

# **Business Support and Digital Overview and Scrutiny Committee**

**1 February 2024**

## **Draft Capital and Revenue Budgets 2024/25**

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### **Summary**

This report sets out the Draft Capital and Revenue Budgets for 2024/25. In accordance with the Constitution, Cabinet is required to develop ‘initial budget proposals’ approximately three months before finalising the budget and setting Council Tax levels at the end of February 2024. The Draft Budget is based on the principles set out in the Medium Term Financial Outlook 2023-2028 (MTFO) considered by the Cabinet on 26 September 2023. This report also provides the comments of the other Overview and Scrutiny Committees on the Draft Budget proposals, for this committee to consider.

### **1. Recommendations**

1.1. The Committee is asked to comment on the proposals outlined in the Draft Capital and Revenue Budgets in so far as they relate to the services within the remit of this committee, to consider the comments from the individual Overview and Scrutiny Committees, as set out in Appendix 1, and determine which of these are forwarded to Cabinet, contributing to the overall comments that the Business Support and Digital Overview and Scrutiny Committee will feed back to Cabinet.

### **2. Budget and policy framework**

2.1. The budget and policy framework rules contained in the Constitution specify that Cabinet should produce the initial budget proposals. These should be produced and submitted to overview and scrutiny committees three months before the Council meeting that is scheduled to determine the budget and Council Tax. The overview and scrutiny committees have a period of six weeks to consider these initial proposals. Any proposals for change will be referred back to Cabinet for consideration. According to the Constitution, Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is Cabinet’s responsibility to present a budget to Council, with a Council meeting on 29 February 2024. The adoption of the budget and the setting of Council Tax are matters reserved for

Council. The statutory deadline for agreeing the Council Tax for 2024/25 is 11 March 2024.

### 3. Budget Monitoring 2023/24

- 3.1. At its meeting on 23 February 2023, the Council set a total budget requirement of £388.269million for 2023/24. Since then, additional grant funding has been announced, primarily the Household Support Fund, Holiday Activity Fund and Start 4 Life funding and the final allocations for Schools funding and the Public Health Grant have been confirmed. The net impact of these amendments takes the Round 2 budget requirement to a total of £392.543million. The Round 2 Revenue Budget Monitoring Report, forecasts a net overspend on services of £12.251million. More work will be needed to reduce the forecast overspend and consequent call on the Council's limited reserves, including a freeze on all expenditure that is not essential to the delivery of statutory services or to meet existing contractual obligations.

### 4. Budget Setting Approach and Process

- 4.1. The Council's budget setting process is designed to ensure that the available resources are directed most effectively towards the delivery of our key priorities and objectives set out in the Council Plan. This Draft Budget has been prepared during a period of significant change for Medway Council, representing the first of a new Administration working with a new Chief Executive. The organisation is working to develop its overarching Council Plan which will be presented to Full Council during the early part of the new financial year. Our initial projections for the cost of services in 2023/24 and beyond were set out in the Financial Outlook 2024/25 reported to the Cabinet in September 2023. Those projections amounted to an increase in the budget requirement of £60.123million. Our initial projections for income mitigated this, representing growth of £21.378million. Those initial MTFO projections arrived at a potential budget gap for the Council of £38.745million.
- 4.2. The work set out in this report is projected to increase the Council's income and deliver savings that reduce the Draft Budget projected gap to £35.798million. This report reflects the introduction of new approach to balancing the Council's budget, whereby each Directorate will operate within an agreed budget allocation for 2024/25. The Directorate budget allocations reflected in this Draft Budget therefore assume the delivery of savings and additional income equal to the potential budget gap identified. The Draft Budget reflects that the projected additional resources will be directed to fund the following pressures:
- the £10million assumption for pay uplifts with Directorates being allocated an amount proportionate to their salary budgets for 2023/24;
  - the inherent pressure arising from the use of reserves to fund the 2023/24 budget of £2.985million; and
  - the corporate pressure of £225,000 arising from Levies.
- The balance of projected additional resources is allocated to the Children and Adults Directorate reflecting the prioritisation of statutory services and the significant pressures projected. The Business Support Department has already identified savings from management action of £884,000 and additional income

of £2.942million to address the pressures arising in the Department and deliver a net contribution towards the Council's overall gap, hence the remaining target for the Department is nil.

- 4.3. Officers will continue to work with Portfolio Holders to formulate savings proposals to enable the Directorates to deliver a budget requirement within their budget allocation and will discuss options with the Leader and Cabinet Members through the normal budget setting process. Together with the diversity impact assessments, the agreed savings will be included within the budget recommendations to be considered by Cabinet on 13 February 2024. The broad strategic approach to closing the 2024/25 potential gap is outlined in this report.

## 5. Draft Budget Summary 2024/25

- 5.1. The Council's Draft Budget 2024/25 is summarised in table 1 below and represents a total budget requirement of £412.230million, however at this stage the Draft Budget assumes the delivery of £35.798million of savings or additional income in order for Directorates to deliver within their budget allocations.

**Table 1: Draft Budget Summary 2024/25**

Directorate	2023/24 Adjusted base budget excluding recharges £000	2024/25 Projected pressures/ additional resources £000	2024/25 Budget Requirement £000	2024/25 Savings Requirement £000	2024/25 Budget Allocation £000
Children and Adult Services	284,796	36,567	321,363	(22,676)	298,687
Regeneration, Culture & Environment	61,808	10,433	72,241	(7,621)	64,620
Business Support Department	22,264	4,406	26,670	0	26,670
Interest & Financing	15,300	5,502	20,802	(5,502)	15,300
Corporate Management	2,203	225	2,428	0	2,428
Additional Government Support Expenditure	4,525	0	4,525	0	4,525
<b>Budget Requirement</b>	<b>390,895</b>	<b>57,133</b>	<b>448,028</b>	<b>(35,798)</b>	<b>412,230</b>
Council Tax	(148,883)	(9,718)	(158,601)	0	(158,601)
Retained Business Rates	(53,255)	(2,575)	(55,830)	0	(55,830)
Non ringfenced Government Grants	(20,442)	(6,903)	(27,345)	0	(27,345)
New Homes Bonus	(1,998)	0	(1,998)	0	(1,998)
Education Related Grants	(112,400)	0	(112,400)	0	(112,400)
Children Social Care Related Grants	(70)	0	(70)	0	(70)
Adult Social Care Related Grants	(24,998)	(4,751)	(29,749)	0	(29,749)
Public Health Grant	(18,665)	(373)	(19,038)	0	(19,038)
Budgeted Use of Reserves	(2,985)	2,985	0	0	0
Additional Government Support	(7,200)	0	(7,200)	0	(7,200)
<b>Estimated Available Funding</b>	<b>(390,895)</b>	<b>(21,335)</b>	<b>(412,230)</b>	<b>0</b>	<b>(412,230)</b>
<b>Budget Gap - General Fund</b>	<b>0</b>	<b>35,798</b>	<b>35,798</b>	<b>(35,798)</b>	<b>0</b>

## 6. Children and Adults Directorate

- 6.1. The Directorate Draft Budget allocation for 2024/25 of £298.687million reflects the addition of £8.811million towards the pressures identified and an allocation of £5.080million for pay increases and the impact of the MedPay review. The Draft Budget assumes the Directorate will deliver £22.676million of savings or additional income in order to operate within the Directorate budget allocation. The Draft Budget reflects the pressures reflected in the MTFO for the Directorate, detailed in table 2 overleaf.

**Table 2: Children and Adults Directorate Draft Budget Pressures and Allocation**

Draft Budget Assumptions	2024/25 Budget Pressures £000	2024/25 Savings £000	2024/25 Budget Allocation £000
<b>Adjusted base budget</b>			<b>284,796</b>
Adult Social Care:			
- Cost of current service	6,602		6,602
- Increase band rates to accepted Fair Cost of Care rates	1,380		1,380
- Demographic growth at 3%	2,973		2,973
- Provider uplift at 5.4%	5,352		5,352
- Increase in Benefit rates at 4%	(622)		(622)
- Agency provision	629		629
- Inflationary uplift on the Out of Hours contract	45		45
- Staffing cost pressures arising from 2023 restructures	87		87
<b>Total Adult Social Care</b>	<b>16,446</b>	<b>0</b>	<b>16,446</b>
Children's Services:			
- Cost of current service	2,961		2,961
- Demographic growth at 10%	1,965		1,965
- Provider uplift at 5.4%	2,439		2,439
- Unaccompanied Asylum Seeking Children	1,691		1,691
- Legal costs	471		471
Inflationary uplifts on contracts:			
- Regional Adoption Agency contract	200		200
- Family Time Contract - Sunlight	110		110
- Out of Hours contract	123		123
<b>Total Children's Services</b>	<b>9,961</b>	<b>0</b>	<b>9,961</b>
Education:			
- Mainstream Transport	628		628
- SEND Transport	3,351		3,351
- Tribunal Legal Costs (Education General Fund impact)	155		155
- School improvement costs	191		191
- Place planning costs	150		150
- Key Stage 2 assessments	100		100
- Inflationary uplifts on contracts: Information Advice (IASS Education)	68		68
- Salaries that can no longer be funded from capital resources from 2024/25	64		64
<b>Total Education</b>	<b>4,707</b>	<b>0</b>	<b>4,707</b>
Public Health:			

<b>Draft Budget Assumptions</b>	<b>2024/25 Budget Pressures £000</b>	<b>2024/25 Savings £000</b>	<b>2024/25 Budget Allocation £000</b>
- Increased expenditure funded from increase in Public Health grant	373		373
<b>Total Public Health</b>	<b>373</b>	<b>0</b>	<b>373</b>
Allowance for staff pay uplift and impact of MedPay review	5,080	0	5,080
Children and Adults Directorate 2024/25 Budget Requirement			321,363
Further savings/income generation requirement			(22,676)
<b>Children and Adults Directorate 2024/25 Draft Budget Allocation</b>			<b>298,687</b>

## 6.2. Directorate budget pressures

- 6.3. The Draft Budget for Adult Social Care assumes that all the pressures detailed in the MTFO for the service are unchanged. This includes the impact of placement numbers and costs in excess of the 2023/24 budget (the cost of current service), demographic growth of 3%, increasing band rates towards the level identified in the Fair Cost of Care Exercise, inflationary uplifts to provider fees and the out of hours contracts and the premium payable to the agency along with higher rates of pay. Collectively these pressures add £16.446million to the Council's budget requirement for 2024/25.
- 6.4. The Draft Budget for Children's Services also assumes that all the pressures detailed in the MTFO for the service are unchanged. This includes the impact of placement numbers and costs in excess of the 2023/24 budget (the cost of current service), demographic growth at 10%, inflationary uplifts to provider fees, the out of hours and the Regional Adoption Agency contracts, the increasing cost of legal proceedings and the impact of caring for Unaccompanied Asylum Seeking Children (UASC) placed in Medway through the National Transfer Scheme. Collectively these pressures add £9.961million to the Council's budget requirement for 2024/25.
- 6.5. The Draft Budget for Education again assumes that all the pressures detailed in the MTFO for the service are unchanged. This includes the cost impact of increased pupil numbers and rising fuel costs on both mainstream and SEND transport, increases in the cost to the general fund of school improvement, place planning and assessment services and the increasing cost of legal proceedings. Collectively these pressures add £4.707million to the Council's budget requirement for 2024/25.
- 6.6. Schools related expenditure is generally funded through the Schools Block of the Dedicated Schools Grant (DSG), however significant pressures on services for children with Special Educational Needs and Disabilities (SEND) over a number of years resulted in the DSG reserve balance representing a deficit of £21.440million as at 31 March 2023. In March 2023 the Council finalised a Safety Valve agreement with the Department for Education, which provides £14.310million additional funding over the remainder of our deficit recovery plan period to support the Council's plans to return the DSG to a position where

annual expenditure is within the grant allocations. As noted in the Round 2 Revenue Budget Monitoring Report, the latest forecasts represent an underspend of £1.410million which will reduce the deficit balance when transferred to the reserve at year end.

- 6.7. As in the MTFO, the Draft Budget assumes that any increased cost of Public Health services will be met from the increase in ring-fenced grant of £373,000 and does not therefore increase the Council's net budget requirement.
- 6.8. Finally, the Draft Budget for Children and Adults also includes £5.080million for staff pay uplifts and the impact of the MedPay review on the Directorate, representing the Directorate's allocation from the £10million total included to enable a meaningful consultation process between the unions and Medway Council.
- 6.9. **Directorate approach to balancing the budget**
- 6.10. There is significant activity underway in the Children and Adults Directorate towards operating within the budget allocation, however none has progressed sufficiently to be reflected in the financial projections in the Draft Budget.
- 6.11. In Adult Social Care this work is focused on addressing the core issues driving budget pressures; stabilising the provider market to increase capacity to meet rising demand for services and improving recruitment and retention rates in the social care workforce to reduce the requirement for interim and agency staff. There is significant activity underway to determine the appropriate level of staffing required (known as right-sizing) to meet the increase in demand that has occurred over the last few years in Adult Social Care and also to introduce a named worker model. This model would enable workers to get to know clients and take responsibility for supporting them to achieve their ambitions. It is expected that this approach will not only deliver improved service but efficiencies in the longer term. The service is also exploring the development of a business case to introduce some direct delivery of services through 'Care for Medway'. Options being explored include establishing a new local authority trading company or a partnership / joint venture to deliver a care recruitment agency, a domiciliary care agency, the provision of day care, short-term / respite / assessment beds or a care home in Medway. Care for Medway could become an employer of choice and help to reduce the current issues we have with providing care for our residents, delivering improved services at lower cost.
- 6.12. In Children's Services this work is focused on addressing issues around the provider market for CSC placements, aiming to leverage regional partnerships to work on solutions. The service aim to capitalise on the significant work and investment that delivered the 'Good' rating from the latest Ofsted inspection to improve recruitment and retention and lessen the reliance and cost of agency and interim staff. The improvements in practice already in place are hoped to accelerate with increased permanence in the workforce and work to model the impact of these improvements on our projections is underway.

- 6.13. In Education this work is focused on reviewing the Council's Education Travel Assistance offer including the development of a Travel Training Scheme.
- 6.14. The Directorate continues to use all available avenues including peer networks to lobby the Government to allocate more resources to supporting social care, and for the introduction of a fairer mechanism for distributing the available resources on the basis of need.

## 7. Regeneration, Culture and Environment Directorate

- 7.1. The Directorate Draft Budget allocation for 2024/25 of £64.620million reflects the addition of £2.813million for pay increases and the impact of the MedPay review. The Draft Budget assumes the Directorate will deliver £7.621million of savings or additional income to operate within the Directorate budget allocation. The Draft Budget reflects the pressures reflected in the MTFO for the Directorate, detailed in table 3 overleaf.

**Table 3: Regeneration, Culture and Environment Draft Budget Pressures and Allocation**

Draft Budget Assumptions	2024/25 Budget Pressures £000	2024/25 Savings £000	2024/25 Budget Allocation £000
<b>Adjusted base budget</b>			<b>61,808</b>
Front Line Services:			
- Inflationary uplift on contracts – Waste collection, street cleansing, recycling	1,994		1,994
- Utilities price increase at 10%	234		234
- Expanded Warden service	339		339
<b>Total Front Line Services</b>	<b>2,567</b>		<b>2,567</b>
Culture and Community:			
- Utilities price increase at 10%	101		101
- Splashes - revenue impact of opening new facility	500		500
- Planning Fees income shortfall	451		451
- Cost of the Local Plan & Public Inquiries	515		515
- Homelessness Temporary Accommodation - cost of current service	2,190		2,190
- Homelessness Temporary Accommodation - annual growth in demand	321		321
- Homelessness Prevention Grant allocation compared to current budget assumption	211		211
<b>Total Culture and Community</b>	<b>4,289</b>	<b>0</b>	<b>4,289</b>
Regeneration:			
- Inflation on contracts	348		348
- Utilities projected increase at 10%	101		101
- HIF impact – cost of staffing absorbed into the Regeneration team	314		314
<b>Total Regeneration</b>	<b>763</b>	<b>0</b>	<b>763</b>
Director's Office:			
- Utilities projected increase at 10%	2		2
<b>Total Director's Office</b>	<b>2</b>	<b>0</b>	<b>2</b>
Allowance for staff pay uplift and impact of MedPay review	2,813		2,813

<b>Draft Budget Assumptions</b>	<b>2024/25 Budget Pressures £000</b>	<b>2024/25 Savings £000</b>	<b>2024/25 Budget Allocation £000</b>
Regeneration, Culture and Environment Directorate 2024/25 Budget Requirement			72,241
Further savings/income generation requirement			(7,621)
<b>Regeneration, Culture and Environment Directorate 2024/25 Draft Budget Allocation</b>			<b>64,620</b>

## 7.2. Directorate budget pressures

- 7.3. The Draft Budget for Front Line Services assumes that all the pressures detailed in the MTFO for the service are unchanged. This includes the impact of inflation on contracts including waste management and disposal, and the services delivered through the Joint Venture with Medway Norse (including refuse collection, grounds and facilities management), the impact of utilities costs rising by 10%, and the impact of fulfilling the Administration's pledge to tackle crime and anti-social behaviour with a neighbourhood warden for every ward. Collectively these pressures add £2.567million to the Council's budget requirement for 2024/25.
- 7.4. The Draft Budget for Culture and Community also assumes that all the pressures detailed in the MTFO for the service are unchanged. This includes the impact of utilities costs rising by 10%, the introduction of a net operating budget for the facility replacing Splashes, a shortfall on Planning Fee income and the cost of the accelerated delivery of the Local Plan and the increasing number of households, cost and proportion of the cost of temporary accommodation. Collectively these pressures add £4.289million to the Council's budget requirement for 2024/25.
- 7.5. The Draft Budget for Regeneration also assumes that all the pressures detailed in the MTFO for the service are unchanged. This includes the impact of inflation on contracts including Facilities Management, the impact of utilities costs for the corporate property estate rising by 10% and the cost of those staff who were previously funded through the Housing Infrastructure Fund scheme being instead funded through the revenue budget. Collectively these pressures add £763,000 to the Council's budget requirement for 2024/25.
- 7.6. Finally, the Draft Budget for Regeneration, Culture and Environment also includes £2.813million for staff pay uplifts and the impact of the MedPay review on Directorate, representing the Directorate's allocation from the £10million total included to enable a meaningful consultation process between the unions and Medway Council.



## 7.7. Directorate approach to balancing the budget

- 7.8. As in the Children and Adults Directorate, there is significant activity underway in the Regeneration, Culture and Environment Directorate towards operating within the budget allocation, however none has progressed sufficiently to be reflected in the financial projections in the Draft Budget.
- 7.9. In Front Line Services this work is focused on reviewing the Council's parking strategy, including ensuring charges are covering the cost of service delivery and exploring opportunities to further develop our Safer, Healthier Streets programme.
- 7.10. In Culture and Community this work is focused on reviewing the pricing for our leisure facilities to ensure they cover their costs, and reviewing our festivals and events programme to ensure we continue deliver good value and support access to Medway's cultural and heritage attractions for all of Medway's residents. Work is also underway to identify more cost effective solutions to support the rising households in temporary accommodation.
- 7.11. In Regeneration this work is focused on a review of the corporate property estate to ensure the Council maintains the right mix of assets to support service delivery moving forward.

## 8. Business Support Department

- 8.1. The Business Support Department Draft Budget allocation for 2024/25 of £26.670million reflects the addition of £2.107million for staff pay uplifts and the impact of the MedPay review on Directorate, representing the Department's allocation from the £10million total included to enable a meaningful consultation process between the unions and Medway Council.
- 8.2. The Draft Budget reflects the pressures reflected in the MTFO for the Department, detailed in table 4. In addition to those pressures detailed in the MTFO, the table reflects a £200,000 worsening of the Housing Benefit Subsidy pressure as reported in the Round 2 Revenue Budget Monitoring Report and the undelivered balance of the Department's £1million savings planned for 2023/24 of £451,000.

**Table 4: Business Support Draft Budget Pressures and Allocation**

Draft Budget Assumptions	2024/25 Budget Pressures £000	2024/25 Savings £000	2024/25 Budget Allocation £000
<b>Adjusted base budget</b>			<b>22,264</b>
Communications:			
- Communications undeliverable income target	100		100
<b>Total Communications</b>	<b>100</b>	<b>0</b>	<b>100</b>
Finance and Business Improvement:			

Draft Budget Assumptions	2024/25 Budget Pressures £000	2024/25 Savings £000	2024/25 Budget Allocation £000
- Reduce ICT Renewals Contribution by £100,000 to fund ICT contract inflationary uplifts in Department	100	(100)	0
- Transformation investment – business change team resources no longer funded from capital receipts	427		427
- Transformation investment – HR business change staff resources no longer funded from capital receipts	143		143
- HR historic budget Pressures	73		73
- Loss of Schools HR & Payroll income	263		263
- Increased HR charges to Schools to cover budgeted cost of service		(263)	(263)
- Loss of Gravesham Borough Council HR & Payroll	154		154
- Renegotiation of HR charge to GBC to cover budgeted cost of HR and Payroll service		(154)	(154)
- Consolidating staff training into an arrangement with one contractor		(41)	(41)
- Community Interpreting – unachievable income target	68		68
- Community Interpreting unachievable income target addressed by over-delivery of MRBS/CABS transformation project		(168)	(168)
- Kyndi Management Fee Reduction	51		51
- Kyndi CCTV Contract inflationary uplift	38		38
- Negotiation with Kyndi resulted in CCTV charge remaining at 2023/24 level for 2024/25		(38)	(38)
- HR self-service introductions enabling release of vacant post		(40)	(40)
- Review and restructure resources across Information		(50)	(50)
- Review/restructure resource across HR and Organisational Culture		(30)	(30)
- Housing Benefit Subsidy Shortfall	1,000		1,000
- 2023/24 Undelivered savings: Balance of previous Leader's Budget Announcements savings target	71		71
- 23/24 Undelivered savings: HR Transformation (Resourcelink)	180		180
- 23/24 Undelivered savings: Community Hubs rationalisation	200		200
- Council Tax SPD reviews (1 additional post to deliver £800,000 additional Council Tax income)	40		40
- Council Tax Recovery Enhancements (2 additional posts to deliver £1million less contribution to Bad Debt provision)	120		120
- Council Tax New Developer Inspections (1 additional post to deliver £146,000 additional Council Tax income)	40		40
- Business Rate Top up Grant – funding contract with advisors to deliver £496,000 additional top up grant	8		8
- Increasing reasonable court costs awarded to cover actual costs		(550)	(550)
<b>Total Finance and Business Improvement</b>	<b>2,976</b>	<b>(1,434)</b>	<b>1,542</b>
Legal and Governance:			
- Legal Services – additional resource to support Social Care	438		438
- Members allowances uplift and increased number of Members	126		126
- Historic budget pressures – Members and Mayoral support	93		93
<b>Total Legal and Governance</b>	<b>657</b>	<b>0</b>	<b>657</b>
Allowance for staff pay uplift and impact of MedPay review	2,107		2,107

<b>Draft Budget Assumptions</b>	<b>2024/25 Budget Pressures £000</b>	<b>2024/25 Savings £000</b>	<b>2024/25 Budget Allocation £000</b>
Business Support and Corporate Management Departmental 2024/25 Budget Requirement			26,670
Further savings/income generation requirement:			(2,299)
<i>Delivered by:</i>			
<i>Additional Collection Fund income generated as a result of Finance activity</i>			(2,942)
<i>Additional Collection Fund income generated in excess of Departmental savings requirement – reflected as budget growth in Children and Adults</i>			643
<i>Savings used by Department to deliver within budget allocation</i>			(2,299)
<b>Business Support and Corporate Management Departmental 2024/25 Draft Budget Allocation</b>			<b>26,670</b>

- 8.3. As set out in table 4, a total of £884,000 of pressure reflected in the MTFO has been addressed through actions taken by the Finance and Business Improvement (FBI) division.
- 8.4. The Human Resources and Organisational Culture (HROC) team have reviewed and updated the charges to schools and to Gravesham Borough Council to ensure they cover the cost of service delivery and meet the budgeted income level, addressing pressures of £417,000. The HROC team have also addressed a £41,000 budget shortfall by consolidating a significant proportion of the Council's staff training into an arrangement with one contractor. Finally, the planned introduction of staff self-service on HR systems will release a vacant post, saving a further £40,000.
- 8.5. Information services have reviewed the arrangements to provide for end-user ICT devices and enabling a reduction in the annual contribution to the provision of £100,000, sufficient to mitigate the ICT contractual uplifts projected across the Department. The Information service has also negotiated with Kyndi to secure the 2023/24 contract price being held for 2024/25, which had been projected to cause a pressure of £38,000. The transformation-led project to implement self-service across Revenues and Benefits and the Customer and Business Support (CABS) services has overdelivered against its original target of £400,000 by £168,000, addressing this £68,000 pressure and contributing a further £100,000 in both 2023/24 and 2024/25. Finally, A review of the resources in the FBI that deliver data analysis and reporting across Business Intelligence and Corporate Performance and Risk Management projects that automation and efficiencies will enable the total staffing budget across the services to be reduced by £80,000 in 2024/25, which will in practice be delivered by removing vacant posts.
- 8.6. The balance of the savings required for the Business Support Department to deliver within its budget allocation will be addressed through a series of actions relating to Collection Fund and related income as set out in paragraphs 8.7 to 8.25 below. The projected increase in Court Costs Awarded as set out at

paragraph 8.23 below increases income budgeted within the Business Support Department and is reflected in Table 4 above. The impact of the remainder of these actions is reflected in the Draft Budget projections for the Council's income set out in Table 1 and section 12 of this report.

**8.7. Council Tax Single Person Discount (SPD) reviews**

8.8. Those who live alone are eligible for a 25% reduction on their Council Tax liability. Once an SPD has been awarded it remains on the account until the Council is notified that an account holder is no longer eligible and the Council does not currently have sufficient resources to proactively monitor and review SPDS in place. In practice, household occupancy changes are not always notified to the Council, meaning a proportion of SPDs are in place where there is no longer eligibility. In Medway in 2023/24 there are 37,696 Council Tax accounts with an SPD in place, representing 31.61% of all accounts. Benchmarking with other local authorities suggests a target of 30% would be appropriate for Medway.

8.9. It is projected that a 1.61% reduction in the SPD rate would result in additional income of £800,000 for 2024/25. The Draft Budget reflects the addition of 1 post to the Council Tax and Business Rates team at a cost of £40,000 to enable the team to carry out continuous reviews of SPDs awarded to maintain this rate, contributing a net £760,000 to the closing the Council's budget gap.

**8.10. Council Tax Recovery Enhancements**

8.11. The Council created a specialist Debt Recovery Team in 2021, on the basis that dedicating resources to the progression of liabilities through the recovery process in a more robust and timely way than was possible previously, would result in a higher proportion of debt being recovered. The team has been very successful and in 2022/23 alone enabled the Council to reduce the provision for general bad debt (non-collection fund) by more than £1million.

8.12. The MTFO projections included the addition of £2million to the Council Tax debt provision, reflecting assumptions around the impact of the cost of living crisis on the collection rate. In 2023/24 the Council purchased the Low Income Family Tracker from Policy in Practice at a cost of £40,000 funded from the Household Support Grant to identify unclaimed entitlement to government and council financial support in Medway's residents. The tool can also be used to identify debtors who have low propensity to pay (and direct them towards welfare, debt and advice) from those who have a higher propensity to pay, and to direct recovery efforts towards the latter.

8.13. The Draft Budget reflects the addition of two posts to the Corporate Debt Team at a cost of £80,000 and funding the LIFT platform in the revenue base budget at a cost of £40,000, and that this will enable the team to leverage the LIFT platform to target recovery action to those who can pay but are not, and to carry out systematic reviews and robust action on older debts alongside current year liabilities. As a result of this activity, it is projected that the contribution required

to the Council Tax debt provision can be reduced by £1million, contributing a net £880,000 to closing the Council's budget gap.

#### 8.14. **Council Tax new property inspections**

8.15. The Council Tax and Business Rates team are responsible for issuing completion notices for newly built properties and the completion date on the notice is the date the property is entered into the valuation list and becomes a dwelling liable for Council Tax. The Draft Budget reflects the addition of one post to the Council Tax and Business Rates Team at a cost of £40,000 to enable the team to carry out routine property inspections to ensure completion notices are issued as soon as practicable. It is projected that this would mean notices issued one month earlier than is currently achievable, and on the basis that around 1,000 new homes are delivered annually in Medway, this would generate an additional £146,000 of Council Tax income in 2024/25, contributing a net £106,000 to closing the Council's budget gap.

#### 8.16. **Council Tax Legislative changes**

8.17. On 26 October 2023 the Levelling-Up and Regeneration Bill became law, and its measures include allowing Councils to charge the 100% premium for long-term empty properties after one year rather than two. To this end Cabinet and Council agreed recommendations to implement this change in the budget reports approved in February 2023. It is estimated that this would affect 392 long-term empty (unoccupied and unfurnished) properties raising an additional estimated £500,000 in Council Tax for 2024/25. The same legislation will allow local authorities to charge a 100% premium for properties that are unoccupied but furnished (referred to as second homes) from 1 April 2025. An authority's first determination must be made at least one year before the beginning of the financial year to which it relates (i.e., it must be made prior to 1 April 2023 to have effect from 1 April 2024). It is estimated that this would affect 341 properties raising an additional estimated £532,000 in 2025/26 which will be reflected in our projections for the MTFO and budget for 2025/26 in due course.

#### 8.18. **Council Tax Discounts review**

8.19. The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 and The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 enable billing authorities to vary the rate of discount and the period for which the discount is awarded in respect of vacant (unoccupied and unfurnished) properties (class C) and the rate of discount in respect of properties undergoing or in need of major repair work to render them habitable or undergoing structural alterations for a period of up to 12 months (this period cannot be varied) (class D). Since January 2013, Medway Council has allowed 100% discount for 3 months in respect of properties in class C and 100% discount for properties in class D.

8.20. There is considerable pressure in the housing market in Medway and the Council is working to deliver new homes and to return empty properties into use including through the No Use Empty scheme. In this context, awarding

discounts for empty properties, particularly long term empty properties, does not incentivize developers and owners to bring properties back into use quickly. These discounts are discretionary and are awarded at a cost to the Council and their removal from 1 April 2024 is therefore recommended. The Draft Budget does not reflect the impact of removing these discounts as further work is required to refine our projections. If Cabinet and Council approve this action, our initial estimate is that this could contribute in excess of £1million additional income from 2024/25 compared to the Draft Budget projections, if these discounts were removed.

**8.21. Business Rates top up grant**

8.22. During 2023/24 the Finance Team used vacancy savings to procure specialist external advice on Collection Fund accounting and to advise and validate the Collection Fund statutory returns. This advice led to adjustments in the level of bad debt and appeals provisions which mean the Council will receive £495,792 additional Top Up grant in 2024/25 in respect of the 2023/24, 2024/25 and 2025/26 financial years, a total of c£1.5million in additional resources. Should the Business Rates Reset be deferred from 2026/27 then this additional amount would be receivable in any year until the Reset takes place. The 2023/24 allocation is reflected in the Round 2 budget monitoring report. The Draft Budget reflects the addition of £8,000 to the Finance budget to ensure this support can be procured for future years to ensure no other opportunities are missed and will contribute a net £487,792 to closing the Council's budget gap for 2024/25.

**8.23. Court Costs Awarded**

8.24. When debtors are taken to Court for non-payment of liabilities, the Council can apply for reasonable costs with the amount subject to approval by the Magistrates Court. Medway's court costs have been set at £80 since 2011 and the 2023/24 budget includes an income target of £1.1million in respect of court costs. This sum no longer represents a recovery of the true cost to the Council of the court action and comparison with other local authorities shows that Medway's current cost is also well below the level awarded by the other Kent local authorities in 2023/24. An exercise has been carried out to calculate the true cost of court action to Medway, based on the elements provided within the Council Tax (Administration and Enforcement Regulations 1992, the Council is seeking approval from the courts to increase the reasonable costs incurred to £120 which will still be among, if not the lowest in Kent. The Draft Budget assumes this will be accepted, and that the Finance team generates an additional £550,000 through court costs awarded for no additional outlay as a result.

8.25. These actions are projected to generate sufficient additional income to address the total Business Support departmental pressures and as such the Business Support Department has no further savings requirement to deliver within the 2024/25 budget allocation. The actions are projected to generate income in excess of that required to address the Business Support Departmental pressures and contribute a total of £643,000 towards the budget pressures

identified by the remainder of the Council's services, with this sum reflected in the additional resources allocated to the Children and Adults Directorate in this Draft Budget. The Business Support Department continues to work to identify further savings and income growth opportunities to continue to support the delivery of a balanced budget for the Council overall.

## 9. Corporate Management

- 9.1. The pressure on Levies of £225,000 projected in the MTFO will be funded from the projected additional resources of £21.378million as set out in paragraph 4.3 of this report.

## 10. Interest and Financing

- 10.1. Around £164million of the Council's capital budget of £268million is funded through borrowing in some way. While much of this represents relatively short-term borrowing, in lieu of future income from grant, capital receipts or rents, rising interest rates continue to impact the financing of the capital programme. The Council's interest and financing budget funds the cost of interest payments to service this borrowing, with the 2023/24 budget set at £15.300million. Of this, £2.985million is funded from earmarked reserves in and is addressed by being funded from the additional resources of £21.378 as set out in paragraph 4.3 of this report.
  - 10.2. On 2 November 2023 the Monetary Policy Committee left interest rates unchanged at 5.25% and the Governor of the Bank of England said it was "much too early to be thinking about rate cuts". The Draft Budget therefore continues to project that rates will remain high, meaning the projected cost of financing the programme as planned to the end of 2024/25 (including new borrowing agreed by Full Council in 2023/24) could exceed the 2023/24 budget by £5.502million.
  - 10.3. Work to address this pressure and deliver within the budget allocation for Interest and Financing of £15.300million is focused on a review of the capital programme, seeking to reduce, refinance or curtail any schemes that are not essential to the delivery of the Council's objectives. A review of the Council's assets is also underway, with capital receipts generated from the sale of any assets that are surplus to requirements being used to fund schemes and reduce the borrowing requirement.
- ## 11. Additional Government Support Expenditure
- 11.1. The Council's participation in the Afghan Citizens Resettlement Scheme and Homes for Ukraine Scheme are both wholly funded through Government grant. The Draft Budget assumes these schemes will continue in 2024/25 but this expenditure is not funded by the Council's resources and will not represent a budget pressure.

## 12. Income Projections

- 12.1. The MTFO projected that the Council's income in 2024/25 would be £21.378million higher than in 2023/24. Table 5 below reflects our latest assumptions about income, including the impact of the activity set out in Section 8 of this report which is projected to add £2.942million to the Council's projected income through Council Tax and Business Rates compared to the MTFO, taking the Council's total projected income to £412.230million.
- 12.2. As set out at Paragraph 4.3 of this report, the inherent pressure arising from the use of reserves to fund the 2023/24 budget of £2.985million is addressed by funding from the projected additional resources before the Directorate budget allocation allocations are applied. As set out in Section 11 of this report, the Draft Budget assumes that all the Council's expenditure through Additional Government Support for the Afghan Citizens Resettlement Scheme and Homes for Ukraine Scheme will be fully funded by grant.

**Table 5: Income Projections**

Draft Budget Assumptions	2024/25 Savings £000	2024/25 Budget Allocation £000
<b>Adjusted base budget</b>		<b>(390,895)</b>
Government Grant:		
- Non ringfenced Government Grants	(6,903)	(27,345)
- New Homes Bonus	0	(1,998)
- Education Related Grants	0	(112,400)
- Children Social Care Related Grants	0	(70)
- Adult Social Care Related Grants	(4,751)	(29,749)
- Public Health Grant	(373)	(19,038)
Collection Fund:		
- Council Tax	(9,718)	(158,601)
- Retained Business Rates	(2,575)	(55,830)
Budgeted Use of Reserves	2,985	(0)
Additional Government Support	0	(7,200)
<b>Total</b>	<b>(21,336)</b>	<b>(412,230)</b>

### 12.3. Government Grant

- 12.4. The government laid the Autumn Statement before parliament on 22 November 2023, the day after the meeting of Medway's Cabinet to discuss the Draft Budget. The Statement gave no indications that there would be any announcements affecting local government. The Provisional Local Government Finance Settlement was published via a written statement on 19 December 2023, and its impact on Medway Council's budget was reported to the Cabinet on 16 January 2024.



12.5. The Local Government Finance Settlement for 2023 to 2024 confirmed grant allocations for the two years, 2023/24 and 2024/25 so the Draft Budget assumptions for government grant remain unchanged from the MTFO and total £190.105million. As set out in the MTFO, Medway Council is among the 20 very lowest funded local authorities in the country, with significantly lower core spending power than the average for all other local authority groups, which leads to disproportionately higher demands on the Council Tax to fund services. Though we continue to lobby both for a fairer share for Medway and for a greater quantum of funding for the sector overall, the Government has previously confirmed that both the Review of the Relative Needs and Resources and a reset of accumulated business rates growth have been deferred to the next Parliament.

#### 12.6. **Income from Local Taxation – The Collection Fund**

12.7. 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.

#### 12.8. **Council Tax**

12.9. The amount of income the Council can budget for through the Council Tax is determined by five main factors:

- The taxbase the number of Band D equivalent properties in the area that will be liable to pay Council Tax,
- The amount by which local authorities are permitted to increase the Band D rate (the referendum limit), which for Medway in 2024/25 will be 3% plus a 2% Adult Social Care precept,
- The extent to which income will be reduced through the award of discounts, exemptions and the Council Tax Reduction Scheme; and
- The amount to which non-payment will impact income and necessitate contributions to bad debt provisions, and
- Any deficit or surplus arising from the extent to which the previous year's projections were realised.

The Draft Budget projects that including the impact of the activity set out in Section 8 of this report, the Council will receive a total of £158.601million through the Council Tax in 2024/25.

#### 12.10. **Retained Business Rates**

12.11. The amount of income the Council can budget for through Retained Business Rates is calculated at the end of January through a statutory return to the government called the NNDR1. This calculation reflects:

- any deficit or surplus in actual income received to the fund compared to the previous year's budget,
- the total income expected through Section 31 grants compensating for rate reliefs awarded by the government,

- the top-up grant to ensure authorities reach the baseline funding level set by the government, and
- and the total Rateable Value (RV, as set for each non-domestic property by the Valuation Office Agency) of the area.

The Draft Budget projects that including the impact of the activity set out in Section 8 of this report, the Council will receive a total of £55.830million through Retained Business Rates in 2024/25.

### 13. The Capital Programme

13.1. The Capital Strategy 2024/25 was considered by the Cabinet on 24 October 2023. It articulates our best estimate of the capital investment we will need to make over the next decade to deliver our corporate priorities, across the following four themes:

- Regeneration and placemaking,
- Investing in our services to meet growth in demand including Education, Social Care and Environmental Services,
- Technology and digital solutions driving more efficient and effective service delivery, and
- Maintaining our assets.

13.2. The tables below and overleaf summarise the current capital programme as reported in the Round 2 capital monitoring report which reflects planned capital expenditure over the medium term and incorporates everything we currently know about capital grant allocations for the period.

**Table 6: Round 2 Capital Monitoring Summary**

Directorate	Total Approved Cost £000	Total Expenditure to 31/03/24 £000	Remaining Budget £000	Forecast Spend 2023/24 £000	Forecast Spend in Future Years £000	Forecast (Under)/overspend £000
Children and Adults (including Public Health)	77,506	34,200	42,984	16,217	26,762	(5)
Regeneration, Culture and Environment	401,529	214,004	187,520	65,935	121,846	261
Housing Revenue Account	65,537	28,921	36,615	20,257	16,358	0
Business Support Department	3,116	2,645	471	421	50	0
Members Priorities	98	12	86	46	0	(40)
<b>Total</b>	<b>547,785</b>	<b>279,781</b>	<b>267,677</b>	<b>102,876</b>	<b>165,017</b>	<b>216</b>

**Table 7: Funding the Capital Budget**

Funding Source	Total £000	C&A £000	RCE £000	HRA £000	BSD £000	Members Priorities £000
Capital Grants	79,404	35,597	40,407	3,999	1	0
Developer Contributions	4,928	3,967	961	0	0	0
Capital Receipts	1,649	0	1,267	0	296	86
RTB Receipts	6,972	0	0	6,972	0	0
Revenue / Reserves	11,187	0	156	11,031	0	0
Prudential Borrowing	100,620	3,420	81,811	15,213	175	0
Borrowing in lieu of Capital Receipts	20,679	0	20,679	0	0	0
Borrowing in lieu of Future Business Rates	19,993	0	19,993	0	0	0
Borrowing in lieu of Future Rent	11,760	0	11,760	0	0	0
Borrowing in lieu of Future Section 106 Contributions	137	0	137	0	0	0
Borrowing in lieu of Future NHS Grant	10,348	0	10,348	0	0	0
<b>Total</b>	<b>267,677</b>	<b>42,984</b>	<b>187,520</b>	<b>36,615</b>	<b>471</b>	<b>86</b>

## 14. General Reserves

- 14.1. Prior to 2022/23 the Council had pursued a strategy seeking to rebuild reserves and table 8 overleaf illustrates the progress made since March 2019, showing that at March 2022 the Council had non-earmarked general fund reserves of £26.550million available. To fund the Outturn position for 2022/23 the Council had to use a total of £10.947million of the available reserves; the £4.853million built into the 2022/23 budget and a further £6.094million to fund the overspend on services. At 31 March 2023, the Council's general reserves were reduced to £10.155million. The Round 2 revenue budget monitoring report projects that the Council will overspend by £12.251million, in excess of the current reserves balance.

**Table 8: Movement in Reserves**

Type of Reserve	Closing Balance 31/03/2019 £000	Closing Balance 31/03/2020 £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 DRAFT £000	Closing Balance 31/03/2023 DRAFT £000
General Fund Balance	5,000	10,000	10,000	10,000	10,000
General Fund Earmarked Reserves	18,045	28,562	53,526	40,141	32,040
General Reserves	4,039	9,197	12,689	16,551	155
Insurance Fund	1,216	960	2,459	2,483	3,179
Schools Balances	2,004	1,356	1,414	1,750	1,756
HRA Balances	5,114	5,145	5,395	5,283	6,373
Capital Grants / Contributions	10,988	18,764	25,916	21,092	44,151
Capital Receipts Reserves	1,110	5,463	6,674	8,113	4,067
HRA Major Repairs Reserve	100	0	0	0	0
<b>Total Usable Reserves</b>	<b>47,616</b>	<b>79,447</b>	<b>118,073</b>	<b>105,413</b>	<b>101,720</b>
Unusable Reserve – DSG Adjustment Account	(4,139)	(9,346)	(16,261)	(24,729)	(26,843)

## 15. Conclusions

- 15.1. This report sets out the outline proposals that will form the basis of the 2024/25 Capital and Revenue Budgets to be agreed by the Council in February 2024. There is a statutory requirement for local authorities to present a budget that balances to available resources.
- 15.2. As this report sets out, our current projections for income and expenditure for 2024/25 will require the delivery of further savings totalling £35.798million in order to deliver a balanced budget.
- 15.3. As referenced in the Round 2 Revenue Budget Monitoring Report the Council has commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a Resilience Review and the work is scheduled to conclude before the end of December 2023. Though the detailed scope has not yet been confirmed, a team of highly experienced, independent specialists will be working with the Council to review what our services cost and how they operate, to identify opportunities to reduce cost, increase income and improve service delivery. The Council will also be supported through a scheme jointly commissioned by the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS), as 'Partners in Care and Health' to undertake a specialist review focussed on the Council's delivery of Adult Social Care and these two reviews will be working in parallel to help the Council to deliver the savings required to achieve a balanced budget for 2023/24 and beyond.
- 15.4. The government laid the Autumn Statement before parliament on 22 November 2023, the day after the meeting of Medway's Cabinet to discuss the Draft Budget. The Statement gave no indications that there would be any announcements affecting local government. The Provisional Local Government Finance Settlement was published via a written statement on 19 December 2023, and its impact on Medway Council's budget was reported to the Cabinet on 16 January 2024. Officers and Members continue to review opportunities to reduce costs and increase income in the period leading up to the Cabinet meeting on 13 February 2024. Overview and scrutiny committees have a vital role in this process, both to comment on the approaches outlined in this report and to propose new ones.

## 16. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
<b>Council fails to deliver a balanced budget and it becomes necessary for the Section 151 Officer</b>	S114 notices are widely reported, reflect poorly on the organisation's ability to govern and would therefore result in reputational damage.	It may be necessary to carry out some or all of the following: <ul style="list-style-type: none"><li>• stopping all or severely reducing discretionary spend immediately, including cessation of some or all discretionary services;</li></ul>	All

Risk	Description	Action to avoid or mitigate risk	Risk rating
<b>to issue a S114 report.</b>		<ul style="list-style-type: none"> <li>• limiting expenditure on non discretionary services to the statutory minimum levels;</li> <li>• reduction or deferral of capital spend to reduce overall borrowing and the consequent call on revenue;</li> <li>• freezing recruitment to non essential posts;</li> <li>• seeking opportunities to maximise income; and</li> <li>• ultimately, use of reserves.</li> </ul>	
<b>Funding assumptions underpinning the Draft Budget may be overstated</b>	In the absence of any budget announcements from Government, the settlement may differ from our projections. Our projections for Council Tax / Business Rates could be overstated.	Funding assumptions in the Draft Budget are in line with the assumptions prepared by the Council's advisors. Officers and Members continue to work closely to identify savings.	All
<b>Assumptions around the cost of service delivery underpinning the Draft Budget may be understated</b>	The growth in the cost of delivering the Council's services may be higher in 2023/24 than anticipated in the Draft Budget, or income may be lower than anticipated.	The pressures reflected in the Financial Outlook 2023/24 were developed in consultation with management across the organisation. Members and officers are working closely together to review the pressures reflected and identify opportunities to reduce them.	All
<b>Inadequate funding</b>	If the local government settlement does not provide sufficient funding, there is a risk to the future sustainability of the local authority sector.	Officers and Members continue to work closely to identify savings.	All
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

## 17. Consultation

17.1. Members are consulted on the development of the final budget as follows:

Initial budget proposals to Cabinet	21 November 2023
Reports to Overview and Scrutiny	December 2023
Budget proposals to Cabinet	13 February 2024
Budget proposals to Council	29 February 2024

17.2. The timetable for consideration by overview and scrutiny is as follows:

Business Support and Digital	30 November 2023
Children and Young People	5 December 2023
Health and Adult Social Care	7 December 2023
Regeneration, Culture and Environment	14 December 2023
Business Support and Digital	1 February 2024
Cabinet	13 February 2024
Council	29 February 2024

17.3. The Leader has set out the Cabinet's aspiration to engage the public in the process to develop the budget over the term of their administration. For the 2024/25 budget this will be through consultation with the Citizens Panel but will be expanded to a more comprehensive consultation process in future years.

## 18. Financial implications

18.1. Our current projections for income and expenditure for 2024/25 will require the delivery of further savings totalling £35.798million in order to deliver a balanced budget.

18.2. The Round 2 Revenue Budget Monitoring Report 2024/25 represents a forecast overspend of £12.251million, a sum in excess of the current general reserves balance.

18.3. It will not therefore be possible to assume the use of reserves to close the projected gap and it will instead now be necessary for the administration and senior officers to identify and implement a robust savings programme in order to balance the budget for 2023/24 and 2024/25.

## 19. Legal implications

19.1. The Council has a statutory duty to set a balanced budget no later than 11 March in the financial year preceding the one in respect of which the budget is set. When developing the budget, the Council needs to be cognisant that is

required in law to provide some services, mandatory services, and others where it is a matter of local choice, discretionary services. It is a matter for the Council to determine what its local priorities are and those which are not. This can assist in determining resource allocation.

- 19.2. Section 15 of this report refers to the potential budget gap for the next financial year. When determining its budget, the Council must have regard to the advice provided by the Chief Operating Officer (its statutory S151 finance officer). The S151 officer is required to report on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves.

Lead officer contact

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Appendices

Appendix 1: Comments from the Overview and Scrutiny Committees

Background papers

[Financial Outlook 2023 – 2028 – Cabinet 26 September 2023](#)