020/21 means that by the end of the current year the high needs element of the DSG reserve is expected to reflect a deficit of £14.620million.

Figure 8: DSG SEND Pressure

	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
DSG Expenditure	86,402	102,141	103,508	107,488
Total DSG Grant Income	(81,195)	(96,867)	(100,210)	(105,199)
DSG Pressure	5,207	5,274	3,298	2,289
Opening DSG High Needs Reserve Deficit	4,139	9,346	14,620	17,918
In-year movement	5,207	5,274	3,298	2,289
Closing DSG High Needs Reserve Deficit	9,346	14,620	17,919	20,207

Our financial projections

This MTFS seeks to disaggregate the impact of Covid-19 on Children’s Social Care and Education services from the inevitable results of our response to the Ofsted ILAC inspection rating of our services for children as Inadequate.

The projections included in this MTFS therefore reflect the impact of demographic and price increases not attributable to Covid-19, on the assumption that the government will continue to fund those pressures directly driven by the pandemic as it has during 2020/21 to date.

Projected growth in the number and cost of placements in Children’s Services is forecast to require the addition of more than £6million to the budget for 2021/22. Our Sufficiency Strategy has identified a series of ‘invest to save’ opportunities within the service, requiring a further additional investment of almost £3million, bringing total additional investment in Children’s Services through this MTFS to almost £9million. These activities include work to develop a more robust edge of care service which supports children and young people on the edge of entry into care, reviewing and enhancing the in-house fostering structure and offer, development of an assessment centre to support with the reunification of children back with families or in a more suitable and longer term placement arrangement, and to stop or reduce repeated child removals via a dedicated multi-disciplinary group of professionals working together to intensively support to woman/families delivering interventions through a “team around the person” model. This programme of investment and activity is forecast to generate a return in 2021/22 of more than £4.5million in savings on the overall cost of the service.

In Education Services we have assumed that despite the activities in our Deficit Recovery Plan reducing the anticipated growth in the cost of services immediately, the growth will not be contained to within the additional grant funding anticipated over the period of this MTFS, generating a pressure of £3.298million forecast for 2021/22. We anticipate the recovery plan will begin reducing the accumulated deficit from 2025/26 and will remove the deficit entirely in 2028/29. In the meantime, we continue to lobby the Government to address this unfunded burden. The Government has confirmed that DSG deficits must not be covered from general funds, rather they must be recovered from DSG income over time. As such the pressure the General Fund arising from projected growth in SEND expenditure of £3.298million for 2021/22 does not feature in the Draft Budget. On general fund services, a modest investment of less than £0.5million required to fund growth in SEN and Mainstream home to school transport.

The Risk section at the end of this MTFS sets out the forecast impact of Covid-19 on Children’s Social Care and Education in 2021/22 and the risks to the Council’s finances should the Government not honour its commitment to continued financial support for the impact of the pandemic.

Voluntary & Community Sector

Medway Council recognises that we cannot achieve our vision for Medway on our own and that the Voluntary and Community Sector actively contributes to the delivery of our strategic priorities and plays a crucial role in improving the lives of Medway residents.

The national and local response to the COVID-19 crisis has been unprecedented in peacetime. For the Council this has involved action across many spheres of activity, both with regard to community leadership and the delivery of critical services across Medway. In delivering this response, much of the activity has been in partnership with other organisations including the Kent Resilience Forum (KRF) NHS, Police, care providers, local businesses, the voluntary and community sector and Medway Norse. As part of the COVID-19 emergency response, Medway Council established a Voluntary and Community Sector Cell principally led by the Public Health team. The cell had the following priorities:

- Establish a community support hub that assisted residents with accessing food, prescriptions and social contact, working in partnership with third sector groups who had the same ambition;
- Co-ordinate voluntary sector efforts to support residents negatively affected by COVID-19;
- Co-ordinate volunteers to support residents negatively affected by COVID-19;
- Support voluntary sector organisations who have experienced a large increase in demand due to COVID-19;
- Pool collective insights so that potential scams are identified and reported to correct authorities.

As the work to get back to business as usual starts, a voluntary sector strategy group has been established including council, NHS and third sector organisations. This group has a number of objectives including identifying shared risks and opportunities for the voluntary sector, NHS and council in their shared ambition of supporting residents. It will also aim to ensure we have a joined approach with volunteer schemes, keep developing a positive relationship between the sector and the local authority. The financial viability of the third sector is an important aspect of this ongoing relationship. To address some of the immediate concerns from the third sector, Medway Council worked with Kent Community Foundation (KCF) to establish a Coronavirus Emergency Fund. The focus of the fund was to offer community organisations funding to deal with emerging issues in the community affecting vulnerable people as a result of the continuing threat of COVID-19.

Financial impact of Covid-19 on the Voluntary and Community Sector

The Covid-19 pandemic has had a significant financial impact and has challenged the very sustainability of the Voluntary and Community sector. An inability to raise funds from face to face and group activity has seen voluntary income reduce by up to 48%. According to a recent survey from Medway Voluntary Action, 87% of the VCS have been impacted financially as a result of Covid-19, with 57% reporting that this is a significant financial impact for them. Of those reporting a financial impact arising from Covid-19, 57% considered the impact to be immediate or within 3-6 months

Nationally around half of charities who hold public sector contracts are subsidising this with fundraised income, which is now decreasing. The Charities Aid Foundation reported that the sector will see a 42% increase in demand for services and a 48% decline in income over the next three months. The economic impact reduces funding opportunities from other sources, reducing the diversity of income available to the sector e.g. reduction in revenue streams, corporate partners unable to make funds available, national grant makers not offering 'business as usual' grants and the reduction in individual giving from the general public due to unemployment or inflation.

There is a continued reduction in services being delivered by the voluntary sector to vulnerable communities, due to organisations having to furlough or make staff redundant. According to MVA's

recent survey, 69% of the VCS redirected their services away from their normal client support and delivery. This has resulted in vital support being delivered at the peak of the crisis. Whilst the provision of this essential support has been of great value to Medway during the peak of the crisis, these redirected services may not form part of their mission and charitable objectives, and out of necessity the needs of existing service users have been compromised as a result of social distancing restrictions.

The VCS in Medway delivers a wide range of ancillary and support services, alongside those directly the Council and health partners directly commission from the sector. The failure of this vital sector would result in significant increases in demand for the Council's services, which would exceed capacity and generate significant financial pressures. It is therefore critical that the role of sector is recognised and valued, and it is supported to adapt and recover. We must maximise the opportunity Covid-19 foisted upon us to continue to improve relationships and ways of working between the sector and the public sector, taking advantage of strengthened collaboration during the crisis.

Medway Community Lottery

Cabinet are being asked to consider the establishment of an online Medway Community Lottery to help fund discretionary support for the local voluntary and community sector and to enable such organisations to raise funds which will directly benefit local people and communities. If established, the Lottery would provide a self-sufficient stream of funding for local charities and other good causes, without placing a burden on the Council Tax payer.

Delivering infrastructure

Despite the huge impact of Covid-19, our ambitions for Medway have not changed; we still want Medway to be a place that local residents and businesses are proud of. We continue 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. The continued delivery of high quality, front line services remains at the centre of Medway's Council Plan and we aim to always provide high quality services that are valued by our residents.

The Covid-19 restrictions changed the extent and patterns of travel within and outside of our local areas, changed working patterns and locations for many of our businesses and residents including reduced daily commuting out of the area, and shifted our shopping habits with fewer people travelling to high streets and retail parks choosing instead to shop online. It is not yet clear to what extent behaviours will permanently change as a result but we will work to ensure the services we provide adapt to the changing demands of our residents and businesses.

Regeneration and growth

Our extensive regeneration programme, as outlined in Medway 2035, ensures the tremendous pace of regeneration in Medway continues with work on the £170million, government Housing Infrastructure Fund financed scheme to unlock sustainable development potential on the Hoo Peninsula, including significantly improving the roads and rail connections underway. Our Infrastructure Delivery Plan identifies the services and services needed to deliver sustainable and successful growth. Our Local Transport Plan includes our plans for improving transport by tackling congestion, improving public transport services and improving journeys to school and work.

To support Medway's economic recovery following the Covid-19 pandemic, we are working to kick-start growth through alternative delivery models and providing the right infrastructure for residents and businesses to thrive. Our ambitions for the Innovation Park Medway (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 and to promote Medway's brand and image.

Delivering Housing – Medway Development Company (MDC)

MDC was established in 2017 to invest in and develop new homes on Council-owned sites, and has an ambitious programme of 12 sites backed by £120million capital investment over a five year period. Planning permission has been granted and works are underway on four sites, which will collectively deliver 354 new homes, including 64 affordable homes. Projections for capital receipts based on the market sale of built units show that MDC is on course to exceed the projections in the original Business Case, with capital receipts of £7.1million anticipated over the next three years and up to £17.1million over the next five years.

Following Cabinet approval in September 2020 a new subsidiary of MDC will be established to allow it to own land and transact with purchasers or tenants, to avoid a more complex real estate picture for prospective purchasers or tenants. Future MDC developments will therefore be funded via a loan from Medway Council to the company with repayments funded from the sale of properties developed. The company will be charged a market rate for the loans, commensurate with the level of risk. The difference between the interest rate charged, and that payable by the Council to the Public Works Loans Board, would represent a revenue benefit to the Council, however no estimates have been reflected in the MTFS projections to date.

Transport and Highways

Our Highways service supports a network of 519 miles of highways including bridges, footbridges, subways and tunnels valued at over £1.8 billion, and maintains 25,667 streetlights which since 2020/21 have all been converted to energy efficient LEDs. During the Covid-19 pandemic we remained focused on safely maintaining our critical services, at all times, minimising the impact on our customers and network users and working in partnership with Volker Highways to ensure that “business as usual” was maintained, as far as the situation has allowed.

Government guidance to avoid public transport, school closures and a rise in people working from home meant that buses in Kent had been operating with approximately 12-15% of ‘normal’ usage. Arriva is being supported during 2020/21 by the Government through a ‘top-up’ funding scheme to be able to still offer 100% of timetabled service while demand is down. South Eastern have reported 9%-10% percent of usual footfall across their services during lockdown. The return of schools in September represented a challenge for public transport in the context of social distancing; this has recently been subject to government guidance.

A rise in walking and cycling has been observed across Medway, especially for leisure. This has attracted one-off primarily capital funding for 2020/21 from the Government (through the Emergency Active Travel Fund) to support local authorities to harness this behavioural change. Medway have been awarded £242,000 (of which £30,000 is revenue funding) in the phase 1 allocation, with a further £1.23million capital indicated for phase 2. It is not yet clear to what extent the changes in behaviour and travel patterns experienced this year will continue as the Covid-19 restrictions ease in the longer term.

Our projections in this MTFS reflect the annual contractual uplift in respect of our Highways Infrastructure Contract, and the rebasing of the income budget for the utilities street-works permit scheme, as income across permit fees, fixed penalty notices and charges in respect of defective works are all consistently lower than the currently budgeted level.

Parking

The response to Covid-19 and lockdown significantly reduced demand for town centre car parking as impacting on income through Pay and Display. Early indications are that income levels have started to recover, although this is linked to the recovery of the High Street and the likelihood that working from home will remain a popular option, means reduced demand in the longer term is likely. An increase in the use of non-cash payment methods presents an opportunity to extend the availability of cashless parking in Medway. An online system for the visitor parking vouchers is being developed, to supplement arrangements for purchasing at hubs and libraries.

As the government has compensated local authorities for income lost as a result of the Covid-19 restrictions in 2020/21, the MTFS projections do not reflect the loss of income across Parking Services and instead this is detailed in the Risk section of this strategy.

Regulatory Services

The impact of Covid-19 on demand in Regulatory Services could not be more variable; while regulations mandated cancellation of weddings and a pause on birth registrations, bereavement services and the crematorium in particular have regrettably seen an increase in services.

CCTV services for Medway are provided through Medway Commercial Services (MGC) and while the loss of an authority from the CCTV partnership results in a pressure of £40,000 in this MTFS, a new leadership team and business plan are in place at MCG, centred around provision of services aligned to

our Children and Adults Directorate is anticipated to provide a sustainable path for the company while supporting the Council to deliver savings across our services.

Waste Services

Medway's continued population growth drives increasing levels of waste arising for our service to collect, recycle and dispose. During the Covid-19 lockdown and beyond, a significant increase in Kerbside waste tonnages has been experienced, approximately 20% up to end of June. This represents additional pressure, not just on disposal, but on transfer station and Refuse Collection Vehicle wear and tear. Additional pressure comes from the reductions in waste markets (for example the onward sale of waste textiles) meaning lower returns on recycled materials.

Our projections in this MTFS reflect the forecast increases in waste arisings not directly resulting from changed behaviours owing to Covid-19, alongside annual contractual uplifts across the waste collection and disposal contracts, with these pressures totalling £1.150million for 2021/21.

Greenspaces

Since the nation was largely confined to their homes observing the initial Covid-19 lockdown in the Spring, the positive impact green spaces have on our health and wellbeing has never been more widely acknowledged. We want our residents to enjoy greater access to clean, green spaces and have a great place to grow up, live and work and recognise our role as custodians of these shared spaces. This MTFS reflects the annual increase in the contract and other cost increases in the maintenance of our greenspaces, with the addition of £118,000 in 2021/22.

Climate change

As the sudden decrease in travel experienced in lockdown morphs into a more long-term shift in behaviours with increased flexible and home working, there is a huge opportunity for a 'green recovery' which we aim to capitalise on to work towards our net zero carbon target. We risk a quick reversal of the improvement in air quality and a reduction in carbon emissions as a result of less traffic on Medway's roads, unless we capitalise on changes in working practices.

Back to Better

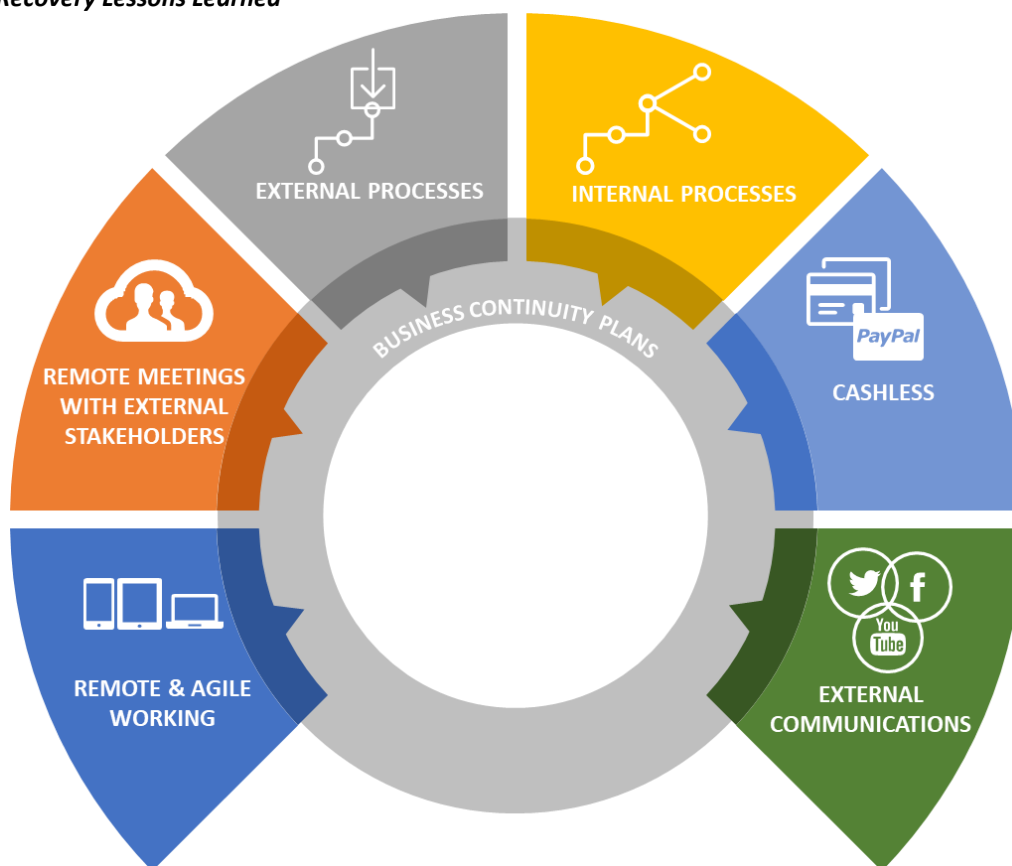
While we continue to be in the Response phase to the pandemic, and with a tough winter of restrictions ahead, we are also now actively planning and implementing our recovery. It is important that we reflect on what we have learned during the pandemic, and the different ways we have been working, to radically look at what we can do differently in future and further improve the services we deliver for Medway residents and businesses. Just as our response to the pandemic has been creative, selfless, and ambitious, so too should be our approach to recovery. So rather than everything back to normal, we are proposing that the next steps should be to discover our Back to Better.

Medway Council's Covid-19 Recovery Plan

Recovery usually represents a return to business as usual (BAU), however, given the unprecedented scale of Covid-19 and the social and economic impacts, recovery will not just be a return to BAU. Instead we are reviewing our operating models, policies and strategies where these need to be realigned or reimagined over the short, medium, and long term. Our Strategic Recovery Plan seeks to use the opportunity to address pre-crisis, place-based structural weaknesses, increase resilience and consider innovative and transformational development models for our place and our communities.

When the Council moved into the recovery phase from Covid-19 each service produced a comprehensive recovery plan, including the lessons learned from the response phase which will inform our Business Change activity moving forward around the themes set out below:

Figure 9: Recovery Lessons Learned



Business Change

The Business Change Team work closely with Council services to ensure that transformational thinking becomes part of the day-to-day service delivery to support the journey to a smart Medway and achieve savings. A programme of projects has been developed by the Business Change Team, which cover four Pillars of Transformation:

- Operational Transformation – Work processes and organisational structures are reviewed and optimised to improve service delivery and achieve savings.
- Business Transformation – Business & delivery models are reviewed to improve services and achieve savings.
- Cultural Transformation – The business change team ensures that values and behaviours support strategic and business change objectives.
- Experience Transformation – Processes for customer and employee engagement are reviewed to improve the end user experience. Delivering exactly what the customer wants will reduce costs and improve service.

Smart Cities: To compliment the programme of transformation projects the Business Change Team are also strengthening Medway's digital foundations in order to advance the technological innovation needed to keep Medway moving, healthy, and safe in a sustainable way.

Capital Investment

In February 2020 the Council approved a Flexible Use of Capital Receipts Strategy, enabling us the freedom to invest capital receipts to support the transformation of services. In October 2020, Council will receive a recommendation from Cabinet to invest £3.275million of the Council's capital receipts on a new transformation programme that is designed to support the reshaping of the Council and its business processes to deliver high quality services in a sustainable funding envelope. The programme includes:

- More than £800,000 to support our Children's Improvement Programme with investment in practice, governance, recruitment and development of the workforce and ICT and systems.
- Investment of £550,000 in resources to deliver business change projects – both directly with staff analysing service demand and mapping processes, and indirectly by funding the back-fill of existing staff so they can be released to work on business change projects.
- £500,000 to implement a network of sensors and the ICT requirements to deliver our Smart City ambitions, designed to deliver improvements in waste collection, fly tipping and winter gritting.
- A number of smaller projects, including the rationalisation of the Council's ICT systems, implementation of a self-scanning solution for residents, resources for a programme of targeted reviews of adult social care placements and support to boost the capacity and effectiveness of management.

Within this investment, a transformation and innovation fund of £1million has also been established to fund further invest to save activities throughout the medium term.

Investment in ICT

In March 2020 the national lockdown drove an unprecedented shift towards ICT as almost overnight it became our primary means of communication with the outside world. As civic leaders and providers of vital services, the Council had to provide up to the minute information to residents and businesses via our website, while simultaneously shifting to delivering services digitally and in many instances virtually,

and supporting our staff to do so in a more decentralised way, work with around 90% of our staff together with all Members working at home or from a variety of other remote locations.

Our ICT Service is responsible for the delivery of effective ICT across 209 sites including 79 corporate sites, 85 schools and 45 urban traffic management control sites. Our infrastructure has been tested to the limit this year and is impressively robust, with services operational for 99.95% of the time. During 2019/20 the Medway ICT Service underwent a full service review which has resulted in a new management team and staffing structure; while this delivered significant savings it also meant the service had the operational capacity and capability to support the Council's networks, enable the continued delivery of Council services and support Council staff to work effectively from their homes.

Our existing infrastructure and model were designed to support a workforce delivering services primarily from the office however were flexible enough to support the unprecedented changes required to continue delivering services through the lockdown and beyond. Our ICT and Digital Strategy recognises that technology is now essential for our staff and elected Members to serve the residents and businesses of Medway, with the services no longer simply regarded as support functions; they are now critical services, able to transform the way other services are designed and delivered. The Capital Strategy reflects that for this to become 'the new normal' it will be necessary to provide ICT hardware (for instance laptops or tiny PCs) to support staff working remotely. Initial capital investment of between £500,000 and £1million would be required, along with a provision in future years revenue budgets for a rolling programme of replacement.

This MTFS reflects revenue investment of £270,000 to fund increases in the Microsoft Office 365 contract, licenses for new servers and database upgrades required to ensure the Council's data and network remain secure. The MTFS also reflects a reduction in income on the Data Centre owing to a reduction in customer demand.

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 immensely proud of our staff, who throughout 2020 have shown resilience and dedication enabling us to continue to deliver our core services while adapting to new ways of working, and the impact of Covid-19 on themselves as individuals. Around 90% of our staff have been working from home since the Spring, so while we continue to support our staff to adapt to this new way of working, we are also reviewing our policies to maximise the opportunities and flexibility a more decentralised workforce can bring to both staff and the employer.

We remain 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. The council has been named as one of the Top 100 Employers for Apprenticeships in the UK, coming 79th in the Top 100 overall and placed within the top six local authorities. We are continually seeking to support younger people into work and have recently made our submission for funding to create job placements for 16 to 24 year olds on Universal Credit through the Government's Kick Start Programme and we are looking forward to supporting the scheme here at Medway.

For the purposes of this MTFS we have assumed a pay award resulting in an annual uplift of 1% for staff at £860,000, however pay awards are agreed following due process and local negotiations with Trades Unions.

Property Rationalisation

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 ability to continue to deliver core services during the initial lockdown and throughout the restrictions over the Summer and Autumn has presented the opportunity to review and rationalise the operational estate.

Medium Term Financial Projections 2020 - 2023

General Fund	2020/21 Adjusted Base Budget £000s	2021/22 Forecast Requirement £000s	2022/23 Forecast Requirement £000s
Children and Adult Services (inc. Public Health)	232,713	245,144	256,543
Regeneration, Community, Environment and Transformation	53,141	56,101	57,773
Business Support	23,141	23,555	23,737
Interest & Financing	13,431	13,431	14,931
Levies	1,518	1,577	1,577
NORSE Rebate	(385)	(460)	(507)
Budget Requirement	323,558	339,348	354,055
Council Tax	(131,010)	(131,237)	(135,063)
Retained Business Rates	(45,620)	(47,436)	(72,374)
Baseline Need Funding	(16,177)	(12,862)	(17,117)
New Homes Bonus	(1,221)	(2,247)	(2,701)
Education Related Grants	(99,537)	(103,863)	(106,447)
Adult Social Care Related Grants	(12,584)	(12,585)	0
Public Health Grant	(17,408)	(17,408)	0
Use of Reserves	0	0	0
Estimated Available Funding	(323,558)	(327,638)	(333,703)
Budget Gap - General Fund	0	11,710	20,353

N.B. The deficit against the DSG shown in Figure 8 on page 19 is being managed through the deficit reserve instead of impacting on general fund resources.

Our Financial Sustainability and Resilience

In February 2020, the Council set the budget for 2020/21. In delivering that balanced budget, the Council had set our most robust set of income and expenditure budgets in recent years, making significant additional investment in Children's Services while correcting the unachievable income targets that had resulted in pressures in the previous years. Our last MTFS set out a reserves strategy that paved the way for the Council to not only balance expenditure with resources, but to rebuild both general and specific earmarked reserves where possible over the medium term.

Just four weeks later, the Kent and Medway Strategic Coordination Group had declared Covid-19 a Major Incident, and we had activated our Emergency Plan swinging into action to support vulnerable residents and businesses through the pandemic. Despite early reassurances that the government would stand by local authorities and support them financially, announcements of funding came piecemeal, in most cases tied to new duties and requirements and in some cases based on retrospective claims. Covid-19 continues to represent increasing demand for a whole range of statutory services and is forecast to do so well into the medium term, as demonstrated throughout this strategy, and this inevitably brings additional financial pressures.

The financial sustainability of Medway Council and all other local authorities in the UK will depend upon how long the pandemic lasts, the Government's response to it and the extent to which the Chancellor's Autumn Statement (now expected to take place in the last two weeks of November after the production of this Strategy) addresses the structural deficit in local government funding that will be an inevitable product of the Covid-19 emergency.

This MTFS has been built on the fundamental assumption that the government will honour its pledge to support local authorities to meet the financial impacts of Covid-19. The projections on page 30 of this strategy forecast a 'gap' between the cost of our services and our anticipated income of some £11.8million, and we will spend the coming months formulating a package of proposals to save on expenditure and increase our income to mitigate that gap.

Later in this section we summarise the pressures we are currently forecasting that result from Covid-19 both in terms of additional expenditure and continued reductions in income, which we anticipate will be funded by the government. Should this not be the case, that additional pressure of £8.8million would need to be added to the existing gap. That position, with a gap of more than £20.0million in total, would very likely be beyond this organisation's ability to mitigate, but would be a situation replicated in town halls up and down the country as the local government sector would be substantially under-funded.

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.

Government Funding

According to analysis published by the Local Government Association before the Covid-19 pandemic, by 2020, local authorities have seen a reduction to core funding from the Government of nearly £16billion over the preceding decade, meaning councils have lost 60p out of every £1 the Government had provided to spend on local services in the last eight years.

In September 2019 the Chancellor delivered a one year Spending Review, setting departmental spending plans for the 2020/21 financial year. On 31 March the government launched the Comprehensive Spending Review (CSR) 2020 which would allocate funding to government departments for three years, providing certainty for forward planning. It has since been widely reported that instead the Chancellor will postpone the delivery of his budget to Spring 2021, and will instead deliver a 'mini spending review' in the autumn (now expected in the last two weeks of November), allocating departmental budgets for just one year. Normally the Government publishes a technical consultation paper in advance of the provisional settlement but this is not anticipated this year. Rather this MTFs assumes that the Local Government Settlement will effectively hold-over that from 2020/21 with no significant change in Baseline Need Funding and also assumes that a further one-off payment of New Homes Bonus will be received as was the case in 2020/21.

Income from Local Taxation

Business rates

Under the current system most local authorities retain 50% of rates collected (at Medway Council this is 49% with 1% paid to Kent Fire Authority) with the balance paid to the Government. The government has set a baseline funding level for each authority and for each year calculates a business rates baseline based on the average of business rates collected in the previous two years. Where an authority's business rates baseline exceeds its funding baseline, they pay the difference to central government as a tariff, which is used to pay for a top-up for authorities whose funding baseline is less than its business rates baseline. These tariffs and top-ups are updated each year by the business rates multiplier, now CPI. The government's stated intention is that they will otherwise stay fixed until the reset in 2020. Councils also keep up to 50 per cent of growth in their business rate receipts arising from new or expanding businesses. Local authorities which pay tariffs also are liable to pay a levy of up to half of this type of growth. Levy revenue is then used to fund the safety net system to protect those councils which see their year-on-year business rate income fall by more than 7.5 per cent.

The Government has previously announced that the Business Rates Retention System was due to be 'reset' in 2020/21, establishing a new baseline funding level for each local authority. This was delayed to 2021/22 but it has since been confirmed that this will again be postponed to a later year, and we anticipate this will take place alongside the Fair Funding Review as a wider package of changes to local government funding. A Business Rates Revaluation was also planned for 2020/21, in which the valuation of each property as calculated by the Valuation Office Agency would be updated. This has also been postponed to provide businesses with more certainty on their liabilities in the wake of Covid-19.

During 2020/21 the Government's has provided significant support to Businesses through the Business Rates system, with more than £32million awarded in Rate Reliefs to businesses impacted by the Covid-19 restrictions. More than £36million has been paid to Businesses through the Small Business and Retail, Hospitality and Leisure mandatory grants schemes, with a further £1.8million paid through the discretionary scheme. These reliefs and grants are all one-off initiatives for 2020/21 with no confirmation yet as to the level of Government support for businesses we can expect in 2021/22.

While the Covid-19 restrictions were eased over the summer, Coronavirus Job Retention Scheme (furlough) was scheduled to end in October presenting a difficult trading environment for businesses. With a second lockdown, despite the furlough scheme extension and the newly announced Local Restrictions Support Grants Scheme (also confirmed for 2020/21 only), the remainder of 2020/21 will be an exceptionally difficult time for businesses in Medway. In our monthly Covid-19 financial summary returns to the Government, we have estimated that 10% of the Business Rates base in Medway may not survive the impact of the renewed restrictions, and without Government support through further

Business Rate Reliefs/grants schemes some business sectors are unlikely to meet their Business Rate liabilities to the Council in 2021/22.

This MTFS assumes growth of a total of £1.8million in Business Rates and Section 31 grants received in government compensation for reliefs awarded.

Council Tax

Despite the impact of Covid-19, the continued regeneration of Medway has meant that the Council's Taxbase is anticipated to grow in 2021/22, however the 2020/21 budget was supplemented by the surplus on the collection fund that had accrued, in accordance with the CIPFA code of practice on local authority accounting. This contributed some £3million of additional funding in 2020/21. As such for 2021/22 the impact of the forecast increase in the Taxbase is offset by the lack of a similar surplus this year. The Council Tax Collection Rate has undoubtedly been impacted as residents ability to pay their liabilities has been challenged this year, however this impact is limited to around 0.5% lower than our budget assumes, and we remain confident that this will continue to improve and not manifest in a Collection Fund Deficit next year.

In the Final Settlement for 2020/21, the Government extended the Adult Social Care precept for a further year, adding 2% above the referendum limit to the Council Tax, and taking Medway's Council Tax by 3.994%. This MTFS does not assume the Adult Social Care Precept will continue into 2021/22 and we await an announcement from the Chancellor in late November.

Risk: The Ongoing Financial Impact of Covid-19

This MTFs has been built on the assumption that the government will honour its pledge to support local authorities to meet the financial impacts of Covid-19. Our projections set out on Page 30 forecast a 'gap' between the cost of our services and our anticipated income of some £11.8million, and we will spend the coming weeks formulating a package of proposals to save on expenditure and increase our income to mitigate that gap.

Should the Government's ongoing support for businesses, residents and local authorities fall short of its pledge, there are three principal risks to Medway's ability to deliver a balanced budget for 2021/22 and beyond; expenditure pressures in Social Care and income pressures across the Collection Fund, and our sales fees and charges.

Social Care

Adult Social Care

The Covid-19 lockdown resulted in substantial changes in service delivery across health and social care. Core services required new models of delivery, realignment of staff, and delivery of services through remote provision where possible. Many services were stepped down and many staff were required to change or adapt their roles. Demand for services fluctuated. Many, although not all, services experienced an initial reduction in demand. However, demand is now returning to pre Covid-19 levels in the majority of services, and in addition Covid has, and will continue to generate new demand. Changes to physical access to services, reduction in face to face, and the standing down of services has resulted in artificial suppression of demand and the potential for later intervention which will be more costly for people and for the system (e.g. where screening or early help has not been accessed).

Covid-19 has transformed pathways into Adult Social Care, as while those discharged from hospital were previously assessed by the local authority to identify a suitable placement, the Clinical Commissioning Group (CCG) are now making placements on the local authority's behalf through this new health pathway. Lockdown and efforts to control Covid-19 have also resulted in an increased cost of providing care; higher requirements for personal protective equipment (PPE), increased staff absence from work due to sickness and self-isolation, and the impact of shielding have all meant that it has been necessary for local authorities to support providers to meet additional costs. During 2020/21 the Council has received a total of £4.287million through the Infection Control Fund which has been distributed to social care providers as required.

Placements made through the health pathway are initially funded by the CCG through Covid-19 grant funding, the ongoing costs after the initial six week period will fall to the local authority. The pressure directly attributable to increases in the cost of Adult Social Care falling to Medway in 2021/22 is forecast at £4.187million.

Children's Services

Given the significant role of schools in referring children into Children's Services, the lockdown and closure of schools in the Spring meant the system was less able to identify children vulnerable to abuse or neglect, particularly those not already known to Children's Services. Our teams moved swiftly and robustly working with partners to identify and safeguard the most vulnerable children when face to face contacts were restricted, and staff availability limited due to absence through sickness or self-isolation. During the lockdown and continued restrictions throughout the summer, numbers of looked after children continued to climb, primarily because very few placements were ended to ensure all vulnerable children and families continued to be supported through this difficult period. It is widely understood

that the return of pupils to School from September would result in a surge of child protection referrals and data from our service indicates that this may already be happening in Medway. Covid19 related delays in court final hearings are impacting on the numbers of children in care for instance final orders including Special Guardianship are not being made in a timely way. The pressure attributable to increases in Children's Social Care resulting from Covid-19 is £3.943million, with a further £350,000 on legal support driven by higher caseloads with slower progression through the courts.

Education

The closure of schools has driven increased demand in respite and short breaks and transport to and from respite provision, and in the provision of Floating Support packages. These arrangements are designed to support parents and ensure children can stay in the care of their parents and may include carers going into the home to assist in the care of the child or taking the child out to allow the family to have a break from caring. Collectively these represent a pressure attributable to Covid-19 of £646,000.

Collection Fund

Income from Council Tax and Business Rates is held in a ringfenced collection fund account, from which authorities draw the budgeted level of income in each year irrespective of actual income collected. Any shortfall on income collected compared to that budgeted level results in a collection fund deficit which is recovered by reducing the amount of income the Council can budget for in the following year. As such, despite the impact of Covid-19 on collection rates, there is no income shortfall forecast on Council Tax or Business Rates in the revenue budget monitoring for 2020/21.

During 2020/21 the Government has provided additional support for those on low incomes in receipt of Local Support for Council Tax, reducing their liability by a further £150 for the year. This funding, along with all support for residents announced to date through the Covid-19 pandemic, is one-off. When the furlough and job retention schemes are ended, it is possible that this will result in an increase in the number of claimants for the Council Tax Reduction Scheme impacting, and every 1,000 new awards would result in a reduction in the Taxbase of around £700,000.

On 2 July 2020 the Chancellor announced that repayments to meet collection fund deficits accrued in 2020-21 can instead be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets. In his statement the Chancellor also confirmed that "In the next Spending Review, we will determine what support councils need to help them meet the pressure of income loss from council tax and business rates".

The suspension of enforcement activity due to Covid-19 contributes a further £200,000 pressure on court costs.

Income from sales, fees and charges

The Covid-19 lockdown mandated the closure of a range of council income generating services, including Leisure Centres and Theatres, while also causing significant shifts in behaviour that impacted other income streams, most notably reductions in pay and display parking income as fewer people travelled to work or to our town centres. While our services had since reopened to the public, a return to pre-Covid usage levels was not possible due to ongoing social distancing requirements, and may never occur as people's behaviours may have permanently shifted, for instance choosing to exercise at home and forego a gym membership.

In 2020/21, recognising the extent to which local authority budgets were reliant on income from sales, fees and charges, the Government introduced a scheme to partially compensate for this income loss. Under the scheme, councils must absorb the first 5% of their budgeted income from sales, fees and

charges, with the government then compensating them for 75p in every pound of the loss thereafter. This scheme is forecast to result in income compensation of £5.963million in 2020/21.

Without this or an alternative form of financial support, there will be significant pressures arising across our almost all of the Council's income generating services, directly attributable to Covid-19, including the following key areas:

- Almost £2million total estimated loss of income across on and off street parking fees and season tickets,
- £1.4million total loss of income across our sports, leisure, tourism and heritage services,
- £700,000 loss of income from our Theatres,
- £200,000 loss of income across our Adult Education Services, and
- £120,000 loss of income from the Corn Exchange.

Our Reserves Strategy

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 £2.8million, principally as a result of the review of our MRP.

During 2020/21 the Council has sought to protect and boost its reserves with a moratorium on all non-essential expenditure in place, along with a package of management action designed to mitigate the impact of rising pressures across social care and income shortfalls not eligible for the Government's 2020/21 compensation scheme.

If the government support for local authorities to meet the impacts of Covid-19 does not continue beyond the end of the current financial year, it would be necessary for the Council's available reserves to be redirected from their intended purposes, to be instead used to fund the delivery of our core statutory services in delivering a balanced budget for 2021/22.