

Cabinet

27 August 2024

Medium Term Financial Outlook 2024-2029

Portfolio Holder: Councillor Vince Maple, Leader of the Council

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Summary

This report sets out initial projections of the Council's income and of the cost of services for 2025/26 and across the medium term.

1. Recommendations

- 1.1. Cabinet notes the initial projected budget requirement, the Council's resource assumptions, the resultant draft projected budget shortfall for 2025/26 of £45.147million and a cumulative £140.808million shortfall over the medium term.
- 1.2. Cabinet agrees the indicative 2025/26 directorate resource envelopes, as set out at Appendix 9b of the 2024/25 Budget report and in table 1 below, which assume a further application for 'exceptional financial support'.
- 1.3. Cabinet notes that directorate management teams will work with portfolio holders to identify savings and income generation proposals in order to balance the 2025/26 budget within the directorate resources envelopes.

2. Suggested reasons for decisions

- 2.1. The Medium Term Financial Outlook (MTFO) provides the framework that underpins the budget setting process for 2025/26 and beyond.

3. Budget and policy framework

- 3.1. The Corporate Management Team is responsible for supporting the Cabinet to develop a draft revenue budget ahead of presenting its budget proposals for approval by Full Council in February of each year. This (MTFO) identifies the key issues that will need to be addressed in order for the Council to balance its budget in the coming years.

4. Background

- 4.1. The Financial Outlook 2023-2028 was considered by Cabinet in September 2023 and projected a potential budget gap for the Council of £38.745million for 2024/25. During the following months the projections were refined based on the latest activity data, challenging costs and reassessing the trends projected. That work had reduced the potential gap to £35.798million by the time the Draft Budget was presented to the Cabinet in November 2023, with the balance presented as a savings requirement for the Council. The provisional Local Government Finance Settlement resulted in £1.699million reduction in resources compared to the Draft Budget projections, worsening the Council's position.
- 4.2. In light of the extraordinarily challenging financial position and 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 highlighted 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."*
- 4.3. 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). On 27 February 2024 the Leader received a response from the Minister which confirmed that: *"With respect to the financial year 2024-25, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £14.742 million."* Medway Council's 2024/25 budget was therefore balanced on the assumption that this sum would be borrowed to fund the remaining revenue budget shortfall, enabling Full Council to approve a balanced budget on 29 February 2024. The EFS scheme is conditional on a number of factors, including a punitive interest rate on borrowing taken out to fund the capitalisation direction, and the Council being subjected to an Assurance Review. CIPFA have been commissioned to conduct the Council's Assurance Review, with the work commencing mid-July for approximately eight weeks. At this stage therefore, the Council's assumed support via the EFS scheme is not guaranteed.
- 4.4. Alongside the 2024/25 Budget, in February 2024 the Cabinet and Council agreed a set of assumptions underpinning the budget requirement and available resources in future years. Those projections resulted in a potential budget gap for 2025/26 of £16.303million and on that basis it will again be necessary for the Council to seek the support of government through a further capitalisation direction to balance the 2025/26 revenue budget.
- 4.5. The Capital and Revenue Budget Outturn for 2023/24 was reported to the Cabinet in June 2024, and represented a net overspend on the cost of services of

£6.706million, funded from general reserves. Despite this, the declassification of balances on earmarked reserves and provisions means the Council's general reserve balance as at 31 March 2024 was £10.065million, just above the minimum level of £10.0million set by the Section 151 Officer.

- 4.6. The results of the first round of the Council's 2024/25 revenue budget monitoring were presented to the Cabinet on 30 July 2024 and project an overspend of £16.473million, significantly in excess of the Council's general reserve balance of £10.065million.
- 4.7. The projections in this MTFO have been developed by Directorate Management Teams based on the data available to date, and work to refine the assumptions will continue alongside the development of proposals to address the potential budget gap identified in advance of the Full Council meeting in February 2025.
5. **Summary of Medium Term Financial Projections**
 - 5.1. The initial projections in this MTFO represent an increase in the cost of services of £38.205million compared to the 2024/25 approved budget. The new government has recognised the financial challenges facing local government, indicating in their manifesto that they would "*give councils multi-year funding settlements and end wasteful competitive bidding [...they would...] provide capacity and support to councils, and will overhaul the local audit system.*" The Chancellor has confirmed that the first budget of the Labour government will be published on 30 October, with the Council scheduled to publish the Draft Budget for November Cabinet shortly after. There have been no detailed announcements so at this stage there is no clarity as to the future funding streams the Council can expect. This MTFO therefore retains the income projections published alongside the 2024/25 budget in February 2024, which represent total income growth of £9.361million compared to the 2024/25 approved budget.
 - 5.2. This MTFO therefore reflects the assumption that it will again be necessary for the Council to see support from the government through the Exceptional Financial Support (EFS) scheme. In the original request for support through EFS, Medway indicated that alongside seeking EFS support of £14.742million for 2024/25, it would be necessary for the Council to request sums in future years; with £16.303 estimated requirement for 2025/26 and a further £10.299million for 2026/27. This MTFO retains the assumed level of support required for 2025/26 from that original request, at £16.303million. Taking into the account that level of EFS, this MTFO therefore projects a potential budget gap for 2025/26 of £28.844million, or £45.147million excluding EFS. This cumulative projected gap rises to £114.205million across the medium term (£140.808million excluding EFS in 2025/26).
 - 5.3. The projections published alongside the budget in February 2024 indicated an increased expenditure budget requirement for each Directorate for 2025/26 as set out in Table 1 overleaf. Those projected budget requirements will form the basis of resource envelopes, with each Directorate working to balance their required additional expenditure by identifying savings and additional income in order to deliver within their resource envelope and allow Full Council to approve a balanced budget in February 2025. This MTFO reflects a number of corporate priorities,

where expenditure will be increased in the Business Support Department to support the other Directorates, with the Directorate resource envelopes updated to reflect an appropriate proportion of these costs. The adjusted Directorate resource envelopes are set out in Table 1 below, along with the total savings each Directorate will be required to deliver to balance the Council's budget.

- 5.4. Table 2 overleaf summarises the projections developed by Directorate Management Teams and their impact on the budget requirement over the medium term.

Table 1: Directorate Resource Envelopes

	Children and Adults	Regeneration, Culture and Environment	Business Support	Centralised Services	Total
	£000s	£000s	£000s	£000s	£000s
2025/26 resource envelope (Appendix 9b Council budget report February 2024)	334,795	68,335	27,177	19,884	450,191
Adjustments to resource envelopes:					
Hypothecation of grant changes	(279)				(279)
Learning and development increased budget	(190)	(133)	323		0
Continuation of support following end of Household Support Fund	(240)	(120)	360		0
Communications increased budget	(173)	(210)	383		0
Updated 2025/26 resource envelopes	333,913	67,872	28,243	19,884	449,912
Total MTFO projections: expenditure budget required	346,114	78,463	29,419	24,760	478,756
Savings required 2025/26	(12,201)	(10,591)	(1,176)	(4,876)	(28,844)

Table 2: Summary of Medium Term Financial Projections

General Fund Activities	2024/25 Budget	2025/26	2026/27	2027/28	2028/29
	£000s	£000s	£000s	£000s	£000s
Adult Social Care	97,086	106,306	108,610	108,610	108,610
Directorate Management Team	4,282	4,283	4,283	4,283	4,283
Children's Services	68,169	71,490	73,389	75,463	77,615
Education	78,605	81,294	82,476	83,746	85,076
Partnership Commissioning	2,514	2,634	2,634	2,634	2,634
Public Health	15,006	16,327	16,833	17,318	17,858
School Retained Funding and Grants	56,236	56,236	56,236	56,236	56,236
Additional Government Grants	2,394	2,394	2,394	2,394	2,394
Pay award	0	5,149	6,506	7,890	9,302
Total for Children and Adults	324,292	346,114	353,361	358,573	364,008
Front Line Services	42,887	44,660	44,497	45,614	45,900
Culture & Community	14,104	20,671	20,635	20,474	20,385
Regeneration	7,219	8,858	9,347	9,849	10,366
Director's Office	1,591	1,697	1,698	1,700	1,702
Pay award	0	2,577	3,213	3,862	4,524
Total for Regeneration, Culture and Environment	65,801	78,463	79,390	81,499	82,877
Directorate Management Team	675	676	676	676	676
Communications	924	1,350	1,350	1,360	1,355
Finance & Business Improvement	18,123	19,374	19,761	20,027	20,300
Legal & Contracts	3,029	3,370	3,540	3,500	3,500
Legal & Governance	2,885	2,937	2,962	2,987	3,012
Pay award	0	1,712	2,188	2,674	3,170
Total for Business Support	25,635	29,419	30,477	31,225	32,013
Interest & Financing	19,211	22,211	21,211	20,211	19,211
Interest & Financing - Capitalisation	0	1,440	1,994	2,237	2,237
Direction borrowing costs	0	0	0	0	0
Total Interest & Financing	19,211	23,651	23,205	22,448	21,448
Corporate Management	2,593	2,769	2,799	2,830	2,862
Levies	1,892	1,996	2,106	2,222	2,344
Medway 2.0 Investment	1,014	1,014	1,014	0	0
Medway 2.0 Savings	(2,150)	(4,670)	(7,507)	(10,344)	(10,344)
Total Corporate Management	3,349	1,110	(1,588)	(5,292)	(5,138)
Total for Business Support (inc. Centralised costs)	48,195	54,179	52,094	48,381	48,322
Additional Gov't Support Expenditure	2,262	0	0	0	0
Total Projected Budget Requirement	440,551	478,756	484,844	488,453	495,207

Funding	2024/25 Budget	2025/26	2026/27	2027/28	2028/29
	£000s	£000s	£000s	£000s	£000s
Council Tax	(158,462)	(168,007)	(178,130)	(188,866)	(200,250)
Retained Business Rates	(52,272)	(53,790)	(54,690)	(55,290)	(56,694)
Business Rates Related Grants	(22,227)	(22,227)	(22,227)	(22,227)	(22,227)
Non ringfenced Government Grants	(8,129)	(8,210)	(8,292)	(8,374)	(8,458)
New Homes Bonus	(1,573)	0	0	0	0
Education Related Grants	(127,103)	(127,103)	(127,103)	(127,103)	(127,103)
Additional Government Grants	(4,656)	(2,394)	(2,394)	(2,394)	(2,394)
Children Social Care Related Grants	(197)	(197)	(197)	(197)	(197)
Adult Social Care Related Grants	(32,151)	(32,452)	(32,756)	(33,062)	(33,372)
Public Health Grant	(19,037)	(19,228)	(19,420)	(19,614)	(19,810)
Budgeted Use of Earmarked Reserves	0	0	0	0	0
Budgeted Use of Reserves	0	0	0	0	0
Exceptional Finance Support Scheme	(14,742)	(16,303)	(10,299)	0	0
Estimated Available Funding	(440,551)	(449,912)	(455,508)	(457,128)	(470,507)
Total Projected Budget Gap - General Fund	0	28,844	29,336	31,325	24,700

6. Revenue budget requirement projections

6.1. In addition to the projections identified by each Directorate, a number of projections have been calculated centrally, as detailed below.

6.2. **Staff pay**

6.2.1. Prior to 2023/24, Medway Council staff received pay awards broadly in line with inflation; 1% in 2017/18, 1.5% in 2018/19 and 2% from 2019/20 to 2022/23, though the initial planning assumption had been 1% for some years. Many lower paid staff had however received increases in excess of this resulting from increases in the National Living Wage rates. The 2024/25 pay award represented a general cost of living increase of 5% alongside the introduction of a £500 gap between all pay ranges. The 2024/25 budget also included a provision for the delivery of the MedPay review across all services; together these represented a £10million or c10% uplift on staff pay in the year.

6.2.2. The Chancellor has accepted the pay review bodies recommendations for public sector pay uplifts, granting increases of 5-6%. Therefore, to enable a meaningful consultation process between the unions and Medway Council, this MTFO reflects an increased assumption (compared to that agreed alongside the February Budget) that a 5% uplift will be the starting point for negotiation with the unions for 2025/26, with 2% uplifts in the following years across the medium term. This cost would represent a pressure of £5.880million for 2025/26.

6.2.3. The MedPay review process is underway, with all teams expected to have concluded this work by the end of the current financial year. At this stage, the teams that have concluded the review process have varied significantly in the level of additional funding required, with C&A uplifts averaging 3%, BSD uplifts averaging 6% and the RCE average at 14% of the service salaries budget. The average increase agreed to date is in excess of 7% of the service salaries and as such, this MTFO includes a projection for the shortfall on the budget to deliver this work at £1.912million. Moving forward it is proposed that the Council moves to a simpler system of budgeting for salaries, whereby all posts will be budgeted for at the midpoint of the band on the basis that this will provide managers with sufficient budget for the expected 60% of staff to be at point B in any band, with 20% each at points A and C.

6.2.4. Finally following the last actuarial review, Medway Council's employer pension contribution rate has increased, and it will be necessary to add a projected £1.646million to the budget to fund this higher rate from 2025/26.

6.2.5. Collectively these costs add a pressure of £9.438million to the budget requirement for 2025/26 and the element relating to each service is shown within the Directorate summaries at Sections 7, 8 and 9 of this report.

6.3. Impact of Business Rates Increases on Council owned/occupied property

6.3.1. The Council administers and collects Business Rates in respect of commercial premises in the area, with the share of this income retained locally along with related grants representing a projected income of more than £76million for 2025/26. Medway Council is also liable to pay the Business Rates for any liable commercial premises occupied by Council services, including office accommodation, libraries and the Pentagon. Unlike Council Tax, the Rateable Value of all properties is revalued periodically, with the next revaluation currently scheduled for April 2026. The multipliers used alongside the Rateable Value to calculate business rate liabilities have historically been increased by inflation however in recent years the multipliers have been frozen. Recent budget builds have not addressed the increases in Council Business Rates liabilities, and these now represent a budget pressure. This MTFO therefore projects that it will be necessary to increase the budget by £483,000 to fund the Business Rate liabilities for the corporate property estate. This projection is shown in the Regeneration, Culture and Environment summaries at Section 8 of this report.

6.4. Insurance Fund contribution

6.4.1. The Council's insurance arrangements are managed through an Insurance Fund with some risks self-insured while external insurance policies are procured for others, in line with the Council's risk appetite. Premiums and settlements relating to claims along with staffing and administration costs are charged to the Fund, and the total cost is recharged to Council service budgets alongside the support service recharges. In recent years the insurance market has hardened, and recent contract retenders have seen the cost of the Council's external insurance premia increase significantly, however the charges to service budgets have been held at previous rates. This approach is no longer sustainable, and it will be necessary to increase the service recharges by £313,000 from 2025/26, to ensure the fund balance is sufficient to deliver the required insurances and the element relating to each service is shown within the Directorate summaries at Sections 7, 8 and 9 of this report.

6.5. Corporate Debt Provision Contribution

6.5.1. Recovery teams in services and the Corporate Debt team work exhaustively to recover the Council's liabilities, however this is increasingly difficult as the current economic conditions prevail. Where it is not possible or economic to pursue debts, these are written off against the provisions held in the Council's balance sheet, with a total of £3.161million written off in 2023/24. The success of the Council's recovery teams has minimised the level of write offs and resultant charges against the provision in recent years. Despite continued progress in this area, it is projected that it will be necessary to contribute £1million to the Council's provision for bad debt through the 2025/26 budget to fund the level of write-offs anticipated, and the element relating to each service is shown within the Directorate summaries at Sections 7, 8 and 9 of

this report.

7. Directorate Expenditure projections – Children and Adults

- 7.1. The expenditure projections relating to Children and Adults represent a total growth in the cost of services for 2025/26 of £21.822million, including £5.149million for pay uplifts as set out in Section 6.2.
- 7.2. The cost of Adult Social Care is projected to increase by a net £9.220million. The primary drivers are demographic growth of a further 2.5% compared to the current budget and then 3% growth for 2025/26 adding £6.561million, an allowance for price uplifts to progress towards the fair cost of care and reflecting inflation of £5.609million and the cost of placements in excess of the current year budget (referred to as the cost of current service pressure) of £5.357million. The cost of current service pressure is based on the Round 1 2024/25 budget monitoring projection, which itself reflects that while progress is strong, the savings agreed in the budget and FIT plan have not yet been delivered; this is mitigated by the projection that the remainder of these savings will be delivered in 2025/26, reducing the total pressure for Adult Social Care by £8.347million. The MTFO also reflects additional investment in resources including a dedicated team to support complex cases on the edge of care, to meet increased demand around Deprivation of Liberty Safeguards and to support clients with Learning Disability and Autism along with investment in the social care software system, Mosaic collectively adding £862,000. These are partially mitigated by the impact of increased benefit rates is projected to result in an additional £1.020million of income from client contributions, and by the impact of the investment reflected in the 2024/25 budget to deliver transformation which is projected to result in a net saving of £600,000 in 2025/26.
- 7.3. Expenditure projections relating to Children's Social Care represent a budget requirement increase of £3.322million in 2025/26. As with Adult Social Care and as in previous years, this pressure is primarily driven by demographic growth of a further 2.5% compared to the current budget and then 3% growth for 2025/26 adding £892,000, an allowance for price uplifts reflecting inflation of £648,000 and the cost of placements in excess of the current year budget (referred to as the cost of current service pressure) of £404,000. This MTFO also reflects additional investment in staffing resources to get from Good to Outstanding, for increased audit and continuous improvement work and management cover of Parklands, and realignment of Youth Service pay to MedPay with this investment totalling £395,000. Legal costs are projected to increase by £500,000 based on the continued volume and complexity of casework required. Finally, a number of improvements to the package of financial support for foster carers will add £326,000 to the budget requirement.
- 7.4. The cost of Education is projected to increase by a total of £2.689million, primarily driven by growth in pupil numbers and price increases in SEND transport of £2.507million, with a further pressure of £61,000 on mainstream transport. The projections include investment in permanent staffing in the SEN Team and to create a Floating Support Team totalling £468,000. The cost of increasing capacity for feasibility studies to ensure sufficient school places are

delivered and costs related to school sites add a further £115,000. These pressures are partially mitigated by the impact of the investment reflected in the 2024/25 budget to implement route planning software and introducing Artificial Intelligence to support the compilation of Education, Health and Social Care Plans, which together are projected to save £474,000 in 2025/26.

- 7.5. The Partnership Commissioning projections represents an increased budget requirement of £121,000, reflecting additional investment in permanent staff to meet increased demand for the service and enable better forward planning and innovation.
- 7.6. The Public Health Directorate projections add a total of £1.321million to the budget requirement for the Directorate, representing the extent to which Public Health activities are projected to exceed the ring-fenced Public Health grant available to the service.
- 7.7. It will therefore be necessary for Children and Adults to identify savings and additional income of £12.201million in order to deliver within the Directorate resource envelope of £333.913million for 2025/26.
8. Expenditure projections – Regeneration, Culture and Environment
 - 8.1. The expenditure projections relating to Regeneration, Culture and Environment represent a total growth in the cost of services for 2025/26 of £12.662million, including £2.577million for pay uplifts as set out in Section 6.2 of this report.
 - 8.2. Expenditure projections relating to Culture and Community services represent a budget requirement increase of £6.568million in 2025/26. The increased cost of temporary accommodation provision in the Homelessness service is the primary driver at £3.209million, and in addition this MTFO also reflects that three ring-fenced grants relating to the service are currently projected to end in March 2025, increasing the pressure by £1.960million. The projections also include additional investment in Planning Services, where a total of £451,000 is required in Development Management to increase to permanent staffing levels to deliver the government's planning reforms, enable the use of specialist consultants and meet the increased cost of Public Inquiries. In addition, there is a projected increased cost of the Local Plan delivery of £250,000 including the use of specialist consultants and meeting legal costs. This MTFO reflects the projected increase in the contribution Medway will be required to make to the STG Building Control Partnership from 2025/26 of £206,000 and that it will be necessary to invest a further £100,000 in repairs and maintenance of the Council's Heritage attractions. The projected increased cost of utilities in Council buildings operated in the Division adds £304,000. These pressures are partially mitigated by projected savings relating to the Visitor Information Centre rent and staffing of £44,000 and of increased income across the Council's Sports Centres of £84,000.
 - 8.3. The Directors Office budget requirement is projected to increase by £105,000, representing increases in the cost of utilities in Council buildings, alongside an increased provision for bad debt and insurance costs as set out in sections

6.4 and 6.5 of this report.

- 8.4. The cost of Front Line Services is projected to increase by £1.773million in 2025/26. As the Division accounts for a significant proportion of the Council's external contract spend on waste and highways, the primary pressure relates to a provision for inflationary uplifts across these contracts totalling £1.086million. Contractual price increases for the subsidised yellow bus routes add a further £152,000 however projected additional income the service of £50,000 partially mitigates this. The cost of utilities including streetlighting is projected to add £448,000 while increased insurance costs (as set out in section 6.4 of this report) adds a further £149,000. The assumptions also include investment of £200,000 required to re-procure the Highways Infrastructure Contract ahead of the end of the current contract in 2027, increases to the permanent staffing in traffic management and investment in traffic signal maintenance collectively adding a net £76,000. These pressures are partially mitigated by additional income of £140,000 arising from a parking review and increased recovery rate of penalty charge notices, and £150,000 additional income in traffic management from street closures.
- 8.5. The Regeneration projections add a total of £1.639million to the budget requirement in 2025/26. The projections reflect additional investment in permanent staffing totalling £498,000 including funding posts previously charged to capital or developer contributions, staffing required to deliver statutory responsibilities and ensure safety requirements are met in facilities management and Public Rights of Way and increasing the levels of staffing in Economic Development and Town Centre Management teams. The projections also reflect the removal of a range of income targets that are not achievable, across Town Centre Management, Markets and Medway Adult Education totalling £212,000. The cost of utilities for the Council's corporate properties is projected to add £346,000 and inflationary uplifts on contracts including facilities maintenance adds a further £237,000. Increased business rates liabilities and increased insurance costs (as set out in sections 6.3 and 6.4 of this report) add a further £423,000 and £25,000 respectively to the budget requirement. It will be necessary for the Council to meet the cost of service charges at the Pentagon in respect of the Healthy Living Centre, estimated at £35,000. These pressures are partially mitigated by projected increases in income of £121,000 following a rent review of the Bobbies property portfolio, and of £15,000 additional income in Medway Adult Education.
- 8.6. It will therefore be necessary for Regeneration, Culture and Environment to identify savings and additional income of £10.591million in order to deliver within the Directorate resource envelope of £67.872million for 2025/26.

9. Expenditure projections – Business Support

- 9.1. The expenditure projections relating to Business Support represent a total growth in the cost of services for 2025/26 of £3.783million, including £1.712million for pay uplifts as set out in Section 6.2.
- 9.2. Expenditure projections relating to Communications represent an increase to

the budget requirement of £425,000 in 2025/26, reflecting additional investment in permanent staffing to meet growing demand from services to help meet income targets. As set out in section 5.3 of this report and as shown in Table 1, the additional expenditure required is reflected in the Business Support Department with the resource envelope increased accordingly, while all Directorate resource envelopes (including that of Business Support) have been reduced to reflect their proportionate share of this cost.

- 9.3. The Finance and Business Improvement projections represent growth in the budget requirement of £1.252million for 2025/26. There are a series of pressures relating to ICT costs including contractual inflationary uplifts on ICT software and licensing, investment in the development of a new ICT system for cash management, in salary benchmarking and job evaluation systems and an increase to the contribution to the provision for end-user devices collectively adding £339,000 to the budget requirement. The continuation of the migration of benefit claimants to Universal Credit is projected to result in a reduction in ring-fenced administration grant and growth in the benefits subsidy shortfall totalling £126,000. A projected reduction in the income from HR/payroll services traded with schools is mitigated by a projected saving on staffing costs. Increased insurance costs (as set out in section 6.4 of this report) adds a further £19,000. Finally, the Divisional budget requirement is projected to increase in respect of two further costs that, as with the increase in Communications in section 9.2 above, represent adjustments to the Directorate budget requirements:
- 9.3.1. Recognising that the grant scheme delivered through the Household Support Fund has significantly benefitted statutory services and as a central feature of the Cost of Living response plan, this MTFO includes investment of £360,000 to enable the Council to continue to deliver financial support for vulnerable households after the government funding ends. The additional expenditure required is reflected in the Business Support Department with the resource envelope increased accordingly, while all Directorate resource envelopes (including that of Business Support) have been reduced to reflect their proportionate share of this cost.
- 9.3.2. In response to the latest staff survey results and recognising that the MedPay review will increase demand for corporate training, Corporate Management Team proposes a doubling of the existing budget for staff learning and development, representing growth to the budget requirement of £408,000. The additional expenditure required is reflected in the Business Support Department with the resource envelope increased accordingly, while all Directorate resource envelopes (including that of Business Support) have been reduced to reflect their proportionate share of this cost.
- 9.4. The cost of Legal, Contracts and Governance is projected to increase by £394,000 in 2025/26. The projections include the projected reduction in the contribution from Gravesham Borough Council to the cost of the Legal Shared Service loss by £180,000 and the loss of £100,000 income resulting from the transfer of services to His Majesty's Land Registry (HMLR). The impact of the reduced hourly rate required to be charged to capital schemes to comply with

accounting codes results in a £50,000 pressure, while contractual inflationary uplifts, the cost of security to support Committee meetings and increased insurance costs (as set out in section 6.4 of this report) adds a further £11,000.

- 9.5. It will therefore be necessary for Business Support to identify savings and additional income of £1.176million in order to deliver within the Departmental resource envelope of £28.243million for 2025/26.

10. Expenditure Projections – Centralised Services

- 10.1. The expenditure projections relating to Centralised Services represent a total growth in the cost of services for 2025/26 of £2.201million.

10.2. **Corporate Management**

- 10.2.1. Corporate Management includes the budgets in respect of bank charges, external audit fees and organisational membership/subscription fees including the Local Government Association and Co-Operative Councils Innovation Network and collectively these are projected to add £177,000 to the budget requirement.

- 10.2.2. Medway Council is required to contribute to other public bodies for the delivery of statutory functions, including to Kent County Council for the Kent and Medway Coroners Service, to the relevant Internal Drainage Boards and to the Environment Agency in respect of flood and coastal protection. Though no specific increases have been communicated by the levying authorities to date, levy amounts increased by an average of 5% from 2021/22 to 2022/23 then by an average of 8% from 2022/23 to 2023/24 and by a further 5.5% from 2023/24 to 2024/25. This MTFO projects that the cost to Medway of these levies will increase by a further 5.5% for 2025/26, adding a total of £104,066 to the Council's budget requirement.

- 10.2.3. As in the 2024/25 budget, Corporate Management holds the corporate Medway 2.0 investment budget and savings target; for the 2025/26 budget this represents the continuation of the investment of £1.014million added to the base budget in 2024/25, alongside the further savings projected for 2025/26 of £2.520million as agreed in the 2024/25 budget setting.

10.3. **Interest rates and minimum revenue provision**

- 10.3.1. Almost 73% of the Council's current capital programme of £324.422million is funded through borrowing in some way. While much of this represents relatively short-term borrowing, in lieu of future income from grant, capital receipts or rents, high interest rates continue to impact the financing of the capital programme. The Council also borrows to support day to day cashflow, and to fund the activities of Medway Development Company via onward loans. In addition to borrowing to fund the activities of the Council, the 2024/25 budget also reflects the need to borrow from the Public Works Loans Board (PWL) to the value of the capitalisation direction the Ministry of Homes, Communities and Local Government (MHCLG) have agreed in

principle for Medway, at the punitive rate of 1% above the prevailing PWLB rates. The Council's interest and financing budget which funds the cost of interest payments to service this borrowing, is set at £19.211million for 2024/25, of which £1.278million relates to financing the capitalisation direction and this MTFO includes an estimate of the cost of borrowing the £16.303million additional EFS anticipated in respect of 2025/26.

- 10.3.2. From November 2021, the Bank of England's Monetary Policy Committee (MPC) increased interest rates on 14 successive occasions to 5.25%, the highest level since February 2008. The Bank then held rates at that level seven times, before reducing the rate by 0.25% on 1 August 2024. The MPC projects (as at May 2024) that Bank Rate will reduce to 4.5% by Q2 2025, again to 4% by Q2 2026 down to 3.7 by Q2 2027.
- 10.3.3. Where authorities borrow to finance capital spend, we are required under regulations to set aside money each year from the revenue account to make sure we can afford to repay the principal of the debt, known as the Minimum Revenue Provision (MRP). The Council's interest and financing budget also funds the cost of contributions to this provision.
- 10.3.4. The extent to which projected interest costs and MRP will impact the Council's borrowing is dependent on progress with the agreed capital programme, and indeed on any plans the Council may have to agree further additions to the programme funded by borrowing. Based on the first round of budget monitoring, the projected cost of financing the programme as planned to the end of 2025/26 could exceed the 2024/25 budget by £4.440million. Officers are working to review the financing of the capital programme and the Council's other treasury activities, with a view to significantly reducing this cost.
- 10.4. It will therefore be necessary for the Council to identify savings and additional income of £4.876million in order for these centralised services to be delivered within the resource envelope of £19.884million for 2025/26.

11. Income Projections

- 11.1. As set out in section 5.1 of this report, the Chancellor has confirmed that the first budget of the Labour government will be published on 30 October, with the Council scheduled to publish the Draft Budget for November Cabinet shortly after. Ahead of this, the Chancellor has published an audit of the public finances, and has made several announcements that will impact the development of Medway's budget for 2025/26 including:
- that the government will accept the proposals from pay award bodies (around 5-6%),
 - that the social care charging reforms will now not proceed in October 2025, and
 - that budget allocations for 2025/26 will be announced in the Budget on 30 October 2024, with a three year spending review published in Spring 2025 covering 2026/27, 2027/28 and 2028/29.
- 11.2. In the absence of any clarity as to the future funding streams the Council can

expect, this MTFO holds over the position from the projections approved by Cabinet and Council in February 2024, summarised below.

- 11.3. **Council Tax** – this MTFO assumes that the referendum principles from 2024/25 will be held over, with Medway’s Band D increasing by 5%. The council tax base is projected to grow by 1.2% in line with actual growth averaged over the last three years. The decision of Full Council in February 2024 to implement the second home premium on council tax is expected to bring a further £508,000 taking the total projected council tax income to £168.339million for 2025/26.
- 11.4. **Retained Business Rates and Business Rates Related Grants** – this MTFO assumes that the government follows the existing revaluation schedule with no revaluation or reset in 2025/26. The MTFO also assumes that the business rates multipliers will be increased by inflation at 2% in line with CPI projections, or that local authorities will be compensated if the multipliers are not inflated. The total projected income from retained business rates and related grants is therefore £76.017million
- 11.5. **Non-ringfenced Government Grants** – this MTFO assumes that both Revenue Support Grant and the Services Grant will be increased by inflation at 2% in line with CPI projections, taking the total non-ringfenced grants to £8.210million.
- 11.6. **New Homes Bonus** – At the time of preparing the projections agreed alongside the 2024/25 Budget, it was widely anticipated that the New Homes Bonus scheme would end this year and as such this MTFO assumes the Council will not receive any income through this scheme in 2025/26. The grant represents income of £1.573million in 2024/25 and if the Local Government Finance Settlement for 2025/26 follows the same Departmental Expenditure Limits as the 2024/25 settlement, then it would be reasonable to assume the national quantum of funding would be passed to local government in some form and would benefit Medway’s budget for 2025/26.
- 11.7. **Education Related Grants** – as there would be additional expenditure in ring-fenced services equal to any increase in ring-fenced education-related grants, this MTFO assumes no change to the projected income from education related grants from 2024/25 at £127.103million.
- 11.8. **Additional Government Grants** – this MTFO assumes the continuation of the Holiday Activities and Food Scheme (funding MedwayGo) and the Start 4 Life scheme in their present form, alongside hypothecated expenditure to the value of the grant, of £2.394million. The MTFO assumes that the Household Support Fund scheme will end after the current tranche, which must be disbursed by 30 September 2024.
- 11.9. **Children’s Social Care Related Grants** – this MTFO assumes the continuation of the Supported Accommodation Reforms Grant at £140,000 and the Leaving Care Allowance Uplift Grant at £58,000, with hypothecated expenditure in Children’s Services totalling £198,000.

- 11.10. **Adult Social Care Related Grants** – this MTFO assumes that the Adult Social Care Grants (the Improved Better Care Fund, Social Care Grant, Market Sustainability and Improvement Fund and the Adult Social Care Discharge Fund) will continue and be increased by 1% in 2025/26 totalling £32.452million.
- 11.11. **Public Health Grant** – this MTFO assumes that the Public Health Grant will be increased by inflation at 2% in line with CPI projections, with additional expenditure in ring-fenced services hypothecated. The total Public Health Grant for 2025/26 is projected to be £19.228million.
- 11.12. **Exceptional Financial Support Scheme** – This MTFO assumes that it will again be necessary to seek the support of government through the EFS scheme, for a capitalisation direction of £16.303million for 2025/26 budget in line with the projections published alongside the 2024/25 budget in February 2024. At this stage, the projections from services indicate a far greater budget gap that would require a significant package of income generation and savings proposals, and/or an EFS request totalling £45.147million to balance the budget for 2025/26.

12. Conclusions

- 12.1. The Council's initial projections indicate a potential budget gap for 2025/26 of £28.844million, or £45.147million excluding EFS. This cumulative projected gap rises to £114.205million across the medium term (£140.808million excluding EFS in 2025/26).
- 12.2. Work is underway with Cabinet Portfolio Holders and services identifying potential savings and additional income to remain within the proposed resource envelopes. It is however clear that after successive years of making savings and increasing efficiency, it is becoming ever more difficult to reduce costs without materially impacting on service delivery. It will therefore be necessary for the Council to prioritise income generation as the mechanism through which the budget can be balanced, including maximising our taxbases, debt recovery, fees and charges and raising funds through the disposal of assets as appropriate.
- 12.3. We await the new Chancellor's announcements on 30 October on the availability of funding for local authorities for 2025/26 and across the period of the next spending review. Progress in reducing the projected gap will be reflected in the Draft Budget 2025/26 which will be presented to the Cabinet in November.

13. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Exceptional Financial Support not	The Council's 2024/25 budget was balanced on the basis	Close liaison with officers of the Ministry of Homes, Communities and Local Government including	CI

Risk	Description	Action to avoid or mitigate risk	Risk rating
granted	of a 'minded to' decision from the Minister, subject to a series of conditions. There is therefore a risk that the EFS/capitalisation direction may not be granted, meaning the Council's budget for the current year would not be balanced.	supporting the Assurance Review CIPFA have been commissioned by MHCLG to carry out.	
Council fails to deliver a balanced budget and it becomes necessary to issue a S114 notice.	S114 notices are widely reported, reflect poorly on the organisation's ability to govern and would therefore result in reputational damage.	It may be necessary to carry out some or all of the following: <ul style="list-style-type: none"> • stopping all or severely reducing discretionary spend immediately, including cessation of some or all discretionary services; • limiting expenditure on non-discretionary services to the statutory minimum levels; • reduction or deferral of capital spend to reduce overall borrowing and the consequent call on revenue; • freezing recruitment to non-essential posts; • seeking opportunities to maximise income; and • ultimately, use of reserves. 	CI
Statutory service costs	Further increases may arise in the number of people requiring support across services including Social Care, Housing and SEND, increasing complexity of need and increasing cost of provision than assumed in our projections.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
Demographic Growth	Further demographic pressures may surface across social care above those assumed in our projections.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	BII
Inadequate funding	If the local government settlement does not provide sufficient funding, there is a risk to the future sustainability of the local authority sector.	Officers and Members continue to work closely to identify savings.	All
Likelihood		Impact:	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

14. Consultation

14.1. The Draft Budget is subject to consultation with Members via Overview and Scrutiny Committees as follows:

Initial budget proposals to Cabinet	19 November 2024
Reports to Overview and Scrutiny Committees	December 2024
Budget proposals to Cabinet	11 February 2025
Budget proposals to Council	27 February 2025

14.2. 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, with residents asked how the Council should reduce spending and/or increase income. 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).

It will be necessary to expand the level of public consultation on the 2025/26 budget and officers from Finance and Business Improvement will work with the Leader to agree the scope and format of this work in due course.

15. Climate change implications

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

16. Financial implications

16.1. The Council's initial projections for income and expenditure result in a potential budget gap for 2025/26 of £28.844million, or £45.147million excluding EFS. This cumulative projected gap rises to £114.205million across the medium term (£140.808million excluding EFS in 2025/26). As set out in paragraph 4.6 of this report, the first round of the Council's budget monitoring for 2024/25 projects an overspend of £16.473million while the Council's general reserves balance is just £10.065million, so it will not be possible to assume the use of reserves to close the projected gap. It will instead now be necessary for the administration and senior officers to materially reduce expenditure in the current year, and to identify and implement a robust savings programme in order to balance the budget for 2024/25 and 2025/26.

17. Legal implications

17.1. The Council has a statutory duty to set a balanced budget no later than 11 March in the financial year preceding the one in respect of which the budget is set. When developing the budget, the Council needs to be cognisant that is required in law to provide some services, mandatory services, and others where it is a matter of local choice, discretionary services. It is a matter for the Council to determine what its local priorities are and those which are not. This can assist in determining resource allocation.

17.2. Section 11 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 Section 151 finance officer). The Section 151 officer is required to report on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves.

Lead officer contact

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Appendices

Appendix 1 – Children and Adults Pressures and Savings

Appendix 2 – Regeneration, Culture and Environment Pressures and Savings

Appendix 3 – Business Support Department Pressures and Savings

Appendix 4 – Centralised Services Pressures and Savings

Background papers

[Capital and Revenue Budget 2024/25 Report to Full Council 29 February 2024](#)

Children and Adults Directorate Budget Assumptions

Budget assumption	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Children and Adults adjusted base budget	324,292	346,114	353,361	358,573
Adult Social Care				
Medway's share of dedicated resource to manage Multi Agency Risk Assessment Conference (MARAC)	13	0	0	0
Increase in service/resource to provide dedicated team to support complex cases on the edge of care	256	0	0	0
Mosaic social care software moving to hosted solution – additional annual costs	150	0	0	0
Mosaic social care software moving to hosted solution – one off implementation costs	65	0	0	0
Cost of current service pressure based on Round 1 2024/25 budget monitoring projection	5,357	0	0	0
Demographic growth projections of a further 2.5% compared to 2024/25 budget and then 3% growth for 2025/26	6,561	2,715	0	0
Price uplift projections to progress towards fair cost of care rates and reflecting inflationary increases	5,609	2,158	0	0
Savings agreed in 2024/25 FIT Plan that are in progress but not yet achieved – assumes these will be delivered, mitigating pressures identified	(8,347)	0	0	0
Client contributions uplift at 5% due to increase in benefit rates	(1,020)	(869)	0	0
Court of Protection, Deprivation of Liberty Safeguards and related legal cost increases	40	0	0	0
Deprivation of Liberty Safeguards – budget increase to meet current demand based on Round 1 2024/25 budget monitoring projection	213	0	0	0
Additional 2FTE Learning Disability and Autism Social Workers	125	0	0	0
Increased cost of Council Insurances	18	0	0	0
Increase in provision for bad debt required	780	0	0	0
Impact of investment in Adult Social Care agreed in 2024/25 budget:				
- Impact of Transformation and Improvement Manager	1,000	(1,700)	0	0
- Impact of Transformation and Improvement Programme	(200)	0	0	0
- Impact of programme of cultural change	(200)	0	0	0
- Impact of increased capacity of commissioning services	(700)	0	0	0
- Impact of investment in assistive technology	(500)	0	0	0
Total Adult Social Care	9,220	2,304	0	0

Children and Adults Directorate Budget Assumptions

Budget assumption	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Children's Services				
Increased external audit review capacity required to include Youth Justice Team and continuous improvement work for children's services	25	0	0	0
Additional investment in staffing required to get to Outstanding from Good	183	0	0	0
Increased legal costs based on Round 1 2024/25 monitoring projection	500	0	0	0
Cost of current service pressure based on Round 1 2024/25 budget monitoring projection	404	0	0	0
Demographic growth projections of a further 2% compared to 2024/25 budget and then 3% growth for 2025/26	892	1,199	1,235	1,272
Price uplifts reflecting inflationary increases	648	799	839	881
Improved Foster Carer fee rates and allowances	300	0	0	0
Foster Carers – increase Council contribution to cost of Council Tax to £600	26	0	0	0
Realign Youth Service salaries to MedPay and NJC	87	0	0	0
Parklands Agency staffing cost for Manager cover	100	(100)	0	0
Increased cost of Council Insurances	31	0	0	0
Increase in provision for bad debt required	126	0	0	0
Total Children's Services	3,322	1,898	2,074	2,153
Directorate Management Team				
Increased cost of Council Insurances	1	0	0	0
Total Directorate Management Team	1	0	0	0
Education				
Route planner software used for route rationalisation of direct provider routes – full year impact of saving in 2024/25	(274)	0	0	0
Saving projected arising from the introduction of Artificial Intelligence to support the compilation of Education, Health and Social Care Plans	(200)	0	0	0
Increased provision for feasibility studies to ensure sufficient school places are delivered	70	0	0	0
Costs related to vacant school sites	45	5	5	5
Cost of current service, provision for growth and inflationary uplifts on mainstream transport	61	130	144	160
Inflationary uplifts on SEND contracts	6	6	7	7
Additional investment in staffing required in SEN Team	229	0	0	0
Investment to introduce a Floating Support Team	239	0	0	0
Cost of current service, provision for growth and inflationary uplifts on SEND transport	2,507	1,042	1,114	1,158

Children and Adults Directorate Budget Assumptions

Budget assumption	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Increased cost of Council Insurances	6	0	0	0
Total Education	2,689	1,182	1,270	1,330
Partnership Commissioning				
Investment in 2FTE additional staffing to meet demand for service and enable better forward planning and innovation	120	0	0	0
Increased cost of Council Insurances	1	0	0	0
Total Partnership Commissioning	121	0	0	0
Public Health				
Hypothecated expenditure in line with projected increase in Public Health Grant	190	192	194	196
Additional cost of delivery of all Public Health programmes in excess of projected level of Public Health Grant	1,131	314	290	344
Total Public Health	1,321	507	484	540
Children and Adults pay increases:				
Pay award projected at 5% increase	3,231	1,357	1,384	1,412
Impact of increase on Local Government Pension Scheme employers' contribution rate	905	0	0	0
MedPay review implementation	1,014	0	0	0
Total Children and Adults pay increases	5,149	1,357	1,384	1,412
Directorate summary:				
Adjusted base budget	324,292	346,114	353,361	358,573
Additional expenditure budget required	21,822	7,248	5,212	5,435
Projected budget requirement	346,114	353,361	358,573	364,008
Children and Adults resource envelope 2025/26	333,913			
Children and Adults savings required 2025/26	(12,201)			

Regeneration, Culture and Environment Directorate Proposed Budget Assumptions

Budget Assumption	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Regeneration, Culture and Environment adjusted base budget	65,801	78,463	79,390	81,499
Culture and Community				
Utilities cost projected increase	304	85	89	94
Increased Business Rates liabilities	160	0	0	0
Additional investment in Development Management:				
- Permanent staffing increase to deliver government planning reform	201	10	10	10
- Specialist consultants	150	0	0	0
- Cost of supporting Public Inquiries	100	50	0	0
- Projected increased planning fee income	0	0	(100)	(100)
- Impact of Planning Performance Agreements	0	0	(30)	(20)
Additional investment in Local Plan development:				
- Specialist consultants	200	(100)	(50)	0
- Legal Counsel for plan Examination in Public	50	(30)	(20)	0
Saving on rent of Visitor Information Centre	(30)	0	0	0
Saving on staffing cost for Visitor Information Centre	(14)	0	0	0
Investment required for repairs and maintenance to heritage attractions	100	0	0	0
Projected additional income – Medway Park	(30)	(37)	(38)	(38)
Projected additional income – Strood Sports Centre	(23)	(23)	(24)	(24)
Projected additional income – Hoo Sports Centre	(10)	(10)	(10)	(10)
Projected additional income – Watling Park Football Centre	(21)	(2)	(2)	(2)
STG Partner contribution increase required	206	20	14	2
Strategic Housing				
Projected end to ‘Additional Homelessness prevention grant’ funding (confirmed to March 25 only)	460	0	0	0
Projected end to ‘Rough Sleepers Initiative’ funding	1,000	0	0	0
Projected end to ‘Domestic Abuse New Burdens Funding’	500	0	0	0
Cost of current service pressure on temporary accommodation provision – based on Round 1 2024/25 budget monitoring projection	3,209	0	0	0
Increased cost of Council Insurances	55	0	0	0
Total Culture and Community	6,568	(37)	(160)	(89)
Directors Office				
Utilities cost projected increase	10	2	2	2
Increased cost of Council Insurances	1	0	0	0
Increase in provision for bad debt required	94	0	0	0

Regeneration, Culture and Environment Directorate Proposed Budget Assumptions

Budget Assumption	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Total Directors Office	105	2	2	2
Front Line Services				
Inflationary uplifts on contracts including waste and highways	1,086	1,097	1,109	1,121
Utilities cost projected increase including streetlighting and operational buildings in the Division	448	136	143	150
Increased Business Rates liabilities	4	0	0	0
Cost of exercise to re-procure Highways Infrastructure Contract expiring in 2027	200	(200)	0	0
Safer Healthier Streets – implementation of tranche 3 (capital investment of £600,000 required)	0	(300)	0	0
Projected additional income following Council-wide parking review	(70)	0	0	0
Projected additional income following Introduction of Footway parking ban	0	(100)	0	0
Projected increased recovery rate of penalty charge notices following review	(70)	(200)	0	0
Traffic Signal maintenance costs	28	0	0	0
Traffic Signal maintenance contract cost	30	4	4	15
Traffic Signal bagging fees and charges income	(45)	0	0	0
Increased Travel Safety staffing cost	16	0	0	0
Increased Traffic Management staffing costs	17	0	0	0
Integrated Transport – Transport for South East sub-national body membership subscription	30	0	0	0
Bus subsidy contract payments following projected end of Department for Transport funding	0	400	861	0
Annual contract price increase for subsidised Yellow Bus routes	152	0	0	0
Projected additional income from increased Subsidised Yellow Bus fees	(50)	0	0	0
Projected additional income in Traffic Management for street closures	(150)	0	0	0
Projected income from introduction of commercial waste operations	0	(1,000)	(1,000)	(1,000)
Increased cost of Council Insurances	149	0	0	0
Total Front Line Services	1,773	(163)	1,117	286
Regeneration				
Inflationary uplifts on contracts	237	242	247	252
Utilities cost projected increase	346	73	76	80
Increased Business Rates liabilities	423	0	0	0

Regeneration, Culture and Environment Directorate Proposed Budget Assumptions

Budget Assumption	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Additional staffing resource in Facilities Management to ensure legal/safety compliance and effective contract management	63	0	0	0
Cost to fully fund River Project Manager post as Section 106/Developer Contributions insufficient to cover cost	32	34	35	37
Staffing costs no longer chargeable to capital schemes	125	0	0	0
Investment in additional staffing to deliver Public Rights of Way Management statutory functions	100	0	0	0
Projected additional income resulting from rent review of Bobbies property portfolio	(121)	0	0	0
Estimated cost of 3 years Innovation Hub (Pentagon) service charge not recoverable Innovation	35	140	144	149
Additional investment in permanent staffing – 2 FTE Economic Development	78	0	0	0
Additional investment in permanent staffing – 2 FTE Town Centre management	100	0	0	0
Removal of unachievable Town Centre Management income target	16	0	0	0
Removal of unachievable Markets income target	16	0	0	0
Medway Adult Education – removal of unachievable income target following end of Multiply funding in March 2025	180	0	0	0
Medway Adult Education – projected increases income based on continued growth of 10%	(15)	0	0	0
Increased cost of Council Insurances	25	0	0	0
Total Regeneration	1,639	488	502	517
RCE Pay				
Pay award projected at 5% increase	1,515	636	649	662
Impact of increase on Local Government Pension Scheme employers' contribution rate	424	0	0	0
MedPay review implementation	638	0	0	0
Total Regeneration, Culture and Environment pay increases	2,577	636	649	662
Directorate summary:				
Adjusted base budget	65,801	78,463	79,390	81,499
Additional expenditure budget required	12,662	926	2,109	1,378
Projected budget requirement	78,463	79,390	81,499	82,877
Regeneration, Culture and Environment resource envelope 2025/26	67,872			
Regeneration, Culture and Environment savings required 2025/26	(10,591)			

Business Support Department Budget Assumptions

Budget Assumptions	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Business Support Adjusted Base Budget	25,635	29,419	30,477	31,225
Communications				
Additional permanent resource to meet growing service demand for marketing support to help services meet objectives and income targets	404	0	0	0
Cost to update design job and print management software, 4D	0	0	6	(6)
Media training for councillors following post elections	0	0	5	0
Investment in additional marketing to support and increase income in Medway Adult Education	10	0	0	0
Investment in additional marketing to support and increase income in Theatres	10	0	0	0
Increased cost of Council Insurances	1	0	0	0
Total Communications	425	0	11	(6)
Directorate Management Team				
Increased cost of Council Insurances	1	0	0	0
Total Directorate Management Team	1	0	0	0
Finance & Business Improvement				
Contractual inflationary uplifts on Revenues and Benefits software packages	10	12	14	17
Projected reduction in Housing Benefit administration grant as more claims migrate to Universal Credit	26	27	28	29
Projected impact on the benefits subsidy shortfall met by the Council as more claims migrate to Universal Credit	100	100	100	100
Cost to deliver financial support for vulnerable households following the end of the Household Support Fund	360	0	0	0
Cost to continue the Supported Housing Improvement Programme after grant funded pilot ends	0	180	0	0
Contractual inflationary uplift on finance software packages	36	5	3	3
Net impact of developing in-house cash management system, ending externally supplied contract	60	(122)	0	0
Contractual inflationary uplifts on centralised ICT systems	51	53	24	24
Increased contribution to End User devices renewals fund	100	80	40	40
Contractual inflationary uplift on Microsoft licensing	30	31	32	33
Contractual inflationary uplift on software and hardware licensing	12	12	12	12

Business Support Department Budget Assumptions

Budget Assumptions	2025/26	2026/27	2027/28	2028/29
	£000s	£000s	£000s	£000s
Contractual inflationary uplift on network and cyber security contract costs	21	22	23	24
Investment in salary benchmarking system to ensure consistent application following the MedPay review	15	0	0	0
Investment in Job Evaluation system to ensure consistent application following the MedPay review	3	0	0	0
Contractual inflationary uplift of recruitment and job applicant tracking systems	0	0	1	1
Contractual inflationary uplift on e-learning system	1	1	1	1
Projected reduction in income from HR/payroll services traded with schools	32	(13)	(10)	(10)
Projected reduction in staffing to mitigate reduction in income from schools	(31)	0	0	0
Projected increase required to corporate learning and development budget to fund the delivery of all statutory corporate training required	408	0	0	0
Increased cost of Council Insurances	19	0	0	0
Total Finance & Business Improvement	1,252	387	267	273
Legal, Contracts & Governance				
Legal & Contracts				
Cost of providing agency security staff to support Committee meetings	3	0	0	0
Upgrades required to Democratic Services software including moving to cloud hosted service by 2027	0	100	0	0
Annual maintenance and licensing costs for ICT implemented in the new Council Chamber	0	20	0	0
Legal land charges and licensing income pressure as service transfers to His Majesty's Land Registry	100	0	0	0
Impact of reduced hourly rate charged by Legal Services to capital schemes following external audit	50	0	0	0
Contractual inflationary uplifts	5	0	0	0
Cost of implementing new ICT system in Legal Services	0	0	(40)	0
Projected reduction in Gravesham Borough Council contribution to the cost of the Legal Shared Service	180	0	0	0
Increased cost of Council Insurances	3	0	0	0
Legal & Governance	0	0	0	0
Members Allowances increase in line with staff pay award projected at 5%	50	25	25	25
Increased cost of Council Insurances	3	0	0	0
Total Legal, Contracts & Governance	394	195	(15)	25

Business Support Department Budget Assumptions

Budget Assumptions	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Business Support Department pay increases				
Pay award projected at 5% increase	1,134	476	486	496
Impact of increase on Local Government Pension Scheme employers' contribution rate	318	0	0	0
MedPay review implementation	260	0	0	0
Total Business Support pay increases	1,712	476	486	496
Department summary:				
Adjusted base budget	25,635	29,419	30,477	31,225
Additional expenditure budget required	3,783	1,058	748	787
Projected budget requirement	29,419	30,477	31,225	32,013
Business Support resource envelope 2025/26	28,243			
Business Support savings required 2025/26	(1,176)			

Centralised Services Budget Assumptions

Budget assumptions	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Centralised Services adjusted base budget	22,560	24,760	21,617	17,155
Corporate Management				
Projected inflationary uplifts to Levies	104	110	116	122
Treasury expenses - historic pressure on bank charges and projected increase in cost over life of new banking contract	152	7	7	7
Core Audit fee increase projected based on approved PSAA uplifts	13	14	15	16
Local Government Association membership subscription inflationary increase	4	9	9	9
Co-Operative Councils Innovation Network membership subscription	8	0	0	0
Medway 2.0 – investment removal	0	0	(1,014)	0
Medway 2.0 – projected return on Investment	(2,520)	(2,837)	(2,837)	0
Total Corporate Management	(2,239)	(2,698)	(3,704)	154
Interest and Financing				
Projected impact of changes to Minimum Revenue Provision requirements, projected increased borrowing requirement based on the capital programme and the latest interest rate projections	3,000	(1,000)	(1,000)	(1,000)
Exceptional Financial Support Capitalisation Direction borrowing cost, assumes all at Public Works Loans Board rates plus 1%	1,440	554	243	0
Total Interest and Financing	4,440	(446)	(757)	(1,000)
Centralised Services summary:				
Adjusted base budget	22,560	24,760	21,617	17,155
Additional expenditure budget required	2,201	(3,144)	(4,461)	(846)
Projected budget requirement	24,760	21,617	17,155	16,310
Centralised Services resource envelope 2025/26	19,884			
Centralised Services savings required 2025/26	(4,876)			