

CABINET

8 FEBRUARY 2022

CAPITAL AND REVENUE BUDGETS 2022/23

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council
Report from: Phil Watts, Chief Finance Officer
Author: Katey Durkin, Head of Finance Strategy

Summary

This report sets out Cabinet's proposals for the capital and revenue budgets for 2022/23. In accordance with the Constitution, this is to be submitted to Full Council on 24 February 2022, the special meeting convened to set the Council Tax.

1. Budget and policy framework

- 1.1. According to the Council's Constitution, it is the responsibility of Cabinet, supported by the Corporate Management Team, to propose a capital and revenue budget having first consulted the overview and scrutiny committees. Full Council has the ultimate responsibility for determining the budget and setting the Council Tax.
- 1.2. In respect of the Housing Revenue Account (HRA) budget proposals, Full Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change.
- 1.3. The Council Strategy and Council Plan form part of the Council's Policy Framework as set out in the Constitution. The Council Plan refresh will be considered as a separate item on this agenda.
- 1.4. This report has been circulated separately to the main agenda. Therefore, the Cabinet is asked to accept this report as urgent to enable consideration of the matter at the earliest opportunity given that the final budget will be submitted to the next scheduled Council meeting on 24 February 2022.

2. Background

- 2.1. The Draft Capital and Revenue Budget for 2022/23 was presented to the Cabinet on 16 November 2021 and projected a potential revenue shortfall of £18.176million. On 15 December 2021 the government published the provisional local government settlement, with details of the funding announcements and their impact on Medway Council's budget set out in a

report considered by the Cabinet on 11 January 2022.

- 2.2. In accordance with the Council’s constitution, overview and scrutiny committees were invited to comment on the draft budget proposals, represented by the directorate budget requirements within the appendices and a high-level narrative explaining the action being considered by the Administration to close the ‘gap’. These comments have been included at Appendix 1.

3. Revenue Budget Funding

3.1. Core Spending Power

- 3.2. The local government settlement is underpinned by the Core Spending Power calculation. This calculation makes certain assumptions about the local tax that Medway is able to generate and then aggregates this with the core grant funding available to Medway. Medway Council’s Core Spending Power is summarised in Table 1.

- 3.3. The Core Spending Power calculation is not in itself a statement of the actual resources available to the Council; it is a mechanism used by Government to illustrate the potential funds available to local authorities. In practice, the budget will be based upon the Council’s own estimate of local tax yields.

Table 1: Core Spending Power

	2021/22 £m	2022/23 £m
Revenue Support Grant	6.185	6.380
NDR Baseline Funding Level	48.214	48.214
Settlement Funding Assessment	54.399	54.594
Council Tax excl. Parishes	134.578	140.769
Section 31 Compensation for Under-Indexing	2.512	3.961
Improved Better Care Fund	7.093	7.307
New Homes Bonus	0.986	1.979
Social Care Grant	6.098	8.497
Market Sustainability		0.674
Lower Tier Services Grant	0.364	0.383
2022/23 Services Grant		3.324
Core Spending Power	206.030	221.488

3.4. The Provisional Settlement

- 3.5. The Chancellor presented his Autumn Budget and Spending Review 2021 (SR21) to parliament on Wednesday 27 October 2021, which set out departmental budgets for the three years up to 2024-25. However, in order to “prioritise certainty for 2022/23” instead a one-year local government finance settlement was delivered, via a written statement on 16 December 2021.

- 3.6. The settlement documents confirmed that funding announced in SR21 to “tackle cyber security challenges facing councils [...] and the Supporting Families Programme [are] also not part of the local government finance settlement and further detail will follow in due course.” On 31 January 2022 the government confirmed the Supporting Families allocations to local authorities and Medway’s allocation is £196,865 higher than assumed in the Draft Budget. While this additional income is reflected in our Early Help budget, additional expenditure of the same sum is also reflected so this does not reduce the budget gap. There have not been any further announcements as to how or when the allocation for Cyber Security will be made, nor whether any new burdens may be tied to the funding so this will be added to the budget during the year when confirmed.
- 3.7. The settlement documents also set out that “The government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.”
- 3.8. **Income from Local Taxation – the Collection Fund**
- 3.9. 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. Given the scale of deficits expected owing to the pandemic, the government confirmed 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.
- 3.10. **Council Tax**
- 3.11. The Draft Budget assumed that the Council Tax would be increased by 2.994% which comprises 2% for the historic referendum limit and 1% for the Adult Social Care Precept confirmed in the Settlement.
- 3.12. In accordance with the Council delegation, on 17 January 2022 the Chief Finance Officer, in consultation with the Leader, agreed the Council Tax base for 2022/23 at 88,041.50 band D equivalents. This represents an increase of 1,040.37 band D equivalents against the tax base reflected in the Draft Budget. This results in a projected income collectable through the Council Tax of £140.139million, an increase of £320,000 compared to the Draft Budget. At the end of the 2020/21 financial year, there was a deficit of £5.774million on the Collection Fund in relation to Council Tax. Of this figure the Council is required to repay £2.053million through the 2022/23 budget, meaning the level of Council Tax available for the Council’s budget is £138.086million.

- 3.13. Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 provided for the billing authority to have discretion to charge an additional premium where a property has remained empty and unfurnished for a period in excess of two years. This means that where a property has been empty and unfurnished for two years or more and if the additional premium is say 100% then it will attract an extra 100% council tax on top of the full amount for the property (a 200% council tax charge). Consequently, the council agreed in February 2020 to the following premiums from 2020/2021 - A 100% premium for properties that have been empty and unfurnished for a period of 2-5 years, and - A 200% premium for properties in excess of 5 years. The Act also provided for a 300% premium to be charged for properties empty in excess of 10 years from 2021-2022 although due to the Covid pandemic this was not adopted by the council. In November 2021 the Cabinet recommended to Full Council that in February 2022 when setting the Council Tax, a 300% premium for properties that have remained empty and unfurnished for more than two years be adopted, in line with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 (decision 126/2021 refers). It is estimated that this would affect 44 properties raising £59,945, with this amount included in the total income set out at paragraph 3.12 above.
- 3.14. This report considers the budget requirement for Medway Council only. There are a number of other factors that will influence the final Council Tax requirement to be approved by Full Council on 24 February 2022. Whilst the final rate will be dependent on the level of spending, it will also be affected by:
- The Council Tax base of 88,041.50 agreed on 17 January;
 - The parish precepts;
 - The Police and Crime Commissioners precept; at the time of writing this is not yet known but will be agreed at the meeting scheduled for 2 February 2022;
 - The Kent Fire and Rescue Service (KFRS) precept will be agreed at the meeting scheduled for 18 February 2022, with the proposal an increase of 1.89% or £1.53 on Band D properties.
- 3.15. **Retained Business Rates**
- 3.16. 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 uprated each year by the business rates multiplier, now CPI.
- 3.17. Neither the SR21 nor the provisional settlement made any announcements regarding increasing the proportion of Business Rates retained by local authorities. The Secretary of State for Levelling Up, Housing & Communities has indicated that the government would not "move precipitately to a system

whereby 75% of business rates is retained because that works against the process of redistributing money to those who need it most particularly in the wake of Covid-19.” In the meantime, the 50% business rate retention scheme will continue in its existing form and Medway remains a top-up authority.

3.18. Councils are required to submit a return to the government by 31 January 2022 (known as the NNDR1) which estimates the level of business rates income for the 2022/23 financial year. At the time of producing this report work was underway to complete this calculation, so the budget assumptions presented in this report are unchanged from the Draft Budget report in respect of business rates, reflecting growth of £4.000million in Business Rates and Section 31 grants received in government compensation for reliefs awarded.

3.19. **Baseline Need Funding**

3.20. The SR21 documents set out that the government would provide councils with £4.800billion of new grant funding over the SR21 period for social care and other services, comprising annual national allocations of £1.600billion for three years and the Draft Budget estimated Medway’s allocation to be £6.400million for 2022/23. The settlement confirmed the distribution of this national allocation will be through a combination of increased baseline need funding and other specific grants detailed elsewhere in this report.

3.21. As that £4.800billion funding was referred to as ‘new’, the Draft Budget assumed it would be received in addition to existing funding through Revenue Support Grant, Section 31 Grant and Top Up, which the provisional settlement confirmed. The provisional settlement also announced the continuation of the lower tier services grant (introduced as a one-off grant in 2021/22) which aims to ensure that no authority will have less funding available in 2022/23 than in the current year. Medway’s allocation for 2022/23 is £383,076. The provisional settlement also announced a one-off 2022/23 Services Grant “in recognition of the vital services, including social care, delivered at every level of local government.” Medway’s allocation is £3.324million.

3.22. Until the final Retained Business Rates figure is known through the completion of the NNDR1 Return (due by 31 January 2022), we do not know the impact on the Baseline Need Funding assumptions that were included in the Draft Budget. However, to compensate for freezing the Business Rates multiplier until 31 March 2023, the provisional settlement includes an increase in grant compared to growth in line with RPI. Medway’s allocation is £3.961million.

3.23. **New Homes Bonus**

3.24. Introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas, the New Homes Bonus scheme was being wound down. The Spending Review 2021 made no mention of the New Homes Bonus Scheme, so the Draft Budget assumed only the final legacy payment of £88,000 would be received. However, the Provisional Local Government Finance Settlement announced a new round of New Homes Bonus payments in 2022/23, which will not attract new legacy payments. Medway’s allocation for 2022/23 is £1.979million.

3.25. Education Related Grants

- 3.26. The Spending Review 2021 set out that the national schools budget would increase by £4.700billion by 2024/25 compared to the 2019 settlement for schools in 2022/23. SR21 also provided a new package of £1.800billion over the SR21 period to “recover children and young people’s lost learning as a result of the pandemic”. The settlement sets out that Education Related Grants will total £104.599million in 2022/23.
- 3.27. Pupil Premium Grant (PPG) is paid to schools separately as a grant to improve the attainment of pupils from deprived backgrounds, based on pupils eligible for a free school meal, ‘looked after children’ (LAC), and children with a parent in the armed forces. This grant is essentially passed straight to schools. There are only two local authority maintained schools with sixth forms in Medway – one secondary and a special school – and the Sixth Form Grant is passed straight to these schools.

Table 2: Projected Schools related grants for the period to 2024/25

	2022/23 £m	2023/24 £m	2024/25 £m
DSG – Retained Schools Block	42.601	44.731	46.073
DSG – Schools Block	0.958	0.978	0.997
DSG – High Needs	39.595	41.575	42.822
DSG – Early Years	17.712	18.066	18.428
Pupil Premium Grant	3.250	3.250	3.250
Sixth Form Grant	0.482	0.482	0.482
Total Grant	104.599	109.082	112.053

- 3.28. Schools related expenditure is generally funded through the schools block of the Dedicated Schools Grant (DSG). However, Medway continues to experience significant pressure on services for children with Special Educational Needs and Disabilities (SEND), and our latest monitoring which will be reported to the Cabinet in March 2022 projects that this will result in a cumulative deficit of £20.829million on the DSG High Needs reserve by 31 March 2022. 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 for 2021/22 does not feature in the proposed budget. This deficit will be managed through the Council’s deficit recovery plan over the medium term.
- 3.29. The Spending Review (SR) set out £2.600billion over the three-year period for new school places for children with SEND, alongside “£104.000million by 2024-25 for reforms to unregulated children’s social care, and £7.000million by 2024-25 to improve access to services and support for adopted children and their families[...]and maintains and increases capacity in secure and open residential children’s homes by making available £259.000million over the SR period so more children and young people can receive the care they need”. In December 2021, Medway were award an additional £1.816million as part of its 2022/23

high needs dedicated schools grant allocation.

3.30. **Social Care Related Grants**

3.31. In addition to the flexibility to levy an Adult Social Care precept on Council Tax, the provisional settlement announced increased allocations for social care grants. Medway's indicative Social Care Support Grant allocation is £8.497million and the Improved Better Care Fund (iBCF) allocation will increase by CPI, taking it to £7.307million. Finally, the settlement confirmed the allocations for the first year of the Department for Health and Social Care's Market Sustainability and Fair Cost of Care Fund; this represents the first tranche of funding to offset the impact of the Government's social care reforms and Medway's allocation is £674,000. While this is lower than anticipated in the Draft Budget (£800,000), our projections continue to assume that the funding will only mitigate the impact of the reforms and as such this does not widen the Council's budget gap.

3.32. In November 2021 the Department for Education confirmed the Council had been successful in securing transformation funding as part the Local Authorities Improvements and Interventions scheme of £1.067million. This grant will fund a suite of projects to improve Children's services in Medway, including increasing capacity in the family group conferencing and adolescent services, Quality Assurance improvement work, development of the workforce strategy and the introduction of team to deliver a multi-disciplinary approach to neglect.

3.33. **Public Health Grant**

3.34. The provisional settlement confirms that local authority spending through the public health grant will also continue to be maintained "in real terms", therefore Medway's Draft Budget assumes the same level of grant will be received as in 2020/21 plus 3.1% representing CPI, at £18.126million.

4. **Revenue Budget Requirement 2022/23**

4.1. The Council Strategy sets out the Council's key priorities, the outcomes we expect to achieve and the programmes that will deliver them. The Council Plan is the delivery plan which sets out the measures that will be used to track performance against the Council's key priorities. The annual 'refresh' of the Plan is considered elsewhere on this agenda, but the budget has been prepared to reflect the priorities and corporate ways of working it sets out. The key priorities are:

- People – Supporting Medway's people to realise their potential;
- Place – Medway; a place to be proud of; and
- Growth – Maximising regeneration and economic growth – growth for all.

4.2. The Council Plan comprises six Core Values which underpin everything we do, guiding our behaviour, decisions and choices in the way we design and deliver our services. These are:

- Financial Resilience;
- Digital Enablement;

- Creativity and Innovation;
- Working together to empower communities;
- Tackle Climate Change, and;
- Child Friendly.

4.3. In accordance with the constitutional requirements, the Draft Budget, proposed by Cabinet, was passed to overview and scrutiny committees inviting comments, with comments from these meetings summarised at Appendix 1 to this report. At that stage the draft budget was some £18.176million in excess of the anticipated resources available, largely driven by demographic pressures manifesting within Adult Social Care and Children's Services.

4.4. Commencing in the summer, during formulation of the Financial Outlook, and continuing throughout the overview and scrutiny process, officers have worked closely with portfolio holders to close the gap and achieve a balanced budget, without recourse to reserves and whilst attempting to minimise the impact on service delivery. These proposals and their impact in 2022/23 are discussed in more detail in the directorate level commentaries at Section 5, 6 and 7 of this report.

4.5. Appendix 2 summarises the proposed budget requirement against the funding assumptions, with appendices 3a, 4a and 5a representing the directorate summaries and appendices 3b 4b and 5b providing more detail regarding individual savings proposals. At the time of writing this report, there is still a deficit of £1.609million to resolve. If we cannot identify measures to address this deficit, it will need to be met from the Council's reserves.

5. Children and Adults (Appendices 3a / 3b)

5.1. Since the inadequate rating from Ofsted's inspection of Children's Services in 2019, there has been significant growth in the budget for the service, with c£7.000million added for 2020/21 and almost £9.000million added for 2021/22. This investment has clearly contributed to improvements in the service, and in her final report to the Secretary of State in December 2020 the Commissioner recommended that Medway had the capacity to continue to run its children's service and was committed to making the necessary improvements. However, the increasing complexity of need, combined with the scarcity of suitable placements has driven significant financial pressures at Medway in 2021/22, and this budget reflects a further increase in expenditure compared to the 2021/22 budget for Children's Social Care of £6.107million. The overall increase is offset by the transfer of £1.835million to BSD for the centralisation of legal costs and £1.274million reduction in the contribution the Children's Social Care budget makes towards DSG funded expenditure.

5.2. The Budget reflects significant increases in Adult Social Care expenditure of £5.807million, based on the ongoing impact of Covid-19 on placement numbers and provider fees increasing, driving up placement costs. The pandemic has also driven up both the number of people and level of need among those with mental ill-health. Social care providers in the market continue to experience significant cost pressures including increases in the National Living Wage and

rising inflationary costs, and the national issues around recruitment and retention of social care staff and the resultant staff shortages making reliance on expensive agency staff a further pressure within the service.

5.3. The Budget also reflects that Medway continues to experience significant pressure on services for children with Special Educational Needs and Disabilities (SEND), with the budget for Education representing an increase of £2.900million compared to 2021/22.

5.4. As outlined at paragraph 3.34 the Public Health Grant in the proposed budget assumes the same level of grant will be received as in 2020/21 plus 3.1% representing CPI, at £18.126million.

5.5. The budget also reflects savings across the Directorate on travel, printing and other supplies/services owing to new ways of working.

6. Regeneration, Culture and Environment (Appendices 4a / 4b)

6.1. The 2020/21 budget addressed a range of inherent pressures around the delivery of some previously very challenging income targets across the Directorate, including those in Parking and Leisure. These services were severely impacted by the Covid-19 restrictions throughout 2020/21 however they have largely recovered during 2021/22 and now represent only a modest (£304,000) pressure in the 2023/23 budget. The proposed budget represents a net increase across the Directorate of £326,000, primarily addressing pressures arising from demographic growth impacting on waste arisings, contractual uplifts across the waste and highways services and the impact of the revised mechanism for charging staff costs to capital programme. The budget also reflects savings across the Directorate on travel, printing and other supplies/services owing to new ways of working.

7. Business Support Department (Appendices 5a / 5b)

7.1. The proposed budget for 2022/23 for Business Support (including the centralised budgets (relating to Interest & Financing, Levies and the Medway Norse Profit Share) represents an increase of £809,000 compared to the 2021/22 base, however this includes the centralisation of £2.121million of budget relating to legal costs from across the organisation into the Monitoring Officer's Division. The budget reflects proposals to charge the cost of the Business Change team to capital resources through the Flexible Use of Capital Receipts Strategy, as recommended at Paragraph 8.3 of this report, to reduce external expenditure on legal advice and to cease providing grants to Parishes as these are no longer mandatory or funded by the Government. The budget also reflects savings across the Department on travel, printing and other supplies/services owing to new ways of working.

7.2. It is also proposed to restructure the Finance and Business Improvement division. The recent resignation / retirement of two heads of service within the division has presented an opportunity to radically rethink the senior management structure within the division and wider Business Support

Department. It is proposed that the Chief Finance Officer will be renamed the Chief Operating Officer, taking on responsibility for the HR function, but retaining Section 151 responsibility. Cabinet is therefore asked to recommend to Full Council to agree a revision to the Senior Management Structure as set out in Appendix 9, in line with the Chapter 7 of the Council's Constitution. The restructure of the Finance and Business Improvement division will be carried out in at least two phases and is expected to save £500,000 in a full year. Phase one will take effect from 1 April 2022 and involve some changes to the responsibilities of the remaining heads of service. This will improve clarity around strategic and operational management responsibilities, however as it will not change the composition of the Corporate Management Team, it can be carried out under personnel delegations set out in paragraph 3.1 of the Employee Delegation Scheme. While the restructure will not be concluded until March 2023, as the division is expecting to carry a number of senior level vacancies whilst the restructure is carried out, it is expected that the £500,000 savings target will be delivered in 2022/23 and beyond.

- 7.3. Officers have also been negotiating with Kyndi Ltd. regarding bringing the recruitment agency back in-house. Last year, the agency, net of its direct staffing costs, delivered a contribution of circa £800,000 towards Kyndi's overheads. As the Council is its primary customer, this represents the potential saving that could be made by bringing the agency back in-house. There will of course be costs associated with the TUPE transfer of the three posts back to the Council and the impact on our own management within the HR division, however there should still be a considerable net saving. Given that some of the agency's income is derived from executive recruitment and some from services that do not budget for the agency premium, these revenue budget proposals reflect a more prudent £450,000 saving across Children's and Adults for next year.

8. Flexible Use of Capital Receipts

- 8.1. From 2016/17 Local authorities were given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. The flexibility was granted for three financial years to 2018/19 and was then extended for three years from 2019/20 to 2021/22. On 10 February 2021 the government announced a further three-year extension from 2022-23 onwards.
- 8.2. Alongside the budgets for 2020/21 and 2021/22 Full Council approved the Council's Strategy for the use of this flexibility, with investment in the Children's Improvement programme, the council's Transformation programme and feasibility studies featuring in the current capital programme. To date, the Council has accounted for expenditure funded from capital receipts in this way through schemes in the Capital Programme. From 2021/22 the activity funded through this flexibility will instead now feature in the revenue budget; this does not represent any change to the agreed level of expenditure or funding and is purely a change of accounting treatment. Cabinet is asked to recommend to Council that the following schemes funded through this flexibility be removed

from the Capital Programme and instead reflected in the 2021/22 revenue budget:

- 9X576 Children's Improvement Programme – £612,351;
- 9C077 Transformation Flexible Use of Capital Receipts – £2,371,602; and
- 9C779 Feasibility Studies Flexible Use of Capital Receipts – £500,000.

8.3. Appendix 8 to this report sets out the updated Strategy and the proposed further use of this flexibility in 2022/23. This will see the continuation of support through this flexibility for the Children's Services Improvement Programme of £530,000, resources to support the Adult Social Care Transformation and Improvement Programme of £200,000 and for the Council's Business Change Team to be funded from capital receipts for the 2021/22 and 2022/23 financial years costing a total of £1.300million and this is reflected in the proposed revenue budget.

8.4. The availability of capital receipts is forecast in Table 5 at Paragraph 13.4 to this report.

9. Pay and Pensions

9.1. The Council's proposed Budget assumes a pay award of 1% for all staff. The budget also reflects the impact of the Spending Round 2021 announcement confirming that following the recommendations of the independent Low Pay Commission, the government will increase the National Living Wage (NLW) for individuals aged 23 and over by 6.6% from £8.91 to £9.50 an hour effective from April 2022.

9.2. The Draft Budget estimated the impact to the Council of the Employers National Insurance contributions increase of 1.25% in respect of the new Health and Social Care Levy at £1million. Work to refine our estimate of this impact has reduced the forecast cost by £274,000.

9.3. The Council's current performance-related pay arrangements (known as MedPay) were introduced in April 2014. In the context of an increasingly competitive job market, the organisation has made use of Market Premia payments to attract and retain appropriately skilled and experienced senior staff, however this presents a significant risk around equal pay and reward and is not a sustainable solution. The Medpay payscales are all contiguous with the top of one band equalling the bottom of the next, with the exception of a gap between the existing Service Manager and Assistant Director bands and the gap between Assistant Directors and Directors as shown at Appendix 10. Through use of Market Premia (in accordance with the Market Premia Scheme set out in the Pay Policy Statement) the organisation has effectively placed staff in this gap, with 1/4 of all Service Managers currently paid in this 'gap'. It is therefore proposed to formalise this payband, making a distinction between Strategic and Operational Heads of Service to maximise the current headroom between the top of the existing Service Manager band and the bottom of the Assistant Director band in an official and transparent way. There is no direct financial cost to this change, as all existing Service Manager posts including those with Market Premia applied, are within the existing council budget.

Directors (including the Chief Executive for Business Support) will undertake this reorganisation under their delegated authority set out in section 3.1 of the Employee Delegation Scheme in the Constitution.

10. Interest and Financing

- 10.1. The proposed 2022/23 Interest and Financing budget represents a small increase of £144,000. This reflects the increase in borrowing costs required to meet the aspirations in the Council's Capital Strategy, while ensuring the availability of sufficient cash-flow to support the operations of the Council.

11. Fees and Charges

- 11.1. The budget proposals have been formulated on an assumption that fees and charges would generally increase by 3.0%, however where market conditions allow or where the Council has a statutory obligation to recover costs, greater increases have been applied. The schedule of proposed fees and charges is set out at Appendix 7.

12. General Reserves

- 12.1. Over recent years the Council has pursued a strategy seeking to rebuild reserves and Table 3 illustrates the progress made since March 2018. Non-earmarked General Fund reserves currently stand at £22.689million.

Table 3: Movement in Usable Reserves

Type of Reserve	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	Closing Balance 31/03/2021
	£	£	£	£
General Fund Balance	5,000,000	5,000,000	10,000,000	10,000,000
General Fund Earmarked Reserves (Exc CFS31)	11,073,144	13,906,729	19,216,064	35,023,745
Collection Fund S31 Grant	0	0	0	18,502,397
Adjustment Reserve				
General Reserves	88,566	4,039,415	3,924,331	12,688,686
Insurance Fund	1,368,160	1,216,148	960,148	2,458,919
Schools Balances	1,181,345	2,003,591	1,356,148	1,413,839
HRA Reserves	4,924,357	6,407,281	6,745,570	5,700,747
Capital Grants and Contributions (incl. S106)	8,249,262	10,988,050	18,763,921	25,916,403
Capital Receipts Reserve	330,966	1,109,575	5,463,286	6,673,565
Total Usable Reserves	32,215,799	44,670,789	66,429,469	118,378,300
Unusable Reserve - DSG Adjustment Account	452,382	(4,138,678)	(9,345,666)	(16,261,305)

- 12.2. The principal risk to be covered by the contingency balance is that of an overspend and it is a testimony to both the internal budgetary control systems and the robustness of the budget setting process, that over a number of successive years the Council has consistently underspent its revenue budget.

12.3. The other reason for maintaining reasonable reserve balances is to protect against the financial impact of a major emergency or catastrophic event. There is no doubt, that the Coronavirus pandemic would fall under the category of major emergency. The financial impact of the pandemic on the Council's budget has been three-fold.

- The impact of national lock downs and local tier restrictions has resulted in a reduction in the Council's income from services as diverse as car parks, leisure centres and land charges;
- The effects on the local economy have impacted on business turnover and profits and more directly through loss of earnings for individuals. This in turn has affected the Council's ability to collect revenues from local taxation;
- Finally, it has resulted in increased demand for public services, not just those related directly to our response to the pandemic, but also the increased demand for social care, housing services and services for children and young people.

12.4. There is no doubt that the Government responded quickly to this emergency and provided Councils with billions of pounds to address the financial implications on local authority finances and to provide support directly to businesses and households, particularly those most vulnerable in our communities, however the longer term effects will continue possibly for years and we will need to consider these in formulating our longer term financial plans. Healthy reserve balances will be a key component in balancing our budgets over the next couple of years.

13. Capital Programme 2022/23 and beyond

13.1. The current capital programme and how it is funded is summarized in Table 4.

Table 4: Current Capital Programme

Funding Source	Children & Adults £m	RCE £m	HRA £m	Business Support £m	Member Priorities £m	Total £m
Prudential Borrowing	22.654	177.433	12.572	0.247	0.000	212.906
Borrowing in lieu of Future Business Rates	0.000	35.138	0.000	0.000	0.000	35.138
Borrowing in lieu of Capital Receipts	0.000	0.438	0.000	0.000	0.000	0.438
Borrowing in lieu of Future Section 106 Contributions	1.585	0.000	0.000	0.000	0.000	1.585
Capital Receipts	0.612	2.585	0.000	4.110	0.363	7.670
Capital Grants	2.455	209.973	0.000	0.002	0.000	212.429
RTB Receipts	0.000	0.000	0.045	0.000	0.000	0.045
S106 Developer Contributions	3.218	1.265	0.000	0.000	0.000	4.483
Revenue / Reserves	0.000	0.024	9.039	0.034	0.000	9.097
Total Capital Programme	30.524	426.856	21.656	4.392	0.363	483.791

- 13.2. The current programme above reflects the following additions/amendments made since the second round of capital budget monitoring was [reported to the Cabinet on 16 November 2021](#), following Cabinet approval or using the delegation of the Chief Finance Officer:
- Addition of £8,995 to the Brompton-Westbrook Expansion Final Phase, funded from S106 Contributions;
 - Addition of £320,828 to the Wayfield Primary Expansion, funded from S106 Contributions;
 - Addition of £99,259 to the Capstone Park Improvements, funded from S106 Contributions;
 - Addition of £29,000 to Great Lines Footpath Improvements, funded from S106 Contributions;
 - Approval of the use of £9,320 from Members Priorities to fund Rainham Signage Scheme and of £2,500 to fund improvements to Platters Park; and
 - In October 2021 the government confirmed that Medway Council's bid to the Levelling Up Fund had been successful, with the award of £14.395million across three projects. Of this award, £6.622million has been added to the Council's Capital Programme to fund a comprehensive refurbishment of the Brook Theatre. Though the Council is the accountable body for the schemes to transform the Docking Station into a unique creative facility and to bring the Fitted Rigging House (South) back into effective use, these are not being delivered by the Council so do not feature in the Capital Programme.

Working alongside the University of Greenwich, the Council has also been awarded £586,514 through the Community Renewal Fund to deliver the Medway Together project. The project will carry out research for businesses and organisations to address the issue of persistent unemployment, the project includes tailor-made mentoring and the piloting of an approach that allows disadvantaged groups to gain real-world employment experience, and aims to pull together different strands of knowledge and assistance into a one-stop shop. Though the Council will be the accountable body for the scheme we are not delivering the works and so this does not feature in the Capital Programme.

- 13.3. Additions to the programme for next year are dealt with in the narrative below. New schemes will be funded from a combination of grant, prudential borrowing and capital receipts.
- 13.4. Table 5 overleaf sets out the Council's capital receipts position, however as set out at Section 8 of this report, it is proposed that £2.030million be added to the revenue budget through the Flexible Use of Capital Receipts, in line with the Strategy set out at Appendix 8.

Table 5: Projected Capital Receipts

Movement in Capital Receipts	Available Capital Receipts £m	HRA 1 for 1 Capital Receipts £m
Balance 31/03/2021	6.167	1.813
Projected Receipts	5.324	0.000
Projected Spend (latest monitoring)	(5.348)	0.000
Balance 31/03/2022	6.143	1.813
Projected Receipts	1.655	0.000
Projected Spend (latest monitoring)	(1.718)	(0.036)
Balance 31/03/2023	6.080	1.777

- 13.5. **Schools Capital Programme:** The major part of the basic need for school places continues to be delivered by the free schools that the Education and Skills Funding Agency (ESFA) are directly funding. In January 2019 Council added £24.700million to the capital programme to fund the delivery of an Independent Autism Spectrum Disorder (ASD) Special School on the Cornwallis site. While the ESFA are funding the planned 160 place expansion and relocation of the Inspire Free School on to the Cornwallis Avenue site, Members will be aware that delays in these projects have placed a burden on the local authority, which had to be met by the addition of £3.000million to fund 'bulge classes' funded from virements from the original scheme. In addition to this, the Council has embarked upon a significant programme of investment in local SEND provision, as part of the plan to address the deficit against the High Needs Block of the DSG. During 2020/21 the Council allocated £2.500million to create 250 SEND places in mainstream settings, £4.200million to create additional secondary places at Bradfields and a further £12.000million expansion at Abbey Court, also for secondary age pupils. The balance of the SEND school scheme is currently £2.468million and with no planned call on that funding, it is proposed that the scheme be removed from the capital programme.
- 13.6. Whilst the Council is not expecting any further Basic Need Grant, it should continue to receive Schools Condition and Maintenance Grant funding to fund major condition works at maintained schools and this will be added to next year's programme, under the Chief Finance Officer's delegation, when we have certainty over the figure. Similarly, the Devolved Formula Capital Grant will be added in due course.
- 13.7. **Highways and Transport Related Capital:** In the Spending Review 2021 the government announced that the Department for Transport settlement provides £8.500billion, equivalent to real-terms growth rate of 1.9% a year on average over the settlement period to 2024-2025. The funding is exclusively ring fenced to highways, however Local Authorities have yet to be notified of allocations and these will be added to the programme, under the Chief Finance Officer's delegation, when final allocations are known. It is proposed to inject a further £2.000million of capital receipts towards maintaining the highways.

- 13.8. **Housing Revenue Account:** The HRA Capital and Revenue Budgets 2022/23 report considered earlier on this agenda sets out the ongoing investment in the planned maintenance and disabled adaptations capital works programme, and the continuation of the house building development programme over the coming year. Phase 5 of the new build programme will require investment of £9.500million and will deliver around 40 new affordable rent properties on two sites, subject to planning approval.
- 13.9. The HRA Business Plan references a three-year planned capital maintenance budget as summarised in Table 6:

Table 6: HRA Capital Requirement

	2021/22 £m	2022/23 £m	2023/24 £m
Planned Maintenance	5.419	4.975	4.417
Disabled Adaptations	0.200	0.200	0.200
New Build Programme	0	8.200	0
Total	5.619	13.375	4.617

- 13.10. **Future High Streets Fund:** In Spring 2021 the government confirmed Medway Council had been successful in bidding for the Future High Street Fund, with an allocation of £9.498million to deliver six key projects in Chatham by March 2024, including reconfiguring the first floor of the Pentagon Shopping Centre for community use; delivering a creative and collaborative workspace in the town centre to support the development of Chatham’s creative sector; creating an innovation hub to support business start-ups and restoring and redeveloping the vacant St John’s Church into a conference and co-working hub to meet growing demand for such space.
- 13.11. **Regeneration Investment Fund:** In February 2021 the balance of the former Property Investment Fund was rebranded as the Regeneration Investment Fund, in light of clearer advice from the government that local authorities should not borrow to invest for purely commercial reasons. Since then, the Cabinet has agreed to use the fund to make acquire a long-term derelict property, 364 High Street, Rochester through a Compulsory Purchase Order to return the property to use, providing accommodation with a potential commercial use on the ground floor. Officers and Members continue to work to identify further opportunities to make us of this fund.
- 13.12. **Leisure and Culture:** In July 2020 Full Council approved the addition to the Capital programme of £5.000million to fund the refurbishment of the Splashes Sports Centre, however after extensive structural surveys were carried out at Splashes Leisure Centre to ascertain the condition of the building with the intention to refurbish, the building was found to have major structural faults beyond economic repair. In June 2021 the Cabinet approved the demolition of the current Splashes Sports Centre whilst plans are being developed for a new centre on the same site. In the coming months, Cabinet will consider another report setting out details for the replacement of a new leisure facility on the existing site. This will establish a brand new centre offering fun, family-friendly activities which complement the sessions delivered at Medway’s other sports

centres. The investment in Splashes Sports Centre supports our aspiration to become a Child-Friendly City, putting Medway's young people at the centre of everything we do.

- 13.13. **Play Area Investment:** An audit and annual play inspection sets out the top priorities for play investment each year. In July 2020, Cabinet proposed that £275,000 should be included in the capital programme and this was included in the agreed budget for the current financial year. Cabinet also recommended that £250,000 should be added to each year's capital programme moving forward to ensure that residents and visitors have access to safe play equipment designed to meet the increasingly diverse range of user needs.
- 13.14. **Bereavement Services:** We have four cemeteries in Medway which are all suitable for burials, cremated remains and memorials. The roads and pathways across these are in need of repair, requiring investment of £250,000 to ensure they continue to provide a safe and aesthetically pleasing environment.
- 13.15. **Central Theatre Sound System:** The Central Theatre's existing sound system is fifteen years old and requires replacement with a new voice reinforcement sound system to maintain the quality of sound reproduction befitting of a venue of The Central's size and status. Bose, a world leader in sound reinforcement systems with headquarters in Chatham has approached the Council with a proposal to work in partnership with the Central Theatre to deliver a high quality sound system for £95,000 and carry out a range of mutually beneficial activities, including use of the venue as their European Centre of Excellence to demo their product to professionals across Europe and as a showcase site.
- 13.16. **CCTV:** An ongoing programme of replacement is required to ensure the service continues to operate as planned, with investment of £100,000 now necessary to replace a range of cameras including those in our car parks and the bus station.
- 13.17. **Investment in Digital Infrastructure in our Adult Education Centres:** In advance of the opening of the new Learning Skills and Employment Hub at Britton Farm, the service operates face to face courses from hubs in Rochester and Gillingham alongside online learning. Alongside funding some minor adaptations to the Rochester centre, the addition of £230,000 to the capital programme will enable the service to enhance its the web presence and update online course enrolment and delivery software.
- 13.18. **Investment in our Operational Buildings:** In addition to our annual revenue budget for building repairs and maintenance of £750,000, the 2021/22 capital programme included an injection of £500,000 of capital receipts to fund major repairs to our operational property portfolio. The Capital Strategy set out a further package of works required, for which a further £1.050million of capital receipts will be added to the programme to deliver replacement of transformers, replacement of passenger lifts, waterproofing works and new drainage to protect assets on level 2 within Gun Wharf.

Table 7: Summary of Proposed Additions to the Capital Programme in 2022/23

New Capital Scheme	Source of Funding	Allocation £m
Schools Maintenance and Condition	Maintenance Grant	TBC
Devolved Schools Maintenance and Condition	Devolved Formula Capital	TBC
Highways Maintenance	DfT Grant Programme	TBC
HRA Planned Maintenance	HRA Revenue / Reserves	4.975
HRA Disabled Adaptations	HRA Revenue / Reserves	0.200
HRA New Build Programme	HRA borrowing & 1:1 Right To Buy Capital Receipts	8.200
Programme of capital works to Gun Wharf	Capital Receipts	1.050
Highways Infrastructure	Capital Receipts	2.000
Investment in Play Areas	Capital Receipts	0.250
Investment in Digital Infrastructure in our Adult Education Centres	Capital Receipts	0.230
CCTV Cameras	Capital Receipts	0.100
Bereavement Service Path Repairs	Capital Receipts	0.250
Show Match sound system at Central Theatre	Capital Receipts	0.095
Total		17.350
Removal of SEN School Scheme	Prudential Borrowing	2.468

14. Housing Revenue Account

- 14.1. The Council is required under the Local Government and Housing Act 1989 to ensure that the Housing revenue Account (HRA) does not fall into a deficit position.
- 14.2. The Business Support Overview and Scrutiny Committee received a report on 25 January 2022 that detailed the HRA revenue and capital budget proposals and a follow up to that report features elsewhere on this agenda.
- 14.3. The summarised Housing Revenue Account is attached at Appendix 6, with the capital investment requirements included within the current programme at Table 4 and the additions at Table 7.

15. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Demographic Growth	Further demographic pressures may surface across our social care services above those assumed in building the	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	C2 (Significant likelihood, major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
	budget.		
Special Educational Needs and Disabilities	Further increases in the number of children requiring support, and in the complexity of needs may surface above those assumed in building the budget.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	C2 (Significant likelihood, major impact)
Final settlement may be worse for Medway than the Provisional settlement	There remains a slight possibility that following consultation, changes could be made to the settlement that adversely affect the overall position for the Council in terms of Government support.	This is considered a low risk but in the event that it proves to materialise there may be a need to table revised proposals for consideration by Council. Close monitoring of government communications.	D3 (Low likelihood, marginal impact)
Inadequate funding	Funding allocated is inadequate to offset expenditure pressures, and it may not be possible to deliver significant savings required to balance the Council's budget without recourse to reserves.	Officers and Members continue to work closely to identify savings.	C1 (Significant likelihood, critical impact)
Capital receipts	The budget assumes a significant proportion of the Capital Programme is funded from capital receipts; if the Council does not achieve the	Close monitoring of the programmes anticipated to deliver capital receipts, and careful management of the delivery of those schemes funded from	D2 (Low likelihood, major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
	required receipts, some elements of the programme may either need to be curtailed or refinanced.	receipts.	
Deliverability of the Capital Programme	Macro-economic conditions, largely but not wholly resulting from the pandemic, have affected the cost and availability of both materials and labour.	Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.	B3
Medway Development Company activity	A reduction or slowing of the housing market could mean that MDC schemes planned may not generate the revenue income or the capital receipts assumed in the Council's budget.	<p>Skilled and experienced staff within the company and at the Council are focused on the production of high-quality businesses cases, leading to the selection and delivery of schemes that will perform well.</p> <p>Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.</p>	D2 (Low likelihood, major impact)
Housing Infrastructure Fund	The delivery of the HIF scheme is funded by Homes England, however any overspend must be funded by the Council.	<p>A dedicated team of skilled and experienced staff are focussed on the delivery of the HIF programme.</p> <p>Close monitoring of the programme and careful</p>	C2 (Significant likelihood, major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
		management of the delivery are supported by scrutiny from senior officers and Members.	

16. Consultation

16.1. The Draft Budget is subject to consultation with Members via Overview and Scrutiny Committees with their comments captured at Appendix 1 to this report.

17. Diversity Impact Assessment

17.1. In setting its budget, the Council is exercising a public function and must therefore comply with the duties in section 149 Equality Act 2010 to have 'due regard' to the matters set out that section. Accordingly, due regard to the need to eliminate discrimination, advance equality, and foster good relations between those with a protected characteristic (pregnancy and maternity, age discrimination, disability, gender reassignment, marriage and civil partnerships, race, religion or belief, sex and sexual orientation) and those who do not share it must form an integral part of the decision-making process in relation to the budget. In practice the Council must show it has thoroughly considered any impact its decisions could have on groups with 'protected characteristics' before any decision is arrived at. Complying with this duty does not prevent the council from making difficult decisions about reorganisations, redundancies and service reductions nor does it stop decisions being made which may affect one group more than another. What must be demonstrated is that where there is potential for disproportionate impact this is transparent and any appropriate mitigating actions have been considered before final decisions are made.

17.2. In accordance with statutory requirements, work is currently ongoing by services to ensure that robust diversity impact assessments have been completed for the budget proposals in advance of Full Council's decision on the 24 February 2022. To manage the potential cumulative effect of proposals, this will include an overarching assessment taking a strategic view of the aggregate impact of reductions in funding, in recognition that some individual proposals on their own may not be significant but may need to be considered against changes in provision by other Council services.

17.3. It should be noted however that although equality impact assessments help to anticipate the likely effects of proposals on different communities and groups, in reality the full impact will only be known once the proposal is introduced. To mitigate any unintentional and unidentified impact, monitoring will be undertaken.

18. Financial implications

- 18.1. The financial implications are set out in the body of the report and in the attached appendices.

19. Legal and constitutional implications

- 19.1. Sections 30 to 36 of the Local Government Finance Act 1992 require that the Council sets a budget and Council Tax by 11 March each year and in doing so make a number of statutory calculations incorporated by resolution. The Localism Act 2011 has amended some of the terms and definitions to accommodate the introduction of powers to call local referendums for excessive Council Tax increase. The Council is now required to make a calculation of the Council Tax Requirement (Section 31A), excluding Parish precepts. The Act (Section 36) further prescribes that a calculation of the basic amount of Council Tax be presented together with an analysis of the Council Tax across the area and by valuation band. These calculations are required to be presented in a prescribed format and be subject to formal resolution by the Council.
- 19.2. Section 25 of the Local Government Act 2003 requires the Council's Section 151 officer to report to the Council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.
- 19.3. The Local Authorities (Standing Orders)(England) Regulations 2001 deal, amongst other things, with the process of approving the budget. Under the constitution the adoption of the budget and the setting of the Council Tax are matters reserved for the Council upon recommendation from Cabinet.
- 19.4. Council budget: In reaching their decisions, Members and officers must act reasonably, taking into account all relevant considerations and ignoring irrelevant ones. There is a need to ensure that when making budget decisions the result is not one which is irrational in the Wednesbury sense (i.e., one which no reasonable local authority could have made). The Council's overriding duty is to make a lawful budget and this is the touchstone against which other considerations must be tested.
- 19.5. The Council must have regard to its public sector equality duties when making decisions. This includes the requirement to undertake a Diversity Impact Assessment in relation to all significant changes to policies, procedures or practice, and to pay 'due regard' to the need to eliminate discrimination and promote equality with regards to race, disability and gender. This is further dealt with in Section 17 of this report.
- 19.6. Legal Obligations: Local authorities provide services pursuant to statutory duties (a mandatory requirement to provide services), and statutory powers, (where the Council has a discretion whether or not to provide services). Where the Council has a legal duty then it still has discretion in determining the manner in which those services are provided, so long as the level of quality of service provision is sufficient to fulfil the statutory duty.

- 19.7. Even where Members and officers are under pressure to make a budget reduction, they must not pre-empt proper decision-making processes by focusing solely on financial considerations. Members and officers must address the core question of individual service users' needs, rather than a lack of resources. Recent case law has held that resources may be a relevant consideration in making a decision relating to the manner of service provision, so long as the individual's assessed needs are met.
- 19.8. Charges for services: In considering charges for services, Members and officers should also try to achieve a fair balance between the interests of the users of council services and Council Tax payers. Where charges are being increased, Members need to bear in mind the scale and extent of the charges, and may need in some cases to have regard to the costs of service provision, associated with the power to charge.
- 19.9. Members' responsibility to make a personal decision: In Council, Members must make a personal decision on how to vote on the budget proposals. Members' overriding duty is to the whole community. Members have a special duty to their constituents, including those who did not vote for them. Whilst Members may be strongly influenced by the views of others, and of their party in particular, it is their responsibility alone to determine what view to take when deciding upon budget questions. He/she should not follow party loyalty and party policy to the exclusion of other considerations.
- 19.10. Members need to balance the cost to Council Tax payers of any budget reductions, against the need for the benefits of services of the particular nature, range and quality, under consideration. If having taken into account all relevant (and disregarding all irrelevant) considerations, Members are satisfied that it is financially prudent and reasonable to make any budget cuts proposed and adopt the recommendations as proposed then they may properly and reasonably decide to do so.
- 19.11. Capping: The Localism Act 2011 has superseded the previous capping legislation and dictates that should a council propose an increase in Council Tax which would be deemed to be excessive in accordance with principles and levels designated by the minister, then a local referendum on the proposal would be required. This would necessitate the drafting of an alternative proposal that would meet ministerial requirements to be put to the electorate alongside the 'excessive' proposition. Since this proposed budget is below the 'excessive' threshold this does not apply.
- 19.12. Housing Revenue Account: Under Section 76 of the Local Government and Housing Act 1989, the council is required, in advance of the financial year, to formulate proposals which satisfy the requirement that, on certain stated assumptions, the Housing Revenue Account for that year does not show a debit balance. The council is obliged to implement those proposals and from time to time to determine whether the proposals satisfy the 'break even' requirement. If not, then the council shall make such provisions as are reasonable practicable towards securing that the proposals as revised, shall satisfy the requirement.

- 19.13. Under Section 24 of the Housing Act 1985, the council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. In exercising this function (determining and fixing rent), the council should have regard to the rents charged in the private sector.
- 19.14. A decision to increase rent constitutes a variation of the terms of a tenancy. Under Section 103 of the Housing Act 1985, in respect of secure tenancies, a notice of variation (specifying the variation and date on which it takes effect) must be served on each tenant. For non-secure tenancies (excluding introductory tenancies), a notice must be served that complies with Section 25 of the Housing Act 1985.
- 19.15. The Housing Act 1985 defines the legal requirements for informing tenants of rent increases. In practice this requires the issue of written notification to each tenant a minimum of four weeks in advance of the date that the increase becomes operative. For 2022/23 the latest date for posting the notices (first class) is 28 February 2022.
- 19.16. Bringing the Kyndi recruitment agency back in-house (see paragraph 7.3) will involve the transfer of staff under the Transfer of Undertaking Protection of Employment (TUPE) Regulations 2006. Therefore, full staff consultation will be carried out, which given the numbers involved requires 30 days.
- 19.17. The Council's constitution contains the budget and policy framework rules. The relevant extracts from the constitution are summarised as follows:
- The budget and policy framework rules contained in the constitution specify that the Cabinet should produce the draft revenue and capital budget. This initial budget which does not have to give full detail, nor be a finalised set of proposals, should be submitted to the overview and scrutiny committees to consider the initial budget and if appropriate offer alternative proposals. Any such proposals will be referred back to the Cabinet for consideration.
 - Under the constitution the Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is the Cabinet's responsibility to present a budget to the Council, with a special Council meeting arranged for this purpose on 24 February 2022. The adoption of the budget and the setting of Council Tax are matters reserved for the Council.

20. Conclusion

- 20.1. The budget has been formulated based on the assumptions set out in the Financial Outlook, Draft Budget and Capital Strategy. In addition, budgets have been proposed to deliver the aspirations of the Council Plan and preserve those services that are important to residents.
- 20.2. The proposed revenue budget requirement of £351.076million (Appendix 2) exceeds the estimated available resources by £1.609million. If we cannot

identify measures to address this deficit, it will need to be met from the Council's reserves.

21. Section 25 Statement:

- 21.1. Section 25 of the Local Government Act 2003 requires that an Authority's Chief Financial Officer reports to Full Council when it is considering its Budget and setting its Council Tax for the forthcoming financial year, confirming the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals.
- 21.2. The budget proposals are based on extensive analysis and assurance from members of the Council's senior leadership team and their finance support staff. Portfolio Holders have worked with their respective Directors throughout the budget setting process. Overview and Scrutiny Committees have been consulted on the proposals as set out in the Draft Budget. The latest estimates, including those informed by the Provisional Settlement, are detailed throughout this report.
- 21.3. The Council's reserves position is set out in detail at Section 12 of this report.
- 21.4. As the Section 151 Officer, excluding the deficit on the DSG, for which a statutory override is in place, I feel confident in confirming the robustness of the assumptions underpinning this proposed budget and the adequacy of general reserves available to the Council. However in the absence of any action by the Government/Department for Education to address accumulated DSG deficits across upper tier authorities, the projected accumulated deficit at 31 March 2022 of £20.829million would mean the Council would likely have to seek financial support from the Government to avoid needing to issue a Section 114 in 2023/24.

22. Recommendations

- 22.1. Cabinet considers the recommendations from overview and scrutiny committees as summarised in Appendix 1 to this report;
- 22.2. Cabinet recommends to Council that the net revenue budget summarised at Appendix 2, should be set at £351.076million, and that this should be funded by a 2.994% increase in Council Tax for 2022/23 with the equivalent Band D figure at £1591.74.
- 22.3. Cabinet is requested to agree that the recruitment agency, previously transferred to Kyndi Ltd., be transferred back to Medway Council with effect from 1 April 2022 and that authority be delegated to the Chief Finance Officer to effect this transfer.
- 22.4. Cabinet recommends to Council the capital budget proposals, as set out in Table 7.
- 22.5. Cabinet recommends to Council that the balance of the SEN School scheme of

£2,467,626 be removed from the capital programme as set out in paragraph 13.5 of this report;

- 22.6. Cabinet recommends to Council the fees and charges set out at Appendix 7 to this report;
- 22.7. Cabinet recommends to Council the Flexible Use of Capital Receipts Strategy set out at Appendix 8 to this report;
- 22.8. Cabinet is asked to recommend to Council that the following schemes in the current capital programme, funded through the Flexible Use of Capital Receipts be removed from the capital programme and instead reflected in the 2021/22 revenue budget:
- 9X576 Children's Improvement Programme – £612,351,
 - 9C077 Transformation Flexible Use of Capital Receipts – £2,371,602, and
 - 9C779 Feasibility Studies Flexible Use of Capital Receipts – £500,000.
- 22.9. Cabinet is asked to recommend to Full Council to approve the revised Senior Management Structure set out at Appendix 9.
- 22.10. Cabinet is asked to recommend to Full Council the creation of a new band within the pay structure as set out in Appendix 10, and to note that Directors will undertake reorganisations for their respective Directorates as set out in paragraph 9.3 of the report. This range will attract the same special allowance as the current Head of Service.
- 22.11. The Chief Finance Officer be requested to calculate the formal requirements under Sections 30 to 36 of the Local Government Finance Act 1992 for resolution by Special Council on 24 February 2022.

23. Suggested Reasons for Decision

- 23.1. The Constitution required that Cabinet's budget proposals must be referred to Council for consideration and approval.
- 23.2. The Council is required by statute to set a budget and Council Tax Levels by 11 March each year.

Lead officer contact

Katey Durkin, Head of Finance Strategy, Gun Wharf, 01634 332355,
katey.durkin@medway.gov.uk

Appendices

- 1 Report back from other Overview and Scrutiny Committees on Draft Budget Proposals
- 2 2022/23 Proposed Budget Summary
- 3 (a) and (b) C&A Budget Summary and Directorate Pressures & Savings
- 4 (a) and (b) RCE Budget Summary and Directorate Pressures & Savings

- 5 (a) and (b) BSD Budget Summary and Directorate Pressures & Savings
- 6 Housing Revenue Account Budget
- 7 Schedule of Proposed Fees and Charges
- 8 Flexible Use of Capital Receipts Strategy
- 9 Revised Senior Management Structure
- 10 MedPay Grades

Background papers

[Provisional Local Government Financial Settlement report to Cabinet 11 January 2022](#)

[Financial Outlook 2022/23 report to Cabinet 28 September 2021](#)

[Draft Capital and Revenue Budget 2022/23 report to Cabinet on 16 November 2021](#)