

## **Cabinet**

**13 February 2024**

### **Proposed Capital and Revenue Budget 2024/25: Addendum Report**

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 addendum report sets out the impact of the Local Government Finance Update (including the Final Local Government Finance Settlement 2024/25), announced via a written statement on 5 February 2024, on the Council's Proposed Budget for 2024/25. This report also presents a revised Appendix 7 to the Proposed Budget, correcting an error in the previously published version.

#### **1. Final Local Government Finance Settlement**

- 1.1. On 5 February 2024 the government published a Local Government Finance Update via a written statement which included the publication of the Final Local Government Finance Settlement 2024 to 2025. The majority of the allocations for Medway for 2024/25 were confirmed as per those in the Provisional Statement and as such the impact on the Proposed Budget is minimal, limited to the exceptions detailed below.
- 1.2. Social Care grant – on 24 January 2024, the government announced a further £600million funding for councils, in addition to the funding outlined in the Provisional Settlement. The Final Settlement confirmed that of this package £500million has been added to the social care grant and that Medway's allocation is £2.079million, £1,000 less than estimated in the Proposed Budget. The written statement sets out that "Further details on the exceptional provision of this funding will be set out at the upcoming Budget" It is not clear whether this indicates there may be a further increase in funding, or whether there will be prescriptive guidance as to the use of this additional funding.
- 1.3. The remaining £100million of the £600million funding announced on 24 January 2024 has been distributed through an increase in the Rural Services Delivery Grant of £15million, £3million for the Isle of Wight and Isles of Scilly, an increase in the funding guarantee from 3% to 4% costing £72million and an increase in the Services Grant of £11million. Of these, Medway only benefits from the Services Grant increase. Medway's final allocation through the

Services Grant for 2024/25 is £337,000; while this is £29,000 more than the Provisional Settlement this still represents a reduction of £1.613million compared to the 2023/24 allocation.

- 1.4. Funding Guarantee – the Final Settlement sets out that “The government is also supporting all councils through the sector-wide Funding Guarantee, ensuring that all councils will see an increase in Core Spending Power of at least 4% before any local choices on council tax – an increase from the 3% announced at the provisional settlement.” However as set out in the report to Cabinet in January on the Provisional Settlement, the Provisional Settlement represented a reduction in funding for Medway Council through the Services Grant of £1.643million and through the New Homes Bonus of £426,000 compared to 2023/24 allocations. Though the Services Grant allocation has now been increased by £30,000, this still represents a net reduction of £2.039million compared to 2023/24 funding levels. Many councils including districts are compensated for these reductions through the Guarantee. The Ministerial Statement published alongside the Provisional Settlement states that “The Government recognises that many local authorities are facing social care demand pressures. That is why we announced significant additional funding at the 2022 Autumn Statement.” The further increase in social care funding announced on 24 January represents additional ring-fenced funding, which for Medway represents a greater than 4% increase in Core Spending Power; as such the funding guarantee does not apply to Medway, and in common with the vast majority of authorities with social care responsibilities, we are required to bear reductions in non-ringfenced grants that other local authorities are compensated for.

## 2. Measures outside of the Local Government Finance Settlement

- 2.1. Business Rates – alongside Final Settlement, the Local Government Finance Update set out two measures relating to Business Rates. Firstly the written statement confirms that “increased growth in business rates income... has generated a surplus in the business rates levy account in 2023-24. I can confirm that £100 million will be returned to the sector on a one-off basis, to be distributed based on each local authority’s 2013-14 Settlement Funding Assessment.” The same measure was announced in February 2023 with the same national funding, and Medway’s allocation was £400,000. This funding will need to be accounted for in 2023/24 and therefore represents an improvement of £400,000 compared to the position in the Round 3 Revenue Monitoring Report presented elsewhere on this agenda. The second measure set out by the government was that “we will compensate local authorities for the Green Plant and Machinery business rates exemption via grant on a continuing basis until the business rates retention system is reset.” The allocations for Medway are £62,000 for 2022/23 and £63,000 for 2023/24 and the announcement indicates that a similar sum can be expected for 2024/25 and future years until the Business Rates system is reset, which government have confirmed will not take place in this parliament. Finance officers are currently consulting specialist advisors on how to appropriately account for these within the Collection Fund; as such it is not yet possible to confirm how these impact Medway’s budget and in which year.

- 2.2. Internal Drainage Board authorities – alongside Final Settlement, the Local Government Finance Update also confirmed that the government will be “providing exceptional funding of £3 million in addition to the Settlement to support those experiencing the biggest pressures” however allocations will be confirmed “in the coming months when data on projected levy spend becomes available”. Given the small national sum, the impact of any allocation for Medway would likely be negligible, however any confirmed allocation will be added to the budget through the delegation of the Chief Operating Officer and reported to the Cabinet in due course.
- 2.3. Public Health Grant – In a separate announcement from the Department of Health and Social Care, also made on the 5 February 2024, the Public Health Grant for 2024/25 was confirmed. Medway’s allocation is £19.037million, as per the projection in the Proposed Budget.
- 2.4. The impact of these announcements (where confirmed) on Medway’s Proposed Budget for 2024/25 is summarised in the tables below; Revised Table 1 from the Proposed Budget Report, and Table 2 Revised Core Spending Power, and Table 3 Impact of Announcements, all overleaf.

**Table 1: Revised Proposed Budget Summary 2024/25**

<b>General Fund Activities</b>	<b>2023/24 Adjusted Base £000</b>	<b>2024/25 Adjusted Base £000</b>	<b>2024/25 Net Adjustments £000</b>	<b>2024/25 Proposed Budget £000</b>	<b>2024/25 Proposed Budget - Expenditure £000</b>	<b>2024/25 Proposed Budget - Income £000</b>	<b>2024/25 Proposed Budget - Net £000</b>
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
<b>Budget Requirement</b>	<b>392,543</b>	<b>390,895</b>	<b>47,674</b>	<b>438,569</b>	<b>578,366</b>	<b>(139,797)</b>	<b>438,569</b>
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)	12,313	(8,129)	0	(8,129)	(8,129)
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)	(7,153)	(32,151)	0	(32,151)	(32,151)
Public Health Grant	(18,665)	(18,665)	(373)	(19,037)	0	(19,037)	(19,037)
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	(14,742)	(14,742)	0	(14,742)	(14,742)
<b>Estimated Available Funding</b>	<b>(392,543)</b>	<b>(387,910)</b>	<b>(50,659)</b>	<b>(438,569)</b>	<b>0</b>	<b>(438,569)</b>	<b>(438,569)</b>
<b>Budget Gap - General Fund</b>	<b>0</b>	<b>2,985</b>	<b>(2,985)</b>	<b>0</b>	<b>578,366</b>	<b>(578,366)</b>	<b>0</b>

**Table 2: Revised Core Spending Power: Final Local Government Settlement**

	2023/24	2024/25
	£000	£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	18,770
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	337
Adjustment for rolled in grants	1,518	0
<b>Core Spending Power</b>	<b>245,614</b>	<b>263,088</b>

**Table 3: Impact of Final Settlement Announcements on the Proposed Budget 2024/25**

	2024/25 £000
<b>Non-ringfenced Government Grants:</b>	
Services Grant – funding increase	(30)
Social Care Grant – funding decrease	1
<b>Total</b>	<b>(29)</b>

### 3. Productivity Plans

- 3.1. In the announcement made on 24 January 2024, the government set out that “councils will be asked to produce productivity plans which will set out how they will improve service performance and reduce wasteful spend – including on consultants and HR spending on equality, diversity and inclusion. Alongside this, an expert panel to advise the government on financial sustainability in the sector will be established by DLUHC and contain both internal and external experts. Work will also continue between DLUHC, DfE and DHSC to ensure value for money and sustainability of the sector.”
- 3.2. The announcements on 5 February 2024 provided further details, with plans required to be agreed by Council Leaders and Members and published on council websites by July 2024 before the House rises for the summer recess.

Councils are required to publish progress updates and plans which must cover the following four areas:

1. Transformation of services to make better use of resources;
  2. Opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
  3. Ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter- extremism; and
  4. Barriers preventing activity that government can help to reduce or remove.
- 3.3. The announcement also confirmed that the government “will establish a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.”
- 3.4. The Corporate Management Team will review the requirements and ensure this requirement is met for Medway.
4. Revised Appendix 7 – Medium Term Financial Projections
- 4.1. The version of Appendix 7B published alongside the main Cabinet report had the row showing the projected Exceptional Financial Support borrowing hidden in error, though the sum was included in the total row. The revised version of Appendix 7 published alongside this Addendum report corrects that error and also reflects the impact of the revised allocations of Social Care grant and Services Grant as set out in Sections 1.2 and 1.3 of this Addendum report.

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#### Appendices

Appendix 1 – Report back from Overview and Scrutiny Committees on Draft Budget Proposals (marked as to follow in main agenda)

Appendix 7A to C – Medium Term Financial Projections (revised version)