

Cabinet

13 February 2024

Proposed Capital and Revenue Budget 2024/25

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Phil Watts, Chief Operating Officer (Section 151 Officer)

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Summary

This report sets out Cabinet's proposals for the Capital and Revenue budget for 2024/25. In accordance with the Constitution, this is to be submitted to Full Council on 29 February 2024, the meeting convened to set the Council Tax.

1. Recommendations

- 1.1. Cabinet notes the comments from the Overview and Scrutiny Committees as summarised in Appendix 1 (to follow) to this report.
- 1.2. Cabinet recommends to Full Council that the net revenue budget summarised at Table 1 should be set at £438.569million, funded from a 4.994% increase in Council Tax for 2024/25 with the equivalent Band D figure at £1,754.69.
- 1.3. Cabinet notes that on 30 January 2024, Employment Matters Committee recommended to Full Council:
 - a) a Cost of Living Adjustment (COLA) of 5% is allocated for the 2024/25 pay award for all on MedPay Terms and conditions.
 - b) the Range 3 pay band is lifted by £1,052 (excluding the 5% COLA increase).
 - c) the Range 2 pay band is lifted by £547 (excluding the 5% COLA increase).
 - d) a gap of £525 is introduced between the Range 1 and 2 pay bands.
 - e) sleep in payments are increased by 3.88%.
 - f) the Annual Leave entitlement is increased to 30 days per annum pro rata for R1-R3, after 5 years' continuous service.
 - g) the current PDR levels and the associated performance related award attributed to them (i.e. levels 1A and 1B) be removed and instead an additional day's annual leave awarded to everyone in 2024/25 and 2025/26 on MedPay terms and conditions who is not subject to formal performance management measures.
 - h) a long service award of an additional day's leave at 10 and 15 years of service at all grades be introduced.

- 1.4. Cabinet recommends to Full Council the capital budget proposals, as set out in Table 12.
- 1.5. Cabinet recommends to Full Council the fees and charges as set out at Appendix 5 to this report.
- 1.6. Cabinet recommends to Full Council the Flexible Use of Capital Receipts Strategy set out at Appendix 6 to this report.
- 1.7. The Chief Operating Officer be requested to calculate the formal requirements under Sections 30 to 36 of the Local Government Finance Act 1992 for resolution by the budget Council meeting on 29 February 2024.
- 1.8. Cabinet recommends that Full Council approves the Retail, Hospitality and Leisure Relief scheme policy in respect of Business Rates for 2024/25 at Appendix 8.
- 1.9. Cabinet notes its earlier recommendation to Full Council (decision 178/2023 refers) that when setting the Council Tax, the following changes are applied to Council Tax premia in line with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018:
 - the 100% premium for long-term empty properties may be brought forward so that it can commence after being empty for one year rather than two with effect from 1 April 2024; and
 - a 100% premium may be charged for properties that are unoccupied but furnished (known as second homes) with effect from 1 April 2025.
- 1.10. Cabinet notes its earlier recommendation to Full Council (decision 179/2023 refers) that when setting the Council Tax, the following changes are applied to the Council Tax discretionary discounts:
 - reduce the discount in respect of class C to 0% from the day on which a property becomes vacant, and
 - reduce the discount in respect of class D to 0%.

2. Suggested reasons for decisions

- 2.1. The Constitution requires that the Cabinet's budget proposals must be referred to Full Council for consideration and approval.
- 2.2. The Council is required by statute to set a balanced budget and set the Council Tax levels by 11 March each year.

3. Budget and policy framework

- 3.1. 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.

- 3.2. 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.
- 3.3. The Council Strategy and Council Plan form part of the Council's Policy Framework as set out in the Constitution. 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.

4. Background

- 4.1. The Draft Capital and Revenue Budget 2024/25 was presented to the Cabinet on 21 November 2023 and projected a potential revenue shortfall of £35.798million. On 19 December 2023 the government published the Provisional Local Government Finance Settlement. Details of the funding announcements and their impact on Medway Council's budget were set out in a report considered by the Cabinet on 16 January 2024.
- 4.2. In accordance with the Council's Constitution, Overview and Scrutiny Committees were invited to comment on the Draft Budget proposals within the remit of each respective Committee alongside a high-level narrative explaining the action being considered by the Administration to close the projected gap. These comments have been included at Appendix 1 (to follow).
- 4.3. 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.

5. Budget Monitoring 2023/24

- 5.1. 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 3 budget requirement to a total of £390.667million.
- 5.2. The Round 3 Revenue Budget Monitoring Report, considered elsewhere on this agenda, forecasts a net overspend on services of £11.359million. A freeze on all expenditure that is not essential to the delivery of statutory services or to meet existing contractual obligations has been in place since the Round 1 projections were reported in order to reduce the overspend and consequent call on the Council's limited reserves by the year-end.

6. Proposed Budget Summary

- 6.1. 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 (to follow). At that stage the draft budget was some £35.798million in excess of the anticipated resources available, largely driven by demographic pressures manifesting within Adult Social Care and Children's Services.

- 6.2. 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 significantly reduce the gap. The Proposed Budget reflects that the remaining gap will be funded with government support through the Exceptional Financial Support scheme (EFS) as set out in Section 7 of this report. The Council's Proposed Budget is summarised in Table 1 overleaf and represents a total budget requirement of £438.569million.
- 6.3. Directorate level budget proposals and their impact in 2024/25 are set out in Section 8 of this report, with details of the individual pressures and savings proposals in Appendices 2, 3 and 4 to this report.

Table 1: Proposed Budget Summary 2024/25

General Fund Activities	2023/24 Adjusted Base £000	2024/25 Adjusted Base £000	2024/25 Net Adjustments £000	2024/25 Proposed Budget £000	2024/25 Proposed Budget - Expenditure £000	2024/25 Proposed Budget - Income £000	2024/25 Proposed Budget - Net £000
Children and Adult Services	286,646	284,796	39,777	324,573	351,077	(26,505)	324,573
Regeneration, Culture & Environment	62,441	61,808	4,039	65,847	105,616	(39,769)	65,847
Business Support Department	20,481	20,884	5,383	26,266	93,804	(67,538)	26,266
Interest & Financing	15,300	15,300	3,911	19,211	25,030	(5,819)	19,211
Corporate Management	3,150	3,583	(911)	2,673	2,839	(166)	2,673
Additional Government Support Expenditure	4,525	4,525	(4,525)	0	0	0	0
Budget Requirement	392,543	390,895	47,674	438,569	578,366	(139,797)	438,569
Council Tax	(148,883)	(148,883)	(9,579)	(158,462)	0	(158,462)	(158,462)
Retained Business Rates	(53,255)	(53,255)	983	(52,272)	0	(52,272)	(52,272)
Business Rates Related Grants	0	0	(22,227)	(22,227)	0	(22,227)	(22,227)
Non ringfenced Government Grants	(20,442)	(20,442)	12,343	(8,099)	0	(8,099)	(8,099)
New Homes Bonus	(1,998)	(1,998)	425	(1,573)	0	(1,573)	(1,573)
Education Related Grants	(112,400)	(112,400)	(14,703)	(127,103)	0	(127,103)	(127,103)
Children Social Care Related Grants	(70)	(70)	(127)	(197)	0	(197)	(197)
Adult Social Care Related Grants	(26,646)	(24,998)	(7,154)	(32,152)	0	(32,152)	(32,152)
Public Health Grant	(18,665)	(18,665)	(373)	(19,038)	0	(19,038)	(19,038)
Budgeted Use of Reserves	(2,985)	0	0	0	0	0	0
Additional Government Support	(7,200)	(7,200)	4,525	(2,675)	0	(2,675)	(2,675)
Exceptional Financial Support	0	0	(14,771)	(14,771)	0	(14,771)	(14,771)
Estimated Available Funding	(392,543)	(387,910)	(50,659)	(438,569)	0	(438,569)	(438,569)
Budget Gap - General Fund	0	2,985	(2,985)	0	578,366	(578,366)	0

7. Exceptional Financial Support (EFS)

- 7.1. In light of the extraordinarily challenging financial position, to help identify opportunities to improve financial sustainability, in November 2023 the Council invited the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct a Resilience Review. The review did not identify any governance or financial failures but highlights a need to deliver a programme of structural and cultural change to address the growing pressures on services for people. The report concluded that the “short timeframe, combined with the low level of General Reserves and the low rate of Council Tax in Medway (the lowest in Kent and below the English average) means Medway’s room for manoeuvre is severely limited [...and] it will not be possible to set a balanced budget that is credible and does not result in an overspend in 2024/25 without some form of intervention from Government.” Though the Council has identified significant opportunities to invest in transforming services to deliver savings over the medium term, it will now not be possible for the Council to take decisions that will have sufficient financial impact in the required timescale to close this gap without government support.
- 7.2. As advised by CIPFA, in January 2024, the Leader and Chief Executive of the Council wrote to the Parliamentary Under-Secretary of State for Local Government and Building Safety and the Director of Local Government Finance, Department for Levelling Up, Housing and Communities requesting Exceptional Financial Support (EFS). The package of short term support requested would not only enable the Council to balance the budget for 2024/25 but to invest in an Improvement Programme to transform services and deliver significant savings. The Council’s latest Medium Term Financial Projections, provided at Appendix 7 to this report, demonstrate that this programme, supported by EFS could enable the Council return to a financially sustainable position and balance budgets from as early as the 2026/27 financial year or by 2028/29 depending on the type of support provided. The Council requested:
- flexibility to increase the Council Tax above the relevant referendum limits,
 - a capitalisation direction (allowing the Council to borrow for revenue purposes) sufficient to close our remaining gap, and
 - flexibility to use existing grants to support our Improvement Programme that could reduce our requirement for capitalisation by up to £4.411million.
- 7.3. The Deputy Director, Local Government Finance at DLUHC has written to the Council to confirm receipt of this request for support and provided assurance “that government will continue to work closely with Council officers to find a way forward, i.e. by supporting the Council to set a balanced budget for 2024/25” and... “government will consider representations from councils, including on council tax provision.” The letter goes on to say that “Ministers will decide the appropriate amount, form and structure of any support for the Council.”
- 7.4. On 5 February 2024, the Secretary of State for Levelling Up, Housing and Communities gave a local government finance update via a written statement. This announcement confirmed that Medway’s request for flexibility to increase the Council Tax above the referendum threshold for 2024/25 had not been

granted. The Proposed Budget is therefore presented as balanced through a capitalisation direction under EFS, including the cost of borrowing.

- 7.5. On 18 December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced that Government would engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity, and more flexibilities to use capitalisation without the requirement to approach Government. The consultation opened on 19 December 2023, is summarised on the DLUHC website and a response on behalf of the council was submitted ahead of the deadline on 31 January 2024. At the time of preparing this report the government had given no formal response or any indication as to whether any of these options will be introduced for 2024/25 or future years. The consultation focussed on three options, which essentially would allow all local authorities to access the EFS capitalisation flexibilities as required:
- Option 1: extend capitalisation flexibilities to include a wider set of eligible costs.
 - Option 2: extend the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest-to-save projects.
 - Option 3: Allow additional flexibilities for the use of the proceeds of selling investment assets.

The consultation sets out that these options may not be restricted to spend on invest to save activity but would “represent a broader agreement to allow a local authority to deal with immediate pressures on the condition that it will take forward cost reduction and efficiency plans to bring itself back into sustainability.” The consultation also asks “whether a reduced interest rate for borrowing from the PWLB [of not more than 40 basis points on prevailing rates] for invest-to-save projects would further enable invest-to-save projects” which stands in stark contrast to the 1% additional, punitive interest rate currently applied to EFS capitalisation.

8. Revenue Budget Requirement

8.1. Children and Adults

8.2. The Draft Budget for Children and Adults reflected pressures on the cost of services of £31.487million (excluding provision for pay uplifts), and the addition of £8.811million of additional resources, leaving a Directorate savings target of £22.676million. Since then, invest to save proposals have been identified and significant progress has been made to review the original projections and collectively this work identified savings of £17.786million. Table 2 summarises the Directorate's Proposed Budget for 2024/25. The proposals within the budget for each service is summarised below and are set out in detail in Appendix 2.

Table 2: Children and Adults Proposed Budget Summary 2024/25

General Fund Activities	2024/25 Adjusted Base £000	2024/25 Net Adjustments £000	2024/25 Proposed Budget £000	2024/25 Proposed Budget – Expenditure £000	2024/25 Proposed Budget – Income £000	2024/25 Proposed Budget – Net £000
Assistant Director Adult Social Care	(4,624)	152	(4,472)	21,831	(26,303)	(4,472)
Business Operations & Provider Services	3,995	117	4,111	4,419	(307)	4,111
Locality Services	81,448	13,313	94,761	110,508	(15,747)	94,761
Specialist Services/Principal Social Worker	1,669	142	1,810	1,965	(155)	1,810
Total Adult Social Care	82,486	13,724	96,210	138,723	(42,513)	96,210
Directorate Management Team	471	0	471	711	(241)	471
Business Support	1,538	0	1,538	1,538	0	1,538
Children's Care Improvement	363	0	363	363	0	363
Children's Legal	431	471	902	902	0	902
Children's Care Management	1,049	0	1,049	1,049	0	1,049
Children's Social Work Team	6,334	(2,056)	4,278	4,278	0	4,278
Client Support Packages	4,413	1,819	6,231	6,231	0	6,231
Corporate Parenting	4,635	110	4,745	4,976	(231)	4,745
Family Solutions, Youth, MASH and Adolescence	6,131	673	6,804	8,568	(1,764)	6,804
Head of Safeguarding & QA	2,753	0	2,753	2,964	(211)	2,753
Placements	32,350	673	33,023	35,633	(2,609)	33,023
Provider Services	5,940	50	5,990	7,335	(1,345)	5,990
Total Children's Services	65,938	1,740	67,678	73,838	(6,160)	67,678
Early Years Sufficiency	17,406	0	17,406	17,406	0	17,406
Education Management Team	545	0	545	545	0	545
Inclusions	3,307	0	3,307	3,712	(405)	3,307
Psychology & SEN	42,297	388	42,685	43,187	(502)	42,685
School Organisation & Student Services	1,662	692	2,354	2,781	(427)	2,354
School Improvement	327	0	327	605	(278)	327
School Online Services	(8)	0	(8)	222	(229)	(8)

General Fund Activities	2024/25 Adjusted Base £000	2024/25 Net Adjustments £000	2024/25 Proposed Budget £000	2024/25 Proposed Budget – Expenditure £000	2024/25 Proposed Budget – Income £000	2024/25 Proposed Budget – Net £000
SEN Transport	9,151	3,076	12,227	12,677	(450)	12,227
Total: Education	74,687	4,156	78,843	81,135	(2,292)	78,843
Adults Commissioning	390		390	704	(314)	390
C&A Performance & Intelligence	492		492	492	0	492
Children’s Commissioning	1,491		1,491	3,037	(1,546)	1,491
Total Partnership Commissioning	2,373	0	2,373	4,233	(1,860)	2,373
Child Health	5,255		5,255	5,376	(121)	5,255
Health Improvement Programmes	3,796		3,796	4,331	(536)	3,796
Public Health Management	1,316	373	1,689	2,569	(880)	1,689
Stop Smoking Services	782		782	784	(2)	782
Substance Misuse	2,097		2,097	3,458	(1,362)	2,097
Supporting Healthy Weight	1,387		1,387	1,544	(156)	1,387
Total Public Health	14,632	373	15,006	18,062	(3,057)	15,006
Finance Provisions	693		693	693	0	693
HR Provisions	659		659	956	(297)	659
School Grants	40,181	14,703	54,884	24,970	29,914	54,884
Total School Retained Funding and Grants	41,532	14,703	56,236	26,619	29,617	56,236
Additional Government Grants	2,675		2,675	2,675	0	2,675
Pay Award and impact of MedPay Review	0	5,080	5,080	5,080	0	5,080
Total for Children and Adults	284,796	39,777	324,573	351,077	(26,505)	324,573

8.3. In Adult Social Care, demographic growth, the continued increases in the complexity of need and the increasing cost of social care packages have driven significant financial pressures at Medway in 2023/24, reflected in the Round 3 Revenue Budget Monitoring Report elsewhere on this Agenda. The Proposed Budget for the service reflects projected further increases in the number and cost of packages including the increase to the Fair Cost of Care band rates. The proposals reflect that it will be necessary to invest in growing the workforce and moving to an allocated social worker model, along with funding a Transformation and Improvement Programme that will see investment in assistive technologies to promote independence, deliver cultural change and strengthen commissioning. This work, along with further proposals including the continuation of the targeted reviews programme, the provision of Assessment Beds and a range of proposals aimed at preventing demand, are projected to deliver savings of £8.347million. The Proposed Budget therefore reflects a net increase in the Adult Social Care budget (excluding pay uplifts) of £13.724million compared to 2023/24.

- 8.4. In recent years the Council has made significant and sustained investment in Children's Services, with the budget growing by c£7million in 2020/21, a further c£9million in 2021/22 and a further £6million in 2022/23 (all excluding pay uplifts). The Proposed Budget for 2024/25 for Children's Services reflects the continued increase in the complexity of need, projected demographic growth and the increasing cost of placements alongside the costs relating to Unaccompanied Asylum Seeking Children. The proposals also reflect the service capitalising on the impact of the Ofsted rating of Good achieved in 2023 with projected reductions in the costs that had been required to implement the improvement programme, and a reduction in temporary staffing teams. The service will continue to strengthen the tracking, challenge and scrutiny of placement costs through continuing targeted reviews and work to ensure the council receives an appropriate health contribution to the care of children where appropriate. The proposals also include a range of invest to save opportunities and the impact of the cohort of children who will transition to Adult Social Care services during the year. This work is collectively projected to save £8.689million and the Proposed Budget therefore reflects a net increase in the Children's Services budget (excluding pay uplifts) of £1.740million.
- 8.5. The Proposed Budget for Education reflects that Medway continues to experience significant increases in the demand and cost of transporting children with Special Educational Needs and Disabilities (SEND) to school, with a pressure of £1.215million projected in the Round 3 Revenue Budget Monitoring for the current year reported elsewhere on this agenda. The Proposed Budget reflects work to mitigate some pressure identified in the Draft Budget, however projected growth in the number of children and the cost of transport results in a net increase in the cost of this service (excluding pay uplifts) of £4.156million. 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 3 Revenue Budget Monitoring Report (presented elsewhere on this agenda), the latest forecasts represent an underspend of £1.918million which will reduce the deficit balance when transferred to the reserve at year end.
- 8.5.1. On 5 February 2024 the government confirmed the 2024/25 Public Health Grant via a written statement, so the Proposed Budget reflects Medway's allocation of £19.038million, an increase of £373,000 compared to 2023/24.

8.6. Regeneration, Culture and Environment

8.7. The Draft Budget for Regeneration, Culture and Environment reflected pressures on the cost of services of £7.621million (excluding provision for pay uplifts). Since then, though some additional pressures have been reflected, significant progress has been made and the Directorate budget reflects savings of £9.241million. Table 3 below summarises the Directorate's Proposed Budget for 2024/25. The proposals within the budget for each service is summarised below and are set out in detail in Appendix 3.

Table 3: Regeneration, Culture and Environment Proposed Budget Summary 2024/25

General Fund Activities	2024/25 Adjusted Base £000	2024/25 Net Adjustments £000	2024/25 Proposed Budget £000	2024/25 Proposed Budget – Expenditure £000	2024/25 Proposed Budget – Income £000	2024/25 Proposed Budget – Net £000
Environmental Services	28,525	2,355	30,880	32,868	(1,988)	30,880
Front Line Services Support	754		754	781	(28)	754
Greenspaces	4,721	270	4,991	5,311	(320)	4,991
Highways	5,916	(1,220)	4,696	6,253	(1,557)	4,696
Integrated Transport	6,542	11	6,553	8,083	(1,530)	6,553
Parking Services	(5,523)	(1,944)	(7,467)	3,486	(10,953)	(7,467)
Regulatory Services	1,580	43	1,623	4,559	(2,936)	1,623
Total Front Line Services	42,515	(485)	42,029	61,341	(19,312)	42,029
Culture	1,553	(102)	1,451	2,337	(886)	1,451
Culture & Community Support	27	12	40	148	(108)	40
Libraries & Community Hubs	3,363	(82)	3,281	3,554	(273)	3,281
Planning	755	526	1,281	3,111	(1,830)	1,281
South Thames Gateway Partnership	135		135	135	0	135
Sport, Leisure, Tourism & Heritage	2,114	(168)	1,946	6,260	(4,314)	1,946
Strategic Housing	4,335	898	5,233	9,984	(4,751)	5,233
Total Culture & Community	12,283	1,084	13,366	25,529	(12,163)	13,366
Economic Development	298	(225)	73	1,122	(1,049)	73
Medway Norse	5,758	348	6,105	6,105	0	6,105
Property & Capital Projects	1,910	410	2,320	3,394	(1,074)	2,320
Regeneration Delivery	714	22	736	1,098	(362)	736
Skills & Employability	(163)	(46)	(209)	2,118	(2,327)	(209)
Valuation & Asset Management	(2,160)	141	(2,019)	1,441	(3,460)	(2,019)
Total Regeneration	6,357	650	7,007	15,279	(8,272)	7,007
Director's Office	653	(22)	631	654	(22)	631
Pay Award and impact of MedPay Review	0	2,813	2,813	2,813	0	2,813
Total for Regeneration, Culture and Environment	61,808	4,039	65,847	105,616	(39,769)	65,847

- 8.8. The Proposed Budget for Front Line Services reflects the impact of inflation on contracts including waste management and disposal, rising utilities costs and corrects a series of income pressures experienced in 2023/24. The proposals also include significant additional income projections through increasing fees for services including Parking and Highways and reflects the full year impact of the introduction of the Safer Streets programme during 2023/24. The proposals also include a reduction in the budget for a range of functions, including festive decorations as these are now funded through sponsorship, carriageway and footway patching, alongside a reduction in the street lighting energy and the capitalisation of appropriate costs. The Proposed Budget therefore reflects a net reduction in the Front Line Services budget (excluding pay uplifts) of £485,000 compared to 2023/24.
- 8.9. In Culture and Community Services the Draft Budget reflected the significant increases in the number of households and cost of providing temporary accommodation, with the Round 3 Revenue Budget Monitoring report presented elsewhere on this agenda projecting an overspend of £1.265million in the current year. Proposals agreed by the Cabinet in January to embark on a programme of provision of temporary accommodation are projected to save £1.500million, and with staffing changes and projections around grant, this work means that the budget for homelessness will only need to increase by £551,000 for 2024/25. The proposals for this Division also include the impact of a review of leisure provision, resulting in increased fees and charges and a reduction in free services currently offered, changes to the operations and increased charges for heritage sites, and the removal of the tourism function. The proposals reflect a net increase to the Planning Budget of £726,000 correcting an income shortfall and reflecting the cost of the delivery of the Local Plan and Public Inquiries. The Proposed Budget therefore reflects a net increase in the Culture and Community Services budget (excluding pay uplifts) of £1.084million.
- 8.10. The Proposed Budget for Regeneration Services reflects the impact of inflation on contracts including Facilities Management, the impact of utilities costs for the corporate property estate and the cost of those staff who were previously funded through the Housing Infrastructure Fund scheme being instead funded through the revenue budget. The proposals for this Division correct a range of unachievable income budgets including projected reductions in income from capital schemes and developer contributions. Increases in rental income across our wider property portfolio offset the projected shortfall from the Pentagon Centre while the works to deliver a Healthy Living Centre continue. The proposals also include reductions in the budget for Greenspaces management and a review of contributions to external partnerships, alongside projected increased income through Medway Adult Education and the part-year effect of the introduction of charges for car parking at Country Parks. The Proposed Budget therefore reflects a net increase in the Regeneration Services budget (excluding pay uplifts) of £650,000.
- 8.11. The Proposed Budget for the Director's Office reflects the impact of utilities, offset by the reduced Business Rates payable for public conveniences resulting

in a reduction in the budget requirement of £22,000 compared to the 2023/24 budget.

8.12. Business Support Department

8.13. The Draft Budget for Business Support Department includes the pressures on the cost of services reflected in the Medium Term Financial Outlook had been addressed through a combination of savings and a significant increase in the income projections within Finance and through Council Tax and Business Rates providing additional resources to reduce the Council's overall budget gap. Table 4 below summarises the Department's Proposed Budget for 2024/25. The detailed proposals within the budget for each service is summarised below and are set out in detail in Appendix 4.

Table 4: Business Support Department Proposed Budget Summary 2024/25

General Fund Activities	2024/25 Adjusted Base £000	2024/25 Net Adjustments £000	2024/25 Proposed Budget £000	2024/25 Proposed Budget – Expenditure £000	2024/25 Proposed Budget – Income £000	2024/25 Proposed Budget – Net £000
Directorate Management Team	342	451	793	846	(52)	793
Ward Improvement Fund	110		110	110	0	110
Total Directorate Management Team	452	451	903	956	(52)	903
Communications	789	100	889	1,122	(233)	889
Total Communications	789	100	889	1,122	(233)	889
FBI – Finance	2,896	921	3,817	64,653	(60,836)	3,817
FBI – Information	9,506	424	9,930	13,203	(3,273)	9,930
FBI – Organisational Culture	1,686	686	2,372	3,720	(1,348)	2,372
FBI Divisional Management Team	298	0	298	298	0	298
Internal Audit and Counter Fraud	516	0	516	735	(220)	516
Total Finance and Business Improvement	14,902	2,031	16,933	82,610	(65,677)	16,933
Legal, Land Charges and Licensing	2,192	438	2,630	4,012	(1,382)	2,630
Total Legal, Land Charges and Licensing	2,192	438	2,630	4,012	(1,382)	2,630
Category Management	373		373	464	(91)	373
Democratic Services Manager	518		518	562	(44)	518
Members and Elections	1,659	256	1,914	1,973	(59)	1,914
Total Legal and Governance	2,549	256	2,805	2,998	(194)	2,805
Pay Award and impact of MedPay Review	0	2,107	2,107	2,107	0	2,107
Total Business Support Department	20,884	5,382.6	26,266	93,804	(67,538)	26,266

8.14. The Proposed Budget for Finance and Business Improvement reflected that the service had delivered savings to mitigate the pressure of £884,000, including £451,000 of undelivered savings from the Directorate Management Team

budget from 2023/24. A series of actions relating to Collection Fund and related income mitigated the remainder of the pressures identified across the wider Business Support Department, and a total of £643,000 towards the budget pressures identified by the remainder of the Council’s services. The CIPFA Resilience Review concluded that the “previous overspends have had to be addressed by stripping back central functions, such as finance, that mean the Authority lacks the capacity to support the financial and wider performance of each directorate effectively.” The Departmental budget proposals therefore reflect the addition of £940,000 to increase staffing capacity in Finance, HR and the Digital Teams. The Proposed Budget therefore reflects a net increase in the Finance and Business Improvement budget (excluding pay uplifts) of £2.482million.

8.15. The Proposed Budget for Legal Services is unchanged from the Draft Budget, reflecting the cost of additional resources required to support the Social Care legal caseload, the impact of Members allowances and the decision of Full Council in January 2024 around the recommendations of the Independent Remuneration Panel, and corrects a historic budget pressure around Member and Mayoral support. The Proposed Budget therefore reflects a net increase in the Legal Services budget (excluding pay uplifts) of £694,000.

8.16. Centralised and Corporate Management

8.17. The Draft Budget for Centralised and Corporate Services includes Corporate Management, Levies and Interest and Financing budgets and also holds the corporate Medway 2.0 investment budget and savings target. Table 5 below summarises the Proposed Budget for these services 2024/25. The proposals within the budget for the services are summarised below with more detail set out alongside the budget for Business Support in Appendix 4.

Table 5: Centralised and Corporate Management Proposed Budget Summary 2024/25

General Fund Activities	2024/25 Adjusted Base £000	2024/25 Net Adjustments £000	2024/25 Proposed Budget £000	2024/25 Proposed Budget – Expenditure £000	2024/25 Proposed Budget – Income £000	2024/25 Proposed Budget – Net £000
Corporate Management	1,788	0	1,788	1,922	(134)	1,788
Levies	1,796	225	2,021	2,053	(32)	2,021
Medway 2.0 Investment	0	1,014	1,014	1,014	0	1,014
Medway 2.0 Savings	0	(2,150)	(2,150)	(2,150)	0	(2,150)
Total Corporate Management	3,583	(911)	2,673	2,839	(166)	2,673
Interest and Financing	15,300	3,911	19,211	25,030	(5,819)	19,211
Total Centralised and Corporate Management	18,883	2,841	21,732	27,718	(5,985)	21,732

8.18. The Proposed Budget for Corporate Management is as per the 2023/24 budget at £1.788million. The pressure projected on Levies (primarily the Coroners Service) in the Medium Term Financial Outlook was funded through the work to

balance the Business Support budget as set out in Section 8.15 above so the budget for 2024/25 is £2.021million.

- 8.19. As set out in Section 7.2 of this report, the Council's request to the government for EFS includes proposals around the delivery of an Improvement Programme to transform services and deliver significant savings. The proposals are not yet developed sufficiently to allocate to individual service areas, so instead the investment of £1.014million required in 2024/25 to deliver the Medway 2.0 transformation are reflected in the Corporate Management budget alongside the corporate savings of £2.150million that would be delivered through this work. As these proposals develop, the investment and savings will be allocated to the appropriate service budgets during 2024/25 and progress will be reported to Members through the budget monitoring.
- 8.20. The Proposed Budget reflects that £164.123million of the Council's current capital programme is funded by borrowing in some way, as set out in the tables in Section 15 of this report. While much of this represents relatively short-term borrowing, in lieu of future income from grant, capital receipts or rents, high interest rates continue to impact the financing of the capital programme. The budget assumes the impact of the additional borrowing required to fund the investment of £41.925million in temporary accommodation Council approved on 24 January 2024. The budget also assumes the impact of the officer recommended option in the report on the future of Gun Wharf, at a cost of £20million reported elsewhere on this agenda along with a series of other additions in table 12 in Section 15 of this report. The Proposed Budget for Interest and Financing also reflects the interest cost for the borrowing it will be necessary to undertake under a capitalisation direction, with loans that must be taken from the Public Works Loans Board at 1% above the prevailing interest rates. The budget also reflects the reduced borrowing requirement arising from the review of the capital programme, primarily the impact of the pause of the Innovation Park Medway schemes, as reported elsewhere on this agenda. The Proposed Budget therefore reflects a net increase in the Interest and Financing budget of £3.911million compared to 2023/24.

8.21. Additional Government Support Expenditure

- 8.22. The Council's participation in the Afghan Citizens Resettlement Scheme and Homes for Ukraine Scheme are both wholly funded through government grant. The Proposed Budget assumes these schemes will continue in 2024/25 but are not funded from Council resources so do not represent a budget pressure.

9. Revenue Budget Funding

9.1. Core Spending Power

- 9.1.1. 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 6 below. 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 6: Core Spending Power 2024/25

	2023/24 £000	2024/25 £000
Revenue Support Grant	7,308	7,792
Business Rates Baseline Funding Level	50,019	52,414
Settlement Funding Assessment	57,327	60,206
Council Tax excluding Parishes	149,302	158,948
Section 31 Compensation for under-indexing the Business Rates Multiplier	8,520	9,876
Improved Better Care Fund	7,307	7,307
New Homes Bonus	1,998	1,572
Social Care Grant	14,330	16,691
Adult Social Care Market Sustainability	2,337	4,365
Adult Social Care Discharge Fund	1,025	1,707
Lower Tier Services Grant	0	0
Services Grant	1,950	306
Adjustment for rolled in grants*	1,518	0
Core Spending Power	245,614	260,978

*For 2015-16 to 2023-24, historic Core Spending Power has been restated for rolled in grants to avoid overstating CSP increases. These grants are the Family Annexe Council Tax Discount grant, Local Council Tax Support Administration Subsidy grant, the Independent Living Fund, the Market Stability and Improvement Fund Workforce Fund, and the Fire Pensions Grant.

9.2. The Local Government Provisional Finance Settlement

9.2.1. On 5 December 2023 the Department for Levelling Up, Homes and Communities published a Local Government Finance Policy Statement which “sets out the government’s intentions for the Local Government Finance Settlement for 2024 to 2025”. The Provisional Local Government Finance Settlement 2024 to 2025 itself was then announced via a written statement on 19 December 2023. The Ministerial Statement sets out that:

“This settlement makes available over £64 billion for local authorities in England, an increase of almost £4 billion or 6.5% in cash terms in Core Spending Power on 2023-24. Together, the policy statement published on 5 December, and this proposed settlement: ensures stability by maintaining the Funding Guarantee introduced last year, to ensure that every council sees at least a 3% increase in Core Spending Power next year before any local decisions on council tax rates; and makes available an increase of almost £4 billion on 2023-24, of which £2 billion is additional Government funding; £1 billion of this is for children’s and adult social care in 2024-25.”

9.2.2. The documents published alongside the Settlement for 2023 to 2024 stated that “The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst we can confirm that these will not be implemented in this Spending Review period, the government remains committed to improving the local government finance landscape in the next Parliament.” The documents published alongside the Settlement for 2024 to 2025 again confirm that accumulated business rates growth will not be reset in this spending review period and again set out that “The government remains committed to improving the local government finance system more broadly in the next Parliament. This will include consideration of how we can go further to simplify and reduce the administrative burden of the funding landscape.” Medway Council’s Core Spending Power per head of population places us amongst the very lowest funded local authorities under the current arrangements to distribute national funding, despite relatively high levels of deprivation compared to other Councils in the South-East.

9.3. Income from Local Taxation – the Collection Fund

9.3.1. 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.

9.4. Council Tax

9.4.1. The Provisional Settlement sets out the Government’s proposed package of referendum principles for 2024/25, which are subject to the approval of the House of Commons alongside the Final Local Government Finance Settlement. For Medway Council, this represents a core referendum threshold of 3% per year and as a local authority with social care responsibilities, the ability to set an Adult Social Care Precept of up to 2% per year without a referendum. As set out in Section 7 of this report, the Council made a request to the government through the Exceptional Financial Support scheme for flexibility to increase the Council Tax above the referendum threshold. On 5 February 2024, the Secretary of State for Levelling Up, Housing and Communities gave a local government finance update via a written statement, which confirmed that Medway’s request for flexibility to increase the Council Tax has not been granted. The Proposed Budget therefore reflects that Medway’s Council Tax will be increased by 4.994%, taking the Band D to £1,754.69.

9.4.2. In accordance with the Council delegation, on Friday 12 January the Chief Operating Officer, in consultation with the Leader, agreed the Council Tax base for 2024/25 at 90,912.50 Band D equivalents. This represents an increase of 342.99 Band D equivalents compared to the tax base reflected in the Draft Budget. This results in a projected income collectable through the Council Tax of £159.523million, an increase of £602,000 compared to the Draft Budget. At the end of the 2022/23 financial year there was a deficit of £62,000 which the Council is required to repay through the 2024/25 budget. Finally, it will be

necessary to add £1.000million to the provision for non-payment of Council Tax debt. The Projected Budget therefore assumes the Council will receive a total of £158.462million through the Council Tax in 2024/25.

9.5. Retained Business Rates and Business Rates Related Grants

- 9.5.1. The rates payable by individual businesses is calculated based on the Rateable Value of the property as set by the government's Valuation Office Agency, which is then multiplied by a figure called the business rates multiplier which is set by the government each year. All business rates properties have been revalued by the VOA with the updated valuations in place from 1 April 2023. The Autumn Statement announced "a business rates support package worth £4.3 billion over the next five years to support small businesses and the high street. The small business multiplier will be frozen for a fourth consecutive year, and Retail, Hospitality and Leisure (RHL) relief will be extended, ensuring the most vulnerable businesses continue to be supported. The scheme is identical to that which was in place for 2023/24 and is delivered using the Council's powers to award discretionary rate relief under section 47 of the Local Government Finance Act 1988 (s47). The scheme is presented as Appendix 8 and Cabinet are asked to recommend Full Council approve it on 29 February 2024. The standard rate multiplier will be uprated in line with CPI inflation." The Provisional Settlement confirms that local authorities will be fully compensated for the loss of income as a result of these business rates measures (including for the reduction in income as a consequence of the decision to freeze the small multiplier) and will receive new burdens funding for administrative and IT costs.
- 9.5.2. The amount of income the Council can expect to receive in respect of the coming financial year through Business Rates is calculated at the end of January through the NDR1 statutory return to the government. 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 the total Rateable Value (RV, as set for each non-domestic property by the Valuation Office Agency) of the area.
- 9.5.3. Our completed NDR1 calculates that Medway's income from retained business rates will be £50.252million. At the end of the 2022/23 financial year there was a surplus on the collection fund of £2.020million which Medway can budget for in 2024/25. Finally, the Council will receive a total of £22.228million in business rates related grants. The Proposed Budget therefore assumes the Council will receive a total of £74.500million through business rates in 2024/25.

9.6. Non-ringfenced Government Grant

- 9.6.1. Revenue Support Grant – The Provisional Settlement reflects that local authorities will receive the 2023/24 allocations of the RSG increased in line with the Consumer Price Index (CPI) of inflation as at September 2023, 6.7%. Medway's allocation is £7.792million.

- 9.6.2. Services Grant – The Services Grant was introduced as a one-off grant in the 2022/23, however DLUHC’s Local government finance policy statement 2023-24 to 2024-25, published in December 2022, set out that the Services Grant would continue, but reduce in 2023/24 and gave no indication about 2024/25 so Medway’s Draft Budget assumed it continued at the same rate, in line with projections from external advisors. The Provisional Settlement for 2024/25 however confirmed that the national quantum of the grant is reduced by almost 85% from £483million for England in 2023/24 to £77million in 2024/25. An element of this grant is being held back as contingency to cover any unexpected costs that may arise between the Provisional and Final settlement. Medway’s allocation is £306,000.
- 9.6.3. New Homes Bonus – The New Homes Bonus was introduced in 2011 to provide an incentive to encourage housing growth by rewarding local authorities for net additional homes added to the Council Tax base. It is paid annually from a top slice of Revenue Support Grant. The scheme was significantly diluted in 2018/19 and it was widely anticipated that the scheme would end thereafter. However, in the Spending Review 2020, the then Chancellor set out that the Government would be maintaining the existing scheme for a further year, and the Spending Review 2021 again extended the scheme. The consultation document published alongside the Provisional Settlement 2023 to 2024 said that “We also recognise the need to help councils plan and we will therefore set out the future position of New Homes Bonus ahead of the 2024-25 local government finance settlement.” Instead, the Provisional Settlement for 2024 to 2025 includes “a new round of NHB payments in 2024-25. There will be no change to the calculations process and allocations for 2024-25”. Medway’s allocation is £1.572million.

9.7. Social Care Grants

- 9.7.1. Alongside the Settlement for 2023/24, the Government set out the principals and indicative allocations for 2024/25 social care funding. In addition to the flexibility to levy a 2% Adult Social Care precept on Council Tax, the Provisional Settlement sets out that the Social Care Grant will increase nationally by £692million, for Medway this is £16.691million. On 24 January 2024, the government announced a further £600million funding for councils, in addition to the funding outlined in the Provisional Settlement. The package includes £500million added to the social care grant and while individual local authority allocations will not be known until the publication of the Final Local Government Finance Settlement, expected in early February, the Proposed Budget reflects our projection that Medway will receive £2.080million through this additional grant.
- 9.7.2. The Provisional Settlement also confirmed that Medway’s Improved Better Care Fund (iBCF) allocation for 2024/25 will be unchanged from our 2023/24 allocation, at £7.307million.
- 9.7.3. For 2024-25 the Market Sustainability and Improvement Fund is increased to £845million. Additionally, the Market Sustainability and Improvement – Workforce Fund element, worth £205million, has been rolled into the grant, making a total fund of £1.050billion.

9.7.4. The Provisional Settlement sets out that Medway’s allocation from these funds is £4.366million. Finally, the Provisional Settlement confirmed that an additional £200million will be distributed in 2024/25 through the Discharge Fund, increasing the local authority component of this fund to £500million. Medway’s allocation is £1.708million.

9.7.5. Collectively, these grants add a total of £27.078million to the Proposed Budget.

9.8. Education Related Grants

9.8.1. Outside of the Settlement, on 19 December the Government published the Dedicated Schools Grant (DSG) funding allocations for 2024 to 2025. Medway’s allocations for Education Related Grants will total £127.103million in 2024/25 as set out in Table 7 below. This represents an increase of £14.704million compared to the Draft Budget, with the equivalent hypothecated growth in expenditure also reflected in the Education budget.

Table 7: Education Related Grant 2023/24 – 2028/29

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
DSG (Retained Schools Block)	1,033	1,141	1,175	1,210	1,247	1,284
DSG (Schools Block)	42,199	45,731	47,103	48,516	49,971	51,471
DSG (High Needs Block)	43,006	45,001	46,351	47,742	49,174	50,649
DSG (Early Years Block)	19,474	30,347	31,257	32,195	33,161	34,156
Pupil Premium Grant	3,796	3,910	4,027	4,148	4,272	4,401
Sixth Form Grant	945	973	1,003	1,033	1,064	1,096
Total Grant	11,453	127,103	130,913	134,844	138,889	143,056

9.9. Children’s Social Care Related Grants

9.9.1. Outside of the Settlement the government have confirmed allocations of Children’s Social Care Related Grants, with Medway’s allocation of the Supported Accommodation Reforms Grant at £140,000 and the Leaving Care Allowance Uplift Grant at £58,000. This represents an increase of £128,000 compared to the Draft Budget, with the equivalent hypothecated growth in expenditure also reflected in the Children’s Services budget.

9.10. Public Health Grant

9.10.1. Indicative Public Health Grant allocations for 2024/25 were published alongside the 2023/24 allocation, however the Provisional Settlement said that for Public Health services, the “total funding package will deliver a real terms increase of more than 7% in DHSC investment in local authority public health functions over the 2 years 2023 to 2024 and 2024 to 2025.” On 5 February 2024 the government confirmed the 2024/25 grant via a written statement, and the Proposed Budget reflects Medway’s allocation of £19.038million, an increase of £373,000 compared to 2023/24.

10. Flexible Use of Capital Receipts

- 10.1. From 2016/27 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 transformation projects. The flexibility was granted for three financial years to 2018/19 and was extended for three years from 2019/20 to 2021/22 and again extended for three years from 2022/23 onwards. As set out in Section 7.4 of this report, the government have recently consulted on options for the use of capital resources and borrowing to support and encourage invest-to-save activity, and more flexibilities to use capitalisation without the requirement to approach government through the EFS scheme.
- 10.2. Appendix 8 to this report sets out the updated Strategy and the proposed use of this flexibility in 2024/25. While the Proposed Budget does not reflect the addition of any further capital receipts to this programme of activity, the Council is currently reviewing its property portfolio to dispose of any assets not contributing to the Council's priorities to release capital receipts.

11. Pay and Pensions

- 11.1. The Proposed Budget reflects the recommendations of the Employment Matters Committee of 30 January 2024 to Full Council, which Cabinet are asked to note:
- a) a Cost of Living Adjustment (COLA) of 5% is allocated for the 2024/25 pay award for all on MedPay Terms and conditions.
 - b) the Range 3 pay band is lifted by £1,052 (excluding the 5% COLA increase).
 - c) the Range 2 pay band is lifted by £547 (excluding the 5% COLA increase).
 - d) a gap of £525 is introduced between the Range 1 and 2 pay bands.
 - e) sleep in payments are increased by 3.88%.
 - f) the Annual Leave entitlement is increased to 30 days per annum pro rota for R1-R3, after 5 years' continuous service.
 - g) the current PDR levels and the associated performance related award attributed to them (i.e. levels 1A and 1B) be removed and instead an additional day's Annual leave awarded to everyone in 2024/25 and 2025/26 on MedPay terms and conditions who is not subject to formal performance management measures.
 - h) a long service award of an additional day's leave at 10 and 15 years of service at all grades be introduced.

These recommendations result in a budget requirement for pay uplifts of £6million. The Proposed Budget assumes that the cost of these uplifts will be funded from the allowance in the Draft Budget of £10million, with the balance of £4million budgeted to fund the impact of the MedPay review cohorts beyond the pilot phase in 2024/25.

12. Fees and Charges

- 12.1. The budget proposals have been formulated on an assumption that fees and charges will generally increase by the rate of inflation as at September 2023 CPI of 5.4%, however the principle is that fees and charges should cover the cost of the service delivered and where market conditions allow, greater increases have been applied. The schedule of proposed fees and charges is set out at Appendix 5.

13. General Reserves

- 13.1. 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 successive years the Council has consistently underspent its revenue budget. The other reason for maintaining reasonable reserve balances is to protect against the financial impact of a major emergency or catastrophic event. It would be fair to say that recent years have seen several events that would fall into this category:
- The lasting impacts of the Covid-19 pandemic,
 - The economic impact of the war in Ukraine including high inflation and cost of living,
 - Spiralling demand for social care and the crisis being experienced in the NHS and social care system.
- 13.2. Prior to 2022/23 the Council had pursued a strategy seeking to rebuild reserves and Table 8 below 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. As at 31 March 2023, the Council's general reserves were reduced to £10.155million.
- 13.3. The Round 3 revenue budget monitoring report (presented elsewhere on this agenda) projects that the Council will overspend by £11.359million, in excess of the current reserves balance. The Round 3 report also however sets out that a review of the Council's earmarked reserves has been carried out as part of the work to close the budget gap. That work has identified £5.727million in earmarked reserves that are no longer required for their original purpose. As such, the Round 3 report asks Cabinet to recommend to Council that these sums be declassified to increase general reserves to a projected £15.882million. Should the Round 3 projection materialise and the earmarked reserves are declassified as recommended, the Council's general reserve balance would stand at £4.523million, some £5.477million below the minimum balance set by the Section 151 Officer.

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
Total Usable Reserves	47,616	79,447	118,073	105,413	101,720
Unusable Reserve – DSG Adjustment Account	(4,139)	(9,346)	(16,261)	(24,729)	(26,843)

14. Medium Term Financial Projections

- 14.1. Historically in the Autumn of each year we have published a Medium-Term Financial Outlook providing five-year projections of the Council's income and expenditure. The pandemic and a series of one-year local government finance settlements had made it impossible to make any meaningful projections beyond the coming year, so no medium term projections were published for the two years 2020/21 and 2022/23. We published projections for the next five years alongside the Proposed Budget in February 2023, and updated these in the Medium Term Financial Outlook published in September 2023, and will continue to publish updated projections at least twice in each financial year. Our latest medium term financial projections (MTFP) are presented at Appendix 7 to this report and will form the basis of the work to prepare the budget for 2025/26 and beyond, commencing in the Summer of 2024.
- 14.2. There are three potential scenarios presented in the MTFP as Appendix 7A, 7B and 7C. The first, 7A represents the Council's position should no EFS be granted, and therefore represents a budget gap of £10.936million in 2024/25, and a further £14.136million in 2025/26. Though currently considered unlikely, given the letter from the government referred to at Section 7.3 of this report, this scenario would make it necessary for the Section 151 Officer to issue a Section 114 notice as soon as the government confirmed no support would be provided.
- 14.3. The second scenario set out in Appendix 7B is considered the most likely and is therefore the assumption underpinning this Proposed Budget; that the government will support the Council through EFS with a capitalisation direction to fund the current budget gap. This demonstrates that with the Improvement Programme activity, the Council could return to financial sustainability and balance its budget without further government support in 2027/28.

14.4. As set out in Section 7 of this report, the Council had requested flexibility to increase the Council Tax above the referendum threshold for 2024/25, however on 5 February 2024 the government confirmed this flexibility had not been granted. The third, hypothetical scenario set out in Appendix 7C demonstrates the positive impact such flexibility would have had on the Council's financial sustainability, had the government granted Medway's request. As this one-off activity would have had a compound impact across the medium term, with future uplifts at the core referendum level being calculated on this larger base; along with the impact of the Improvement Programme activity, the Council could have returned to financial sustainability and balanced its budget without further government support as soon as 2026/27.

15. Capital Programme 2024/25 and beyond

15.1. Elsewhere on the agenda the Round 3 Capital Budget Monitoring Report reflects planned capital expenditure over the medium term and incorporates everything we currently know about capital grant allocations for the period.

Table 9: 2023/24 Capital Monitoring Summary Round 3

Directorate	Approved Cost £000	Total Exp to 31/03/23 £000	Remaining Budget £000	Forecast Spend 2023/24 £000	Forecast Spend £000	Approved Cost £000
Children and Adults (including Public Health)	78,472	36,927	41,545	13,030	28,464	(51)
Regeneration, Culture and Environment	406,461	213,181	193,280	58,302	102,438	(32,540)
Housing Revenue Account	67,220	28,921	38,298	14,765	23,533	0
Business Support Department	3,116	2,645	471	119	352	0
Members Priorities	93	12	81	75	0	(6)
Total	555,361	281,685	273,676	86,293	154,786	(32,597)

Table 10: Funding the Capital Budget

Funding Source	Children & Adults £000	RCE £000	HRA £000	Business Support £000	Member Priorities £000	Total £000
Prudential Borrowing	1,887	82,020	17,114	175	0	101,363
Borrowing in lieu of Future Business Rates	0	19,993	0	0	0	19,993
Borrowing in lieu of Capital Receipts	0	20,659	0	0	0	20,659
Borrowing in lieu of S106 Contributions	0	137	0	0	0	137
Borrowing in lieu of Future NHS Grant	0	10,348	0	0	0	10,348
Borrowing in lieu of Future Rent	0	11,760	0	0	0	11,760
Capital Receipts	0	887	0	296	46	1,229
Capital Grants	35,669	45,273	5,207	1	0	83,994
RTB Receipts	0	0	4,946	0	0	4,946
S106 Developer Contributions	3,989	2,074	0	0	35	6,061
Revenue / Reserves	0	129	11,031	0	0	11,160
Total Capital Programme	41,545	193,280	38,298	471	81	273,676

15.2. Additions to the programme for 2024/25 are summarised below. New schemes will be funded from a combination of grant, prudential borrowing, revenue contributions/reserves and capital receipts where available.

15.3. Housing Revenue Account (HRA)

15.3.1. The HRA Capital and Revenue Budgets 2024/25 report considered earlier on this agenda sets out that 2024/25 will be the first year of a three-year planned maintenance and disabled adaptations capital works programme, and the continuation of the new build/acquisitions programme over the coming year, including an additional budget that is required for further acquisitions of properties such as Right to Buy (RTB) buy backs, purchasing temporary accommodation units and the delivery of phase 5 and 6 of the HRA new build programme. A budget of £2.5million has been earmarked in Year 3 for St Albans Close, reflecting the substantial nature of the project considering the extensive scope of the required works and the total estimated required budget for phase 5 will be approximately £11million to build approximately 37 new affordable rent properties on two sites. The total estimated required budget for phase 6 is approximately £6.2million to build 44 new affordable rent properties on one site. The HRA Business Plan references a three-year planned capital maintenance budget as summarised in Table 11 below.

Table 11: HRA Capital Requirement 2024/25 and beyond

	2024/25 £000	2025/26 £000	2026/27 £000
Planned Maintenance	8,671	5,657	9,391
Disabled Adaptations	200	0,200	200
New Build Programme	4,500	8,875	2,225
Total	13,371	14,732	11,816

15.4. **Schools Capital Programme:** The Annual Review of the School Place Planning Strategy 2022-2027 approved by Cabinet in September 2023 articulates a requirement to add 830 permanent and 180 temporary places at an estimated total cost of £19.47million. In March 2022 the Department for Education announced the Basic Need capital grant allocations to support the creation of places needed during 2023/24 and 2024/25. Medway's allocation is £17.050million. In addition to the Basic Need capital grant allocation to deliver new places for 2023/24 and 2024/25, the Council has been allocated £7.962million and a further £7.188million through the Safety Valve Intervention programme (SVI) to fund places and improve existing provision for children with SEND or who require Alternative Provision. These funding allocations have been added to the capital programme to deliver places in line with the Strategy.

15.5. **Highways and Transport Related Capital:** In the Spending Review 2021 the government announced that the Department for Transport settlement provides £8.5billion, equivalent to real-terms growth rate of 1.9% a year on average over the settlement period to 2024/25. The indicated funding of £5.344million for 2024/25 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 Operating Officer’s delegation, when final allocations are confirmed.

15.6. **Disabled Facilities Grant (DFG):** The DFG is a means tested grant of up to £30,000 to provide adaptations in people’s homes that will make them more accessible. The grant forms part of the Better Care Fund and for 2023/24 is worth £2.471million; when the allocation for 2024/25 is confirmed the funding will be added to the budget using the delegation of the Chief Operating Officer.

15.7. **Temporary Accommodation:** In January Full Council agreed to add £41.925million to the Capital Programme, funded by prudential borrowing, for the purchase of approximately 150 further homes for the provision of Temporary Accommodation in Medway.

15.8. **Healthy Living Centre:** in January Cabinet recommended to Council to add a further £2.752million to the capital programme for the delivery of the Healthy Living Centre in the Pentagon Centre, taking the scheme to £13.100million. This figure will however be reimbursed by the NHS and be subject to NHS final approvals and S106 contributions.

15.8.1. **Gun Wharf:** elsewhere on the agenda, Cabinet are asked to recommend to Council a capital addition of £20million to fund a replacement roof to Gun Wharf due to the presence of Reinforced Autoclaved Aerated Concrete (RAAC), Planned Maintenance, and Improvement Works to improve building efficiency and occupation levels that includes the delivery of a Monitoring Hub.

Table 12: Summary of Proposed Additions to the Capital Programme in 2024/25

New Capital Scheme	Source of Funding	Allocation £000
Schools Maintenance and Condition	DfE Maintenance Grant	TBC
Devolved Schools Maintenance and Condition	DfE Devolved Formula Capital	TBC
Highways Maintenance	DfT Grant Programme	TBC
Disabled Facilities Grants	DoH Grant	TBC
HRA Planned Maintenance	HRA Revenue / Reserves and Borrowing	8,671
HRA Disabled Adaptations	HRA Revenue / Reserves	200
HRA New Build Programme	HRA Revenue / Reserves and Borrowing	4,500
Healthy Living Centre	Borrowing in Lieu of NHS Grant	2,752
Temporary Accommodation	Prudential Borrowing	41,925
Gun Wharf RAAC	Prudential Borrowing	20,000
Total		82,138

16. Housing Revenue Account

16.1. 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.

16.2. The Regeneration, Culture and Environment Overview and Scrutiny Committee received a report on 23 January 2024 that detailed the HRA revenue and capital budget proposals and a follow up to that report features elsewhere on this agenda.

16.3. The Housing Revenue Account budget for 2024/25 is summarised in Table 13 below, with the capital investment requirements included within the current programme at Tables 9 and 10.

Table 13: Housing Revenue Account Budget Summary 2024/25

Description	Budget 2023/24			R3 Forecast 2023/24			Proposed Budget 2024/25		
	Exp £000	Inc £000	Net £000	Exp £000	Inc £000	Net £000	Exp £000	Inc £000	Net £000
HRA working balance brought forward			(5,261)			(6,372)			(6,827)
Housing maintenance	3,249	0	3,249	3,253	0	3,253	3,654	0	3,654
Homes for independent living	858	(2)	856	803	0	803	854	(2)	852
Tenancy services	1,308	0	1,308	1,269	0	1,269	1,482	0	1,482
Estate services	571	(5)	566	666	(5)	661	579	(5)	574
Community development	168	0	168	93	0	93	175	0	175
Centralised accounts	264	0	264	252	0	252	263	0	263
Client side	2,365	(268)	2,097	2,347	(268)	2,079	2,327	(268)	2,059
Capital development programme	120	(70)	50	114	(70)	44	165	(115)	50
Capital financing	7,839	0	7,839	7,686	0	7,686	8,942	0	8,942
Rental income	0	(16,157)	(16,157)	0	(16,309)	(16,309)	0	(17,767)	(17,767)
Other income	0	(246)	(246)	0	(346)	(346)	0	(284)	(284)
Total HRA	16,742	(16,746)	(5)	16,483	(16,998)	(515)	18,441	(18,441)	0
Revenue Contribution to Capital Expenditure			0			0			0
HRA working balance carried forward			(5,266)			(6,827)			(6,827)

17. Conclusion

17.1. 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 most important to residents.

17.2. The proposed revenue budget requirement of £438.569million is presented as funded with support from the government through EFS as set out in Section 7 of this report. We await confirmation from the government as to the form the EFS available to Medway will take and will update the budget proposals presented to Full Council should any Ministerial decisions be made after the publication of this report.

18. Section 25 Statement

18.1. Section 25 of the Local Government Act 2003 requires that an Authority's Chief Financial Officer (Section 151 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.

- 18.2. 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 and all of the assumptions and proposals underpinning this budget have been considered and agreed at joint meetings of the Cabinet and Corporate Management Team. 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.
- 18.3. The Council's reserves position is set out in detail at Section 13 of this report. It demonstrates that at March 2023 the Council had non-earmarked general fund reserves of £10.155million available to it. Elsewhere on this agenda, the round 3 monitoring for the current financial year asks Cabinet to recommend to Council the declassification of £5.727million of earmarked reserves to boost the general reserves balance to a projected £15.885. If the forecast position does not improve by year end, the Council may be called upon to use £11.359million of these reserves, taking the balance down to £4.523million, some £5.477million below the minimum balance set.
- 18.4. As the Section 151 Officer, I would prefer that the Council were not in this position, however the government has urged local authorities that they should use reserves in order to balance budget shortfalls before they consider approaching the Department for Levelling Up, Housing and Communities for exceptional financial support. I am uncomfortable with this approach, as the Council's earmarked reserves have been set aside for a range of specific purposes, to provide for future spending commitments and ensure longer term sustainability. Using them to fund year on year overspends and balance annual budgets is simply not sustainable over the medium term.
- 18.5. In conclusion, I feel confident in confirming the robustness of the assumptions underpinning this proposed budget, however the projected resources available to the Council are insufficient to meet the budget requirement, without support from the government in the form of 'Exceptional Financial Support (EFS)'. As set out in Section 7 of this report, the Chief Executive received a 'letter of comfort' from the Deputy Director for Local Government Finance at DLUHC, dated 24 January 2024, which said: "*You have set out your assessment of your position to the Department and reported financial pressures, particularly in relation to adult social care. I can assure you that government will continue to work closely with Council officers to find a way forward, i.e. by supporting the Council to set a balanced budget for 2024/25*". This gives me sufficient confidence that the Council will receive the required EFS and be able to present a balanced budget for 2024/25.
- 18.6. In the unlikely event that the Council's request for EFS is turned down, this would no longer represent a balanced budget and I would have to consider writing a Section 114 report to the Council.

19. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Council request for Exceptional Financial Support not granted	The Section 151 Officer would be forced to issue a Section 114 notice to the Council.	Regular communication with officials from DLUCH to progress the Council's EFS request.	CI
Council fails to deliver a balanced budget and it becomes necessary for the Section 151 Officer to issue a S114 report.	S114 notices are widely reported, reflect poorly on the organisation's ability to govern and would therefore result in reputational damage.	<p>It may be necessary to carry out some or all of the following:</p> <ul style="list-style-type: none"> • stopping all or severely reducing discretionary spend immediately, including cessation of some or all discretionary services; • limiting expenditure on non discretionary services to the statutory minimum levels; • reduction or deferral of capital spend to reduce overall borrowing and the consequent call on revenue; • freezing recruitment to non essential posts; • seeking opportunities to maximise income; and • ultimately, use of reserves. 	BII
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.	CII

Risk	Description	Action to avoid or mitigate risk	Risk rating
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.	AI
Assumptions around the cost of service delivery underpinning the Draft Budget may be understated	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 Proposed Budget 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
Interest Rate Rises	The budget assumes a significant proportion of the Capital Programme is funded from borrowing. If rates rise beyond the projections in the budget, or if additional borrowing is required, a revenue budget pressure will arise unless some elements of the programme can be curtailed or refinanced.	Close monitoring of the capital programme monitoring to minimise borrowing and avoid taking out borrowing at interest rate peaks.	CIII
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.	CII
Medway Development	A reduction or slowing of the housing market could mean that MDC schemes planned may	Skilled and experienced staff within the company and at the Council are focused on the production of high quality	DII

Risk	Description	Action to avoid or mitigate risk	Risk rating
Company (MDC) activity	not generate the revenue income or the capital receipts assumed in the Council's budget.	businesses cases, leading to the selection and delivery of schemes that will perform well. Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.	
Likelihood		Impact:	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

20. Consultation

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

20.2. 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, resident consultation was carried out through Medway's Citizens Panel. Through this consultation, residents were asked how the Council should reduce spending and/or increase income, and the four most common responses were:

- charge more for services that already charge fees (45%),
- transfer ownership of assets to community organisations (43%),
- increase the number of services the council charges for (38%), and
- increase Council Tax above 5% (33% of respondents).

This feedback supports a number of the proposals in this budget including increasing fees and charges and introducing new charges as set out in Appendix 5, and the request to the government for flexibility to increase the Council Tax above the referendum threshold (though this has not been granted). More broadly, the results of this consultation and resident feedback will be reflected in the process to develop the budget for 2025/26 and beyond.

21. Climate change implications

21.1. There are no direct climate change implications to this report.

22. Diversity Impact Assessment

22.1. 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.

22.2. 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 29 February 2024. 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.

22.3. 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.

23. Financial implications

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

24. Legal and Constitutional implications

24.1. 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.

24.2. 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.

- 24.3. 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.
- 24.4. 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.
- 24.5. 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 16 of this report.
- 24.6. 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.
- 24.7. 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.
- 24.8. 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 Taxpayers. 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.
- 24.9. 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.

- 24.10. Members need to balance the cost to Council Taxpayers 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.
- 24.11. 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.
- 24.12. 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 reasonably practicable towards securing that the proposals as revised, shall satisfy the requirement.
- 24.13. 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.
- 24.14. 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.
- 24.15. 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 2024/25 the latest date for posting the notices (first class) is 29 February 2024.
- 24.16. 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 29 February 2024. The adoption of the budget and the setting of Council Tax are matters reserved for the Council.

24.17. 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.

24.18. Section 17 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.

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Appendices

- 1 – Report back from Overview and Scrutiny Committees on Draft Budget Proposals (to follow)
- 2 – Children & Adults Directorate Pressures and Savings
- 3 – Regeneration, Culture and Environment Directorate Pressures and Savings
- 4 – Business Support Department Pressures and Savings
- 5 – Schedule of Proposed Fees and Charges 2024/25
- 6 – Flexible Use of Capital Receipts Strategy
- 7A-C – Medium Term Financial Projections
- 8 – Business Rates Retail, Hospitality and Leisure Relief Policy 2024/25

Background papers

Provisional Local Government Finance Settlement – Cabinet 16 January 2024:

<https://democracy.medway.gov.uk/ielIssueDetails.aspx?Id=37045&Opt=3>

Draft Capital and Revenue Budget 2024/25 – Cabinet 21 November 2023:
<https://democracy.medway.gov.uk/ielssueDetails.aspx?IId=36501&Opt=3>

Capital Strategy 2024/25 – Cabinet 24 October 2023:
<https://democracy.medway.gov.uk/ielssueDetails.aspx?IId=36503&Opt=3>

Medium Term Financial Outlook 2023 - 2028 – Cabinet 26 September 2023:
<https://democracy.medway.gov.uk/ielssueDetails.aspx?IId=36145&Opt=3>