

## **Council**

**29 February 2024**

### **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)

Author: Katey Durkin, Chief Finance Officer

#### **Summary**

This report sets out Cabinet's proposals for the Capital and Revenue Budget for 2024/25. In accordance with the Constitution, Council is required to approve the Capital and Revenue Budget, rent increases and Council Tax for 2024/25.

#### **1. Recommendations**

##### **1.1 The Council is recommended to:**

##### **1.1.1 Approve the recommendations of the Employment Matters Committee on 30 January 2024 as set out in Section 9 of this report:**

- 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.

##### **1.1.2 Approve the general fund gross, income and net revenue estimates as summarised in Table 1 of this report in the sum of £438.569million.**

- 1.1.3 Approve the additions to the capital programme set out in Table 12 of the report, including the addition of £20million funded through borrowing to deliver a programme of essential repairs and improvements to Gun Wharf.
- 1.1.4 Note the Kent Police and Crime Commissioner's precept requirement, as set out in Section 15.2 of this report.
- 1.1.5 Note the Kent Fire and Rescue Service precept requirement, as set out in Section 15.3 of this report.
- 1.1.6 Note the Parish Council precept requirements of £691,298 as detailed in Section 15.4 of this report.
- 1.1.7 Approve the basic rate of Council Tax at Band D for 2024/25, before adding the Police, Fire and Parish precepts, at £1,754.69, an increase of 4.994% as set out in Section 16.1 of this report.
- 1.1.8 Approve the following changes 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.
- 1.1.9 Approve the following changes 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%.
- 1.1.10 Adopt the formal resolution for the Council Tax requirement and schedule of Council Tax charges for 2024/25 as set out in Appendix 6A to the report;
- 1.1.11 Approve the Retail, Hospitality and Leisure Relief scheme policy in respect of Business Rates for 2024/25 at Appendix 10.
- 1.1.12 Approve the Flexible Use of Capital Receipts Strategy set out at Appendix 8 to this report.
- 1.1.13 Approve fees and charges, as recommended by Cabinet as part of the budget proposals, in the booklet 'Medway Council - Fees and Charges April 2024', as set out in Appendix 7 to the report.
- 1.1.14 Approve the recommendations set out at Section 14 of the report with regard to the Housing Revenue Account and detailed in the following appendices:
  - The proposed increase in rents as set out at Appendices 4A and 4B;
  - The proposed service charges as set out at Appendix 4C;
  - The budget proposed as summarised at Appendix 4D;

- The 30 year business plan projections at Appendix 4E.

1.1.15 Approve the declassification of the following amounts currently held in earmarked reserves and transfer them to general reserves:

- £4.00million held in the South Medway Development Reserve,
- £1.00million held in the Transformation Reserve, and
- £727,000 held in the Mosaic Forms Reserve.

1.1.16 Note the findings of the Diversity Impact Assessment as set out in Appendix 11 to the report, and the proposal to continue, where necessary, to report through quarterly monitoring any further unidentified or unintentional impact.

## 2. Budget and policy framework

2.1 The Council has responsibility for determining the budget, both capital and revenue, and setting the Council Tax level. In undertaking this responsibility, the Council must consider the budget proposals developed by the Cabinet. However, ultimately it is Council's decision, and it may opt to adopt Cabinet's budget proposals, amend them, or substitute its own in their place. 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.

2.2 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.

## 3. Background

3.1 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.

3.2 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. The comments from the Overview and Scrutiny Committees were considered by the Cabinet, alongside the budget proposals, at the Cabinet meeting on 13 February 2024.

## 4. Revenue Budget Requirement 2024/25

4.1 In accordance with the constitutional requirements, the Draft Budget, proposed by Cabinet, was passed to Overview and Scrutiny Committees

inviting comments. 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.

- 4.2 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 Budget assumes that the remaining gap will be funded with government support through the Exceptional Financial Support scheme (EFS) as set out in Section 5 of the report. The Budget is summarised in Table 1 and represents a total budget requirement of £438.569million. Directorate level budget proposals and their impact in 2024/25 are set out in Section 6 of the report, with details of the individual pressures and savings proposals in Appendices 1, 2 and 3.

**Table 1: Revenue 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
<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)

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
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>

## 5. Exceptional Financial Support (EFS)

- 5.1 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.
- 5.2 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 9A-C 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.
- 5.3 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.”
- 5.4 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, taking into account the cost of borrowing.
- 5.5 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.

## 6. Revenue Budget Requirement

### 6.1 Children and Adults

6.2 Table 2 summarises the Directorate’s Proposed Budget for 2024/25. The proposals within the budget for each service are summarised below and set out in detail in Appendix 1.

**Table 2: Children and Adults Revenue Budget Summary 2024/25**

General Fund Activities	2024/25 Adjusted Base	2024/25 Net Adjustments	2024/25 Proposed Budget		2024/25 Proposed Budget – Expenditure	2024/25 Proposed Budget – Income	2024/25 Proposed Budget – Net
	£000	£000	£000		£000	£000	£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
<b>Total Adult Social Care</b>	<b>82,486</b>	<b>13,724</b>	<b>96,210</b>		<b>138,723</b>	<b>(42,513)</b>	<b>96,210</b>
<b>Directorate Management Team</b>	<b>471</b>	<b>0</b>	<b>471</b>		<b>711</b>	<b>(241)</b>	<b>471</b>
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
<b>Total Children’s Services</b>	<b>65,938</b>	<b>1,740</b>	<b>67,678</b>		<b>73,838</b>	<b>(6,160)</b>	<b>67,678</b>
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)
SEN Transport	9,151	3,076	12,227		12,677	(450)	12,227

General Fund Activities	2024/25 Adjusted Base	2024/25 Net Adjustments	2024/25 Proposed Budget	2024/25 Proposed Budget – Expenditure	2024/25 Proposed Budget – Income	2024/25 Proposed Budget – Net
	£000	£000	£000	£000	£000	£000
<b>Total: Education</b>	<b>74,687</b>	<b>4,156</b>	<b>78,843</b>	<b>81,135</b>	<b>(2,292)</b>	<b>78,843</b>
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
<b>Total Partnership Commissioning</b>	<b>2,373</b>	<b>0</b>	<b>2,373</b>	<b>4,233</b>	<b>(1,860)</b>	<b>2,373</b>
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
<b>Total Public Health</b>	<b>14,632</b>	<b>373</b>	<b>15,006</b>	<b>18,062</b>	<b>(3,057)</b>	<b>15,006</b>
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
<b>Total School Retained Funding and Grants</b>	<b>41,532</b>	<b>14,703</b>	<b>56,236</b>	<b>26,619</b>	<b>29,617</b>	<b>56,236</b>
<b>Additional Government Grants</b>	<b>2,675</b>		<b>2,675</b>	<b>2,675</b>	<b>0</b>	<b>2,675</b>
<b>Pay Award and impact of MedPay Review</b>	<b>0</b>	<b>5,080</b>	<b>5,080</b>	<b>5,080</b>	<b>0</b>	<b>5,080</b>
<b>Total for Children and Adults</b>	<b>284,796</b>	<b>39,777</b>	<b>324,573</b>	<b>351,077</b>	<b>(26,505)</b>	<b>324,573</b>

6.3 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 considered by the Cabinet on 13 February 2024. The 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 Budget therefore reflects a net increase in the Adult Social Care budget (excluding pay uplifts) of £13.724million compared to 2023/24.



- 6.4 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 Budget therefore reflects a net increase in the Children's Services budget (excluding pay uplifts) of £1.740million.
- 6.5 The 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 2023/24. The 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, the latest forecasts represent an underspend of £1.918million which will reduce the deficit balance when transferred to the reserve at year end.
- 6.6 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.

## 6.7 Regeneration, Culture and Environment

6.8 Table 3 below summarises the Directorate's 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 3: Regeneration, Culture and Environment Revenue 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
<b>Total Front Line Services</b>	<b>42,515</b>	<b>(485)</b>	<b>42,029</b>	<b>61,341</b>	<b>(19,312)</b>	<b>42,029</b>
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
<b>Total Culture &amp; Community</b>	<b>12,283</b>	<b>1,084</b>	<b>13,366</b>	<b>25,529</b>	<b>(12,163)</b>	<b>13,366</b>
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)
<b>Total Regeneration</b>	<b>6,357</b>	<b>650</b>	<b>7,007</b>	<b>15,279</b>	<b>(8,272)</b>	<b>7,007</b>
<b>Director's Office</b>	<b>653</b>	<b>(22)</b>	<b>631</b>	<b>654</b>	<b>(22)</b>	<b>631</b>
<b>Pay Award and impact of MedPay Review</b>	<b>0</b>	<b>2,813</b>	<b>2,813</b>	<b>2,813</b>	<b>0</b>	<b>2,813</b>
<b>Total for Regeneration, Culture and Environment</b>	<b>61,808</b>	<b>4,039</b>	<b>65,847</b>	<b>105,616</b>	<b>(39,769)</b>	<b>65,847</b>

6.9 The 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 Budget therefore reflects a net reduction in the Front Line Services budget (excluding pay uplifts) of £485,000 compared to 2023/24.

- 6.10 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 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 Budget therefore reflects a net increase in the Culture and Community Services budget (excluding pay uplifts) of £1.084million.
- 6.11 The 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 Budget therefore reflects a net increase in the Regeneration Services budget (excluding pay uplifts) of £650,000.
- 6.12 The 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.

### 6.13 Business Support Department

6.14 Table 4 below summarises the Department's Budget for 2024/25. The detailed proposals within the budget for each service is summarised below and are set out in detail in Appendix 3.

**Table 4: Business Support Department Revenue 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
<b>Total Directorate Management Team</b>	<b>452</b>	<b>451</b>	<b>903</b>	<b>956</b>	<b>(52)</b>	<b>903</b>
Communications	789	100	889	1,122	(233)	889
<b>Total Communications</b>	<b>789</b>	<b>100</b>	<b>889</b>	<b>1,122</b>	<b>(233)</b>	<b>889</b>
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
<b>Total Finance and Business Improvement</b>	<b>14,902</b>	<b>2,031</b>	<b>16,933</b>	<b>82,610</b>	<b>(65,677)</b>	<b>16,933</b>
Legal, Land Charges and Licensing	2,192	438	2,630	4,012	(1,382)	2,630
<b>Total Legal, Land Charges and Licensing</b>	<b>2,192</b>	<b>438</b>	<b>2,630</b>	<b>4,012</b>	<b>(1,382)</b>	<b>2,630</b>
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
<b>Total Legal and Governance</b>	<b>2,549</b>	<b>256</b>	<b>2,805</b>	<b>2,998</b>	<b>(194)</b>	<b>2,805</b>
<b>Pay Award and impact of MedPay Review</b>	<b>0</b>	<b>2,107</b>	<b>2,107</b>	<b>2,107</b>	<b>0</b>	<b>2,107</b>
<b>Total Business Support Department</b>	<b>20,884</b>	<b>5,383</b>	<b>26,266</b>	<b>93,804</b>	<b>(67,538)</b>	<b>26,266</b>

6.15 The Budget for Finance and Business Improvement reflects 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 Budget therefore reflects a net increase in the Finance and Business Improvement budget (excluding pay uplifts) of £2.482million.

6.16 The 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 Budget therefore reflects a net increase in the Legal Services budget (excluding pay uplifts) of £694,000.

### 6.17 Centralised and Corporate Management

6.18 The 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 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 3.

**Table 5: Centralised and Corporate Management Revenue 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)
<b>Total Corporate Management</b>	<b>3,583</b>	<b>(911)</b>	<b>2,673</b>	<b>2,839</b>	<b>(166)</b>	<b>2,673</b>
<b>Interest and Financing</b>	<b>15,300</b>	<b>3,911</b>	<b>19,211</b>	<b>25,030</b>	<b>(5,819)</b>	<b>19,211</b>
<b>Total Centralised and Corporate Management</b>	<b>18,883</b>	<b>2,841</b>	<b>21,732</b>	<b>27,718</b>	<b>(5,985)</b>	<b>21,732</b>

6.19 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 6.15 above so the budget for 2024/25 is £2.021million.

6.20 As set out in Section 5 of the 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.

6.21 The 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 13 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 and £2.572million for the delivery of the Healthy Living Centre in the Pentagon Centre (noting this figure would be reimbursed by the NHS and would be subject to NHS final approvals and S106 contributions), both agreed by Council on 24 January 2024. The budget also reflects the addition of £20million to the capital programme to deliver a programme of essential and critical repairs and improvements to Gun Wharf along with other additions in table 12 in Section 13 of this report. The 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 decision of Cabinet on 13 February 2024 to pause delivery at Innovation Park Medway at appropriate milestones and note the deferral of expenditure associated with this. The Budget therefore reflects a net increase in the Interest and Financing budget of £3.911million compared to 2023/24.

## 6.22 **Additional Government Support Expenditure**

6.23 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.

## 7. Revenue Budget Funding

### 7.1 **Core Spending Power**

7.1.1 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: 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>

## 7.2 The Local Government Finance Settlement

7.2.1 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 Settlement so the extent to which the announcements impacted Medway's Budget is minimal, and was set out in an Addendum Report to the Proposed Budget presented to Cabinet on 13 February 2024. Where allocations differed from the Provisional Settlement, these are set out in the relevant sections below.

7.2.2 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.

### **7.3 Income from Local Taxation – the Collection Fund**

7.3.1 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.

### **7.4 Council Tax**

7.4.1 The Final Settlement set out the Government’s proposed package of referendum principles for 2024/25, which for Medway Council 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. The Budget therefore reflects that Medway’s Council Tax will be increased by 4.994%, taking the Band D to £1,754.69.

7.4.2 On 26 October 2023 the Levelling-Up and Regeneration Bill became law, and its measures include allowing Councils to charge the 100% premium for long term empty properties after one year rather than two from 1 April 2024. The same legislation will allow local authorities to charge a 100% premium for properties that are unoccupied but furnished (referred to as second homes) from 1 April 2025. Council is therefore recommended to approve the implementation of these changes, alongside the removal of two discretionary discounts, in respect of vacant (unoccupied and unfurnished) properties (class C) and the rate of discount in respect of properties undergoing or in need of major repair work to render them habitable or undergoing structural alterations for a period of up to 12 months (class D).

7.4.3 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 Budget therefore assumes the Council will receive a total of £158.462million through the Council Tax in 2024/25.



- 7.4.4 This report considers the budget requirement for Medway Council only. There are a number of other factors that will influence the final Council Tax requirement to be approved by Council on 29 February 2024. Whilst the final rate will be dependent on the level of spending, it will also be affected by:
- The Council Tax base of 90,912.50 agreed on 12 January 2024;
  - The Police and Crime Commissioner's precept; at their meeting on 6 February 2024 the Police and Crime Panel approved the maximum £13 (5.34%) increase to the precept on Band D properties, taking the charge to £256.15;
  - The Kent Fire and Rescue Service (KFRS) precept; KFRS agreed a 2.99% (£2.61) increase to the precept on Band D properties, taking the charge to £89.91 at their meeting on 20 February 2024.
  - The parish precepts; the Council Tax Resolution at Appendix 6A and Bandings at Appendix 6B reflect the approved precepts for all Parishes.

## 7.5 Retained Business Rates and Business Rates Related Grants

- 7.5.1 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 10 for the approval of Council. The 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.
- 7.5.2 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.

- 7.5.3 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.
- 7.5.4 Alongside the Final Settlement, the Local Government Finance Update set out 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 confirming the correct accounting for these within the Collection Fund to confirm how these impact Medway's budget and in which year, and the funding will be added to the budget through the delegation of the Chief Operating Officer in due course.

## 7.6 **Non-ringfenced Government Grant**

- 7.6.1 Revenue Support Grant – The Final 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.
- 7.6.2 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 was to be reduced by almost 85% from £483million for England in 2023/24 to £77million in 2024/25. On 24 January 2024 the government announced a further £600million funding for councils, in addition to the funding outlined in the Provisional Settlement, of which £11million would increase the Services Grant allocations in the Final Settlement. This results in a £29,000 increase to Medway's allocation, taking the total Services Grant for 2024/25 to £337,000, a reduction of £1.613million compared to the 2023/24 allocation.
- 7.6.3 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.

## **7.7 Social Care Grants**

7.7.1 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 set out that the Social Care Grant would increase nationally by £692million, for Medway this represents £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 Final Settlement confirmed that of this package £500million has been added to the social care grant and that Medway’s allocation is £2.079million. 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.

7.7.2 The 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.

7.7.3 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. The Settlement sets out that Medway’s allocation from these funds is £4.366million. Finally, the Final 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.

7.7.4 Collectively, these grants contribute a total of £32.151million to the Budget.

## **7.8 Education Related Grants**

7.8.1 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 overleaf. 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
<b>Total Grant</b>	<b>110,453</b>	<b>127,103</b>	<b>130,913</b>	<b>134,844</b>	<b>138,889</b>	<b>143,056</b>

## 7.9 Children’s Social Care Related Grants

7.9.1 Outside of the Settlement the government 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.

## 7.10 Public Health Grant

7.10.1 On 5 February 2024 the Department of Health and Social Care confirmed the Public Health Grant for 2024/25, with Medway’s allocation of £19.037million as per the projection in the Proposed Budget, an increase of £373,000 compared to 2023/24.

## 8. Flexible Use of Capital Receipts

8.1 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 5.5 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.

8.2 Appendix 8 to this report sets out the updated Strategy and the proposed use of this flexibility in 2024/25. While the 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.

## 9. Pay and Pensions

9.1 The Budget reflects the recommendations of the Employment Matters Committee of 30 January 2024 to Full Council, as follows:

- 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.

These recommendations result in a budget requirement for pay uplifts of £6million. The 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.

## 10. Fees and Charges

10.1 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. Since Cabinet approved the Fees and Charges in the Proposed Budget on 13 February 2023, it is proposed that designated Family Holiday Swim Sessions will be introduced to allow under-16s to swim for £1 when accompanied by a full fee-paying adult. This additional proposal is not projected to impact on the proposed income budget. The schedule of Fees and Charges is set out at Appendix 7.

## 11. General Reserves

11.1 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 until last year 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.

11.2 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 £26.551million 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.

**Table 8: Movement in Reserves**

Type of Reserve	Closing Balance 31/03/2019	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022 DRAFT	Closing Balance 31/03/2023 DRAFT
	£000	£000	£000	£000	£000
General Reserves	9,039	19,197	22,689	26,551	10,155
General Fund Earmarked Reserves	18,045	28,562	53,526	40,141	32,040
Insurance Fund	1,216	960	2,459	2,483	3,179
Schools Balances	2,004	1,356	1,414	1,750	1,756
HRA Balances	5,114	5,145	5,395	5,283	6,373
Capital Grants / Contributions	10,988	18,764	25,916	21,092	44,151
Capital Receipts Reserves	1,110	5,463	6,674	8,113	4,067
HRA Major Repairs Reserve	100	0	0	0	0
<b>Total Usable Reserves</b>	<b>47,616</b>	<b>79,447</b>	<b>118,073</b>	<b>105,413</b>	<b>101,720</b>
Unusable Reserve – DSG Adjustment Account	(4,139)	(9,346)	(16,261)	(24,729)	(26,843)

11.3 The Round 3 Revenue Budget Monitoring Report considered by the Cabinet on 13 February 2024 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. Cabinet therefore recommended 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.

## 12. Medium Term Financial Projections

- 12.1 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 9A-C 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.
- 12.2 There are three potential scenarios presented in the MTFP as Appendix 9A, 9B and 9C. The first, 9A represents the Council's position should no EFS be granted, and therefore represents a budget gap of £10.900million in 2024/25, and a further £14.100million in 2025/26. Though currently considered unlikely, given the letter from the government referred to at Section 5.3 of this report, if this scenario comes to fruition the Council's Section 151 Officer will need to consult with the Cabinet and draw up plans for an emergency budget to be presented to the Council, so that planned expenditure is within the Council's resources. Whilst the Council Tax requirement will have been set, revised lower expenditure levels will need to be approved. In the absence of a revised budget, within the Council's means, the Section 151 Officer would be under a personal statutory duty to consider issuing a Section 114 notice, as the Council's expected income will have materially diminished.
- 12.3 The second scenario set out in Appendix 9B 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.
- 12.4 As set out in Section 5 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 9C 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.

### 13. Capital Programme 2024/25 and beyond

13.1 Tables 9 and 10 below reflects planned capital expenditure over the medium term and incorporate 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)
<b>Total</b>	<b>555,361</b>	<b>281,685</b>	<b>273,676</b>	<b>86,293</b>	<b>154,786</b>	<b>(32,597)</b>

**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
<b>Total Capital Programme</b>	<b>41,545</b>	<b>193,280</b>	<b>38,298</b>	<b>471</b>	<b>81</b>	<b>273,676</b>

13.2 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.

#### 13.3 Housing Revenue Account (HRA)

13.3.1 The HRA Capital and Revenue Budgets 2024/25 report considered by the Cabinet on 13 February 2024 set 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
<b>Total</b>	<b>13,371</b>	<b>14,732</b>	<b>11,816</b>

- 13.4 **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.
- 13.5 **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.
- 13.6 **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.

- 13.7 **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.
- 13.8 **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.
- 13.9 **Gun Wharf:** In February Cabinet recommended 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.
- 13.10 **Country Parks:** On 13 February 2024 Cabinet approved the introduction of car parking charges at Medway's Country Parks from 1 April 2024, and recommended to Council the capital addition required to implement the scheme, with £11,500 in 2023/24 and a further £159,500 in 2024/25.
- 13.11 **Innovation Park Medway:** On 13 February 2024 Cabinet agreed to pause delivery at Innovation Park Medway at appropriate milestones and note the deferral of expenditure associated with this, however Cabinet also recommended to Council a virement of £200,000 from the Innovation Park Medway budgets for a new scheme to undertake a review of the most sustainable development options for the Innovation Park Medway sites.

**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
Country Parks Car Park Charges	Prudential Borrowing	171*
<b>Total</b>		<b>78,219</b>

\*Scheme to be added to the capital programme in 2023/24

## 14. Housing Revenue Account

- 14.1 The Council is required under the Local Government and Housing Act 1989 to ensure that the Housing Revenue Account (HRA) does not fall into a deficit position.
- 14.2 The 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 was presented to the Cabinet on 13 February 2024. The main points of these reports are covered by the following recommendations:
  - 14.2.1 A proposed social rent increase of 7.7% (CPI of 6.7 plus 1%) for the social rent housing stock as set out in Appendix 4A (based on 52 collection weeks) with effect from 1 April 2024. All new tenancies issued during 2024/25, to be set at either the formula rent or rent cap for social rent dwellings, whichever is lower.
  - 14.2.2 A proposed affordable rent increase of the lower of Local Housing Allowance (LHA) rate or 7.7% (CPI of 6.7 plus 1%) for the affordable rent properties as set out in Appendix 4B (based on 52 collection weeks) with effect from 1 April 2024. All new tenancies during 2024/25 to be set at either 80% of market rent or the LHA rate for affordable rent dwellings, whichever is lower.
  - 14.2.3 A proposed rent increase of 7.7% to be applied to all garage tenure types with effect from 1 April 2024.
  - 14.2.4 That the service charges increases/decreases as set out in Appendix 4C of the report for 2024/25 be approved.
  - 14.2.5 That the revenue budget for the HRA service for 2024/25 as per Appendix 4D be approved.
  - 14.2.6 That the capital budget for the HRA service for 2024/25 as per Section 13.3 be approved.
  - 14.2.7 That the provision for the estimated repayment of debt based on annuity based payment of £425,000 on the HRA's outstanding debt for 2024/25 be approved.
  - 14.2.8 To delegate authority to the Director of Place or Assistant Director, Culture and Community to agree weekly rental values presented by the Head of Tenant Services for any in-year completed HRA acquisitions and/or new builds during 2024/25.
  - 14.2.9 That Members approve the 30-year HRA Business Plan model as attached at Appendix 4E.

## 15. Precepting Obligations and the Council Tax Leaflet

- 15.1 In order to declare the Council Tax, the precepting requirements of the Police and Crime Panel (PCP), the Kent Fire and Rescue Service (KFRS) and Parish Councils must be added. These requirements are detailed in the following paragraphs and incorporated in the formal resolution set out at Appendix 6A.
- 15.2 The Kent Police and Crime Panel agreed a £13.00 increase at its meeting on 6 February 2024, giving a Band D figure of £256.15 and an associated precept of £23,287,237.
- 15.3 The Kent Fire and Rescue Service is proposing a £2.61 increase at their meeting on 20 February 2024, which would give a Band D figure of £89.91 and an associated precept of £8,179,943.
- 15.4 The Parish Council precepts and the consequent additions to the general level of Council Tax are detailed at Appendix 5. In total the Parish precepts amount to £691,298 and add an average of £7.60 to the Medway band D rate.

## 16. Council Tax Setting

- 16.1 Cabinet on 13 February 2024 recommended that the Council avails itself of the maximum flexibility allowed within the referendum limit, and of the Adult Social Care Precept, and therefore increases the Council Tax by 4.994%. The level of Band D Council Tax with this increase will be £1,754.69. The total Band D for billing purposes, incorporating the Kent Police and Crime Commissioner and Kent and Medway Fire and Rescue Service precepts will be £2,100.75. Additional requirements for parish areas are shown in Appendix 5 and in the formal Resolution at Appendix 6A.

## 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 11 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, as set out in Section 5 I will have to consult with the Cabinet and draw up urgent plans for an emergency budget to be presented to the Council; in the absence of a revised expenditure budget within the Council's projected income, I would have a statutory duty 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	It would be necessary for the Section 151 Officer to consult with the Cabinet and draw up urgent plans for an emergency budget to be presented to the Council; in the absence of a revised expenditure budget within the Council's projected income, the Section 151 Officer would have a statutory duty to consider writing a Section 114 report 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>In order to avoid a S114 notice, the Council would need to reconvene to agree alternative budget proposals and it may be necessary to carry out some or all of the following:</p> <ul style="list-style-type: none"> <li>• stopping all or severely reducing discretionary spend immediately, including cessation of some or all discretionary services;</li> <li>• limiting expenditure on non discretionary services to the statutory minimum levels;</li> <li>• reduction or deferral of capital spend to reduce</li> </ul>	CI

Risk	Description	Action to avoid or mitigate risk	Risk rating
		overall borrowing and the consequent call on revenue; <ul style="list-style-type: none"> <li>• freezing recruitment to non essential posts;</li> <li>• seeking opportunities to maximise income; and</li> <li>• ultimately, use of reserves.</li> </ul>	
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.	BII
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.	CII
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.	CIII
Medway Development Company (MDC) activity	A reduction or slowing of the housing market could mean that MDC schemes planned may not generate the revenue income or the capital receipts assumed in the Council's budget.	Skilled and experienced staff within the company and at the Council are focused on the production of high quality businesses cases, leading to the selection and delivery of schemes that will perform well. Close monitoring of the programme and careful	CII

Risk	Description	Action to avoid or mitigate risk	Risk rating
		management of the delivery are supported by scrutiny from senior officers and Members.	
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor		

## 20. Consultation

20.1 The Draft Budget is subject to consultation with Members via Overview and Scrutiny Committees.

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 An overarching Diversity Impact Assessment is attached as Appendix 11, summarising the results of the Diversity Impact Assessments which have been completed for each of the services affected by the proposed budget changes.

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 22 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 Section 106 of the Local Government Finance Act 1992 sets out that where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting:
- Any decision relating to the administration or enforcement of Council Tax.
  - Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax.
  - Any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation.
- 24.11 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.
- 24.12 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.
- 24.13 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.
- 24.14 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.
- 24.15 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.

- 24.16 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.
- 24.17 The Council's constitution contains the budget and policy framework rules. The relevant extracts from the constitution are summarised as follows:
- The budget and policy framework rules contained in the constitution specify that the Cabinet should produce the draft revenue and capital budget. This initial budget which does not have to give full detail, nor be a finalised set of proposals, should be submitted to the overview and scrutiny committees to consider the initial budget and if appropriate offer alternative proposals. Any such proposals will be referred back to the Cabinet for consideration.
  - Under the constitution the Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is the Cabinet's responsibility to present a budget to the Council, with a special Council meeting arranged for this purpose on 29 February 2024. The adoption of the budget and the setting of Council Tax are matters reserved for the Council.
- 24.18 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.
- 24.19 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.

### Lead officer contact

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## Appendices

- 1 – Children & Adults Directorate Pressures and Savings
- 2 – Regeneration, Culture and Environment Directorate Pressures and Savings
- 3 – Business Support Department and Centralised Pressures and Savings
- 4A – HRA Social Rents 2024/25
- 4B – HRA Affordable Rents 2024/25
- 4C – HRA Service Charges 2024/25
- 4D – HRA Budget 2024/25
- 4E – HRA Business Plan
- 5 – Parish Precepts
- 6A – Council Tax Resolution 2024/25
- 6B – Council Tax Bandings 2024/25
- 7 – Schedule of Proposed Fees and Charges 2024/25
- 8 – Flexible Use of Capital Receipts Strategy
- 9A-C – Medium Term Financial Projections
- 10 – Business Rates Retail, Hospitality and Leisure Relief Policy 2024/25
- 11 – Diversity Impact Assessment

## Background papers

[Proposed Capital and Revenue Budget 2024/25 – Cabinet 13 February 2024](#)

[Provisional Local Government Finance Settlement – Cabinet 16 January 2024](#)