

## **Council**

**27 February 2025**

### **Capital and Revenue Budget 2025 / 2026**

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 2025/26. Council is required to approve the Capital and Revenue Budget, rent increases and the Council Tax for 2025/26.

#### **1. Recommendations**

1.1. The Council is recommended to:

1.2. Approve the general fund gross, income and net revenue estimates as summarised in Table 1 of this report in the sum of £496.391million.

1.3. Approve the recommendations of the Employment Matters Committee on 29 January 2025 as set out in Section 7 of this report:

- a) a 5% increase for all staff on MedPay terms and conditions, which includes those on MedPay Performance, Progression Pay Scheme as well as those who are on the legacy scheme.
- b) not to increase sleep-in payments.
- c) not to return to National Joint Council pay scales currently, but keep negotiations open on this matter.
- d) an additional 'wellbeing' day to be awarded on a colleague's birthday to be taken on the day or close to the birthday as agreed with line management.
- e) to offer a salary sacrifice Cycle to Work scheme with a scheme partner for an initial term of two years.
- f) to implement a shared cost Additional Voluntary Contribution scheme with My Money Matters, formerly AVC Wise for an initial term of three years.
- g) to offer a 50% discount on annual single premier membership to our leisure centres annual admission membership and a 25% discount on family and joint memberships, with no monthly membership falling below £20, for Medway Council employees and Medway Council Councillors to Medway Leisure Centres.
- h) to align the Children and Adults social care pay scales, for the reasons set

out in Appendix 4 to the report [presented to Employment Matters Committee on 29 January 2025].

- i) to align the Joint National Committee Youth and Community Workers terms and conditions except for automatic increments, as agreed at [Employment Matters] Committee on 4 December 2024.
- 1.4. Approve the recommendations set out at Section 12 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 5A and 5B;
    - The proposed service charges as set out at Appendix 5C;
    - The budget proposed as summarised at Appendix 5D;
    - The 30 year business plan projections at Appendix 5E.
  - 1.5. Approve the recommendations of the Cabinet on 11 February 2025 for the following additions and removals from the Capital Programme, as set out in Section 11.2 of this report, as follows:
    - The addition to the Capital Programme of £43,647 of capital budget to the Hoo Dining and Changing scheme. £14,672 is to be funded from s106 developer contributions (MC/17/0962) and the remainder is to be funded from unallocated Basic Need grant.
    - The addition to the Capital Programme of £52,950 of capital budget to be allocated to the Maritime Academy Science Block scheme, funded by borrowing in advance of s106 developer contributions (MC/21/2225) which have not yet been received.
    - The removal from the Capital Programme of £2.4million for the Sir Joseph Williamson's SEND scheme from the Capital Programme. The service would request a new capital addition once an alternative grammar provision had been identified.
    - The removal from the Capital Programme of the remaining budget of £7,992 from the Building Maintenance scheme as this is now complete.
    - The removal of the remaining budget of £100,000 from the Mobile Library scheme as this is no longer required with the addition of the Library Improvement Fund scheme to the Capital Programme.
    - The addition of £559,000 to the Mountbatten House Purchase scheme, funded by prudential borrowing, to cover the costs of holding the building for onward sale to Medway Development Company (MDC).
  - 1.6. Note the Kent Police and Crime Commissioner's precept requirement, as set out in Section 13.2 of this report.
  - 1.7. Note the Kent Fire and Rescue Service precept requirement, as set out in Section 13.3 of this report.
  - 1.8. Note the Parish Council precept requirements of £740,954 detailed in Section 13.4 of this report noting that these reflect an Anticipated Precept for the Parish of St Mary Hoo of £18,486.

- 1.9. Approve the basic rate of Council Tax at Band D for 2025/26, before adding the Police, Fire and Parish precepts, at £1,842.32, an increase of 4.994% as set out in Section 14.1 of this report.
- 1.10. Adopt the formal resolution for the Council Tax requirement and schedule of Council Tax charges for 2025/26 as set out in Appendix 6A to the report.
- 1.11. Approve fees and charges, as recommended by Cabinet as part of the budget proposals, in the booklet 'Medway Council - Fees and Charges 2025/26 as set out in Appendix 7 to the report.
- 1.12. Approve the Flexible Use of Capital Receipts Strategy set out at Appendix 8 to this report.
- 1.13. Approve the Discretionary Non-Domestic Rate Relief Policy at Appendix 10.
- 1.14. 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 One Medway Council Plan forms part of the Council's Policy Framework as set out in the Constitution. The Council Plan refresh will be considered as a separate item on this agenda.

## 3. Background

- 3.1. The Draft Capital and Revenue Budget 2025/26 was presented to the Cabinet on 19 November 2024 and projected a potential revenue shortfall of £26.177million. On 18 December 2024 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 14 January 2025.
- 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. The comments from the Overview and Scrutiny Committees were considered by the Cabinet, alongside the budget proposals, at the Cabinet meeting on 11 February 2025.

## 4. Revenue Budget Requirement 2025/26

- 4.1. The Budget is summarised in Table 1 and represents a total budget requirement of £496.391million. Directorate level budget proposals and their impact in 2025/26 are set out in below with details of the individual pressures and savings proposals in Appendices 1-4.

**Table 1: Proposed budget summary 2025/26**

Directorate	2025/26 Adjusted base budget excluding recharges £000s	2025/26 Projected pressures/ additional resources £000s	2025/26 Budget Requirement £000s	2025/26 Proposed Budget – Expenditure £000s	2025/26 Proposed Budget – Income £000s	2025/26 Proposed Budget - Net £000s
Adult Social Care	97,086	6,788	103,875	148,070	(44,196)	103,875
Directorate Management Team	4,282	1	4,283	4,524	(241)	4,283
Children’s Services	68,169	4,618	72,787	76,921	(4,134)	72,787
Education	78,605	2,181	80,786	83,270	(2,484)	80,786
Partnership Commissioning	2,514	121	2,634	4,494	(1,860)	2,634
Public Health	15,006	2,440	17,446	21,599	(4,153)	17,446
School Retained Funding and Grants	56,236	17,540	73,776	29,455	44,320	73,776
Additional Government Grants	2,394	182	2,576	2,576	0	2,576
Staff cost increases (pay award, pensions, NICs, MedPay review)	0	6,468	6,468	6,468	0	6,468
<b>Children and Adult Services</b>	<b>324,292</b>	<b>40,339</b>	<b>364,631</b>	<b>377,377</b>	<b>(12,746)</b>	<b>364,631</b>
Culture and Community	19,281	6,177	25,458	35,917	(10,459)	25,458
Director’s Office	1,591	105	1,697	1,719	(22)	1,697
Front Line Services	37,710	1,389	39,099	59,871	(20,772)	39,099
Regeneration	7,652	1,531	9,184	18,555	(9,371)	9,184
Norse profit Share	(433)	0	(433)	0	(433)	(433)
Staff cost increases (pay award, pensions, NICs, MedPay review)	0	3,195	3,195	3,195	0	3,195
<b>Regeneration, Culture &amp; Environment</b>	<b>65,801</b>	<b>12,398</b>	<b>78,200</b>	<b>119,257</b>	<b>(41,058)</b>	<b>78,200</b>
Communications	924	425	1,350	1,434	(85)	1,350
Directorate Management Team	675	1	676	708	(33)	676
Finance and Business Improvement	18,123	1,093	19,216	83,136	(63,921)	19,216
Legal and Governance	5,914	181	6,094	7,663	(1,569)	6,094
Staff cost increases (pay award, pensions, NICs, MedPay review)	0	2,175	2,175	2,175	0	2,175
<b>Business Support Department</b>	<b>25,635</b>	<b>3,875</b>	<b>29,510</b>	<b>95,117</b>	<b>(65,607)</b>	<b>29,510</b>
<b>Interest &amp; Financing</b>	<b>19,211</b>	<b>(1,104)</b>	<b>18,107</b>	<b>23,926</b>	<b>(5,819)</b>	<b>18,107</b>
Corporate Management	2,593	340	2,932	3,052	(120)	2,932
Levies	1,892	104	1,996	2,029	(32)	1,996

Directorate	2025/26 Adjusted base budget excluding recharges £000s	2025/26 Projected pressures/ additional resources £000s	2025/26 Budget Requirement £000s	2025/26 Proposed Budget – Expenditure £000s	2025/26 Proposed Budget – Income £000s	2025/26 Proposed Budget - Net £000s
Medway 2.0 Transformation Roadmap	(1,136)	2,150	1,014	1,014	0	1,014
<b>Corporate Management</b>	<b>3,349</b>	<b>2,594</b>	<b>5,943</b>	<b>6,095</b>	<b>(153)</b>	<b>5,943</b>
<b>Additional Government Support Expenditure</b>	<b>2,262</b>	<b>(2,262)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Budget Requirement</b>	<b>440,551</b>	<b>55,840</b>	<b>496,391</b>	<b>621,773</b>	<b>(125,382)</b>	<b>496,391</b>
Council Tax	(158,462)	(12,054)	(170,516)	0	(170,516)	(170,516)
Retained Business Rates	(52,272)	(2,814)	(55,086)	0	(55,086)	(55,086)
Business Rates Related Grants	(22,227)	507	(21,721)	0	(21,721)	(21,721)
Government Grants - Non Ringfenced	(8,129)	(5,064)	(13,192)	0	(13,192)	(13,192)
New Homes Bonus	(1,573)	262	(1,311)	0	(1,311)	(1,311)
Education Related Grants	(127,103)	(17,540)	(144,643)	0	(144,643)	(144,643)
Children Social Care Related Grants	(197)	(3,631)	(3,828)	0	(3,828)	(3,828)
Adult Social Care Related Grants	(32,151)	(3,100)	(35,251)	0	(35,251)	(35,251)
Public Health Grant	(19,037)	(1,310)	(20,347)	0	(20,347)	(20,347)
Housing Related Grants	0	(4,862)	(4,862)	0	(4,862)	(4,862)
Extended Producer Responsibility	0	(4,873)	(4,873)	0	(4,873)	(4,873)
Additional Government Support	(4,656)	2,081	(2,576)	0	(2,576)	(2,576)
Exceptional Financial Support	(14,742)	(3,442)	(18,184)	0	(18,184)	(18,184)
<b>Estimated Available Funding</b>	<b>(440,551)</b>	<b>(55,840)</b>	<b>(496,391)</b>	<b>0</b>	<b>(496,391)</b>	<b>(496,391)</b>
<b>Budget Gap - General Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>621,773</b>	<b>(621,773)</b>	<b>0</b>

## 4.2. Children and Adults

4.2.1. Table 2 summarises the Directorate's Budget for 2025/26. 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 2025/26**

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
Assistant Director Adult Social Care	(6,547)	257	(6,290)	18,675	(24,965)	(6,290)
Business Operations & Provider Services	4,619	5	4,624	4,952	(328)	4,624
Locality Services	97,140	6,123	103,264	122,011	(18,747)	103,264

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
Specialist Services/Principal Social Worker	1,873	404	2,277	2,432	(155)	2,277
<b>Total Adult Social Care</b>	<b>97,086</b>	<b>6,788</b>	<b>103,875</b>	<b>148,070</b>	<b>(44,196)</b>	<b>103,875</b>
<b>Directorate Management Team</b>	<b>4,282</b>	<b>1</b>	<b>4,283</b>	<b>4,524</b>	<b>(241)</b>	<b>4,283</b>
Business Support	1,538	2	1,540	1,540	0	1,540
Children's Care Improvement	413	0	414	983	(569)	414
Children's Legal	762	500	1,262	1,262	0	1,262
Children's Care Management	(1,057)	127	(930)	(930)	0	(930)
Children's Social Work Team	6,692	1,611	8,303	8,336	(34)	8,303
Client Support Packages	4,258	(150)	4,108	4,108	0	4,108
Corporate Parenting	4,815	144	4,959	5,208	(248)	4,959
Family Solutions, Youth, MASH and Adolescence	6,254	1,383	7,637	8,211	(574)	7,637
Head of Safeguarding & QA	2,753	2	2,755	2,966	(211)	2,755
Placements	36,217	912	37,129	37,578	(449)	37,129
Provider Services	5,525	87	5,611	7,659	(2,048)	5,611
<b>Total Children's Services</b>	<b>68,169</b>	<b>4,618</b>	<b>72,787</b>	<b>76,921</b>	<b>(4,134)</b>	<b>72,787</b>
Early Years Sufficiency	17,603	0	17,603	17,603	0	17,603
Education Management Team	816	0	816	816	0	816
Inclusions	3,073	62	3,135	3,518	(383)	3,135
Psychology & SEN	41,873	417	42,290	42,792	(502)	42,290
School Organisation & Student Services	2,801	201	3,002	3,644	(642)	3,002
School Improvement	324	1	325	603	(278)	325
School Online Services	(8)	0	(8)	221	(229)	(8)
SEN Transport	12,124	1,500	13,623	14,073	(450)	13,623
<b>Total: Education</b>	<b>78,605</b>	<b>2,181</b>	<b>80,786</b>	<b>83,270</b>	<b>(2,484)</b>	<b>80,786</b>
Adults Commissioning	423	120	543	857	(314)	543
C&A Performance & Intelligence	517	1	517	517	0	517
Children's Commissioning	1,574	0	1,574	3,120	(1,546)	1,574
<b>Total: Partnership Commissioning</b>	<b>2,514</b>	<b>121</b>	<b>2,634</b>	<b>4,494</b>	<b>(1,860)</b>	<b>2,634</b>
Child Health	5,428	0	5,428	5,553	(125)	5,428
Health Improvement Programmes	4,105	0	4,105	4,829	(725)	4,105
Public Health Management	1,124	2,440	3,565	4,652	(1,087)	3,565
Stop Smoking Services	809	0	809	1,137	(328)	809
Substance Misuse	2,094	0	2,094	3,786	(1,692)	2,094
Supporting Healthy Weight	1,446	0	1,446	1,642	(196)	1,446
<b>Total Public Health</b>	<b>15,006</b>	<b>2,440</b>	<b>17,446</b>	<b>21,599</b>	<b>(4,153)</b>	<b>17,446</b>
Finance Provisions	693	0	693	693	0	693
HR Provisions	659	0	659	956	(297)	659
School Grants	54,884	17,540	72,424	27,807	44,617	72,424
<b>Total School Retained Funding and Grants</b>	<b>56,236</b>	<b>17,540</b>	<b>73,776</b>	<b>29,455</b>	<b>44,320</b>	<b>73,776</b>

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
Additional Government Grants	2,394	182	2,576	2,576	0	2,576
Staff cost increases (pay award, pensions, NICs, MedPay review)	0	6,468	6,468	6,468	0	6,468
<b>Total for Children and Adults</b>	<b>324,292</b>	<b>40,339</b>	<b>364,631</b>	<b>377,377</b>	<b>(12,746)</b>	<b>364,631</b>

4.2.2. **Adult Social Care** – While the savings agreed in the budget and Financial Improvement and Transformation (FIT) Plan for 2024/25 have not yet been delivered in full this year, the Budget assumes they will be achieved in 2025/26 so collectively these represent a net budget growth of £8.159million. The projected impact of the changes to employer National Insurance Contributions (NICs) on the cost of social care packages adds a further £1.400million.

4.2.3. The Budget also reflects the continuation of the work began in the 2024/25 budget to right-size the Adult Social Care service, with a further £2.183million of investment in additional resources to deliver specialist and intensive support to those considered to be the hardest to reach and those on the edge of care, and to ensure a person-centred approach to meet our Care Act duty to ensure individuals influence the support and services they receive. The Budget also includes additional investment in dedicated resources to support adults with Learning Disabilities and Autism alongside increased numbers of senior social worker and business support officers to boost capacity and better support our social workers, investment in Prevention and Reablement and occupational therapy, along with investment in the social care software system, Mosaic. These investments are projected to help the service to deliver savings already agreed, and to reduce the cost of delivering services while increasing income from our partners in health through the Continuing Health Care scheme totalling a net £5.752million. The required increases to the bad debt provision for Adult Social Care adds £780,000 to the budget requirement, while increased insurances add a further £18,000.

4.2.4. The Budget therefore reflects a net increase in the Adult Social Care budget (excluding pay uplifts) of £6.788million compared to 2024/25.

4.2.5. **Children’s Services** – The Budget for 2025/26 includes the impact of projections around further demographic growth, demand pressures and price uplifts to reflect inflation totalling £1.944million. As in Adult Social Care, the projected impact of the changes to employer National Insurance Contributions (NICs) on the cost of social care packages adds a further £500,000. The required increase to the bad debt provision for Children’s Services adds £126,000 to the budget requirement, while increased insurances add a further £31,000. In December 2024 the Government confirmed it will roll a series of grants into the Children and Families grant from 2025/26. This income had previously been reflected in the Children’s

Services budget, however the Budget reflects that these will now instead be accounted for in the Council's general funding; this change has no impact on the net budget position of the service or the Council.

- 4.2.6. The Budget also reflects a range of additional investments, including £1.581million additional staffing resources to get the OFSTED rating of our service from Good to Outstanding. Improvements to the package of financial support for foster carers will add £326,000 to the budget requirement, while increased audit and continuous improvement work and management cover of Parklands, and realignment of Youth Service pay to MedPay add £162,000. Legal costs are projected to increase by £500,000 based on the continued volume and complexity of casework required. The level of additional investment set out is projected to enable the service to proactively manage and review placements to ensure the best possible support is provided while delivering value for money, delivering £2million reduction in projected expenditure. It is also projected to save £300,000 by increasing the proportion of in-house foster care placements and £150,000 by supporting care leavers into independent accommodation.
- 4.2.7. The Budget therefore reflects a net increase in the Children's Services budget (excluding pay uplifts) of £4.618million compared to 2024/25.
- 4.2.8. **Education** – The Budget for Education reflects the impact of projected growth in pupil numbers and price uplifts, adding £2.513million on SEND (primarily SEND transport) and a further £61,000 relating to mainstream transport. However, a transport review has identified opportunities to ensure the Council is more robust in delivering its statutory requirements only, and it is projected that this would reduce costs by 5%, saving £784,000. A significant proportion of transport is provided through our joint venture partnership with Medway Norse. A review of the allocation to services of the element of the Medway Norse cost relating to their management overheads has resulted in a realignment of this cost between the relevant service budgets, to more accurately reflect the cost of each service; this change has no impact on the net budget position of the service or the Council.
- 4.2.9. The Budget also includes investment in permanent staffing in the SEND 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 to the budget requirement. Increased insurance costs add a further £6,000. 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 £334,000 in 2025/26.
- 4.2.10. Finally the Budget reflects the impact of the Government announcements on the Dedicated Schools Grant for 2025/26, detailed at section 5.12 of this report which add £17.540million to the education grants compared to the projections in the Draft Budget, however the Budget also assumes this funding will all be distributed to schools or spent statutory ring-fenced DSG



services so this increase does not benefit the Council's general fund budget position.

4.2.11. The Budget for general fund Education services therefore represents a net increase of £2.181million compared to the 2024/25 budget, excluding staff pay and pension increases while the Budget for Schools Retained Funding and Grants represent a net increase of £17.540million compared to 2024/25.

#### 4.2.12. Partnership Commissioning

4.2.13. The Budget represents an increase of £121,000 compared to the 2024/25 budget, reflecting additional investment in permanent staff to meet increased demand for the service and enable better forward planning and innovation.

#### 4.2.14. Public Health

4.2.15. The Budget for Public Health represents an increase of £2.440million compared to 2024/25, reflecting additional costs relating to inflation impacting the delivery of Public Health contracts.

### 4.3. Regeneration, Culture and Environment

4.3.1. Table 3 below summarises the Directorate's Budget for 2025/26. 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 Budget Summary 2025/26**

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
Culture	1,531	31	1,562	2,574	(1,012)	1,562
Culture & Community Support	32	0	32	140	(108)	32
Greenspaces	5,177	(394)	4,783	5,103	(320)	4,783
Libraries & Community Hubs	3,514	67	3,581	3,854	(273)	3,581
Planning	1,616	203	1,818	3,648	(1,830)	1,818
South Thames Gateway Partnership	135	146	281	281	0	281
Sport, Leisure, Tourism & Heritage	2,165	664	2,830	7,802	(4,972)	2,830
Strategic Housing	5,111	5,395	10,506	12,450	(1,944)	10,506
<b>Total for Culture &amp; Community</b>	<b>19,281</b>	<b>6,113</b>	<b>25,394</b>	<b>35,853</b>	<b>(10,459)</b>	<b>25,394</b>
<b>Director's Office</b>	<b>1,591</b>	<b>105</b>	<b>1,697</b>	<b>1,719</b>	<b>(22)</b>	<b>1,697</b>
Environmental Services	30,303	1,704	32,008	34,016	(2,008)	32,008
Front Line Services Support	809	1	810	822	(12)	810
Highways	5,364	1,041	6,406	7,917	(1,511)	6,406
Integrated Transport	6,710	124	6,834	8,582	(1,748)	6,834
Parking Services	(7,365)	(1,480)	(8,846)	3,711	(12,556)	(8,846)
Regulatory Services	1,889	64	1,952	4,888	(2,936)	1,952
<b>Total for Front Line Services</b>	<b>37,710</b>	<b>1,453</b>	<b>39,164</b>	<b>59,935</b>	<b>(20,772)</b>	<b>39,164</b>
Economic Development	138	643	781	1,805	(1,024)	781
Medway Norse	6,638	230	6,869	6,869	0	6,869

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
Property & Capital Projects	2,397	(309)	2,088	3,461	(1,373)	2,088
Regeneration Delivery	697	345	1,042	1,862	(820)	1,042
Skills & Employability	(95)	175	80	2,259	(2,179)	80
Valuation & Asset Management	(2,124)	448	(1,676)	2,299	(3,975)	(1,676)
<b>Total for Regeneration</b>	<b>7,652</b>	<b>1,531</b>	<b>9,184</b>	<b>18,555</b>	<b>(9,371)</b>	<b>9,184</b>
<b>Norse profit Share</b>	<b>(433)</b>	<b>0</b>	<b>(433)</b>	<b>0</b>	<b>(433)</b>	<b>(433)</b>
<b>Allowance for Pay award &amp; Impact of MedPay</b>	<b>0</b>	<b>3,195</b>	<b>3,195</b>	<b>3,195</b>	<b>0</b>	<b>3,195</b>
<b>Total for Regeneration, Culture and Environment</b>	<b>65,801</b>	<b>12,398</b>	<b>78,200</b>	<b>119,257</b>	<b>(41,058)</b>	<b>78,200</b>

#### 4.3.2. Culture and Community

4.3.3. The Budget for Culture and Community reflects the impact of the projected increased cost of providing temporary accommodation in the Homelessness service, however the activity underway in the service to deliver savings through in-house provision of temporary accommodation is projected to reduce the pressure to £1.709million. In December 2024 the Government confirmed that it will roll the Homelessness Prevention and Domestic Abuse grants into the Local Government Funding Settlement. This income had previously been reflected in the Housing Services budget, however the Budget reflects that these will now instead be accounted for in the Council's general funding; this change has no impact on the net budget position of the service or the Council.

4.3.4. From 2025/26 the Council's Green Spaces function will be delivered within the Culture and Community service so the Budget reflects the move of the function from Front Line Services. This function is primarily delivered through the Council's joint venture partner, Medway Norse and as with social care providers and as set out in section 5.8.4 of this report, the projected impact of the changes to employer National Insurance Contributions (NICs) on Medway Norse employees will not be funded by the Government. This cost, along with the increased National Living Wage rates resulted in a projected increase to the cost of delivering this function of £551,000 compared to the 2024/25 budget. The division has reviewed and reprioritised the service delivery via Medway Norse, including focussing grass cutting works on priority areas and during the growing season to reduce costs by £870,000. To support this work, the Budget reflects additional investment of £276,000 to fund improvements to the Council's green spaces alongside £100,000 to introduce a small team to oversee the green spaces strategy, and to manage delivery in conjunction with Medway Norse moving forward. This will enable the Council to begin undertaking repairs and maintenance on a number of green spaces assets, with priority in 2025/26 being given to improvements to allotments and sports pavilions. A review of the allocation to services of the element of the Medway Norse cost relating to their management overheads

has resulted in a realignment of this cost between the relevant service budgets, to more accurately reflect the cost of each service; this change has no impact on the net budget position of the service or the Council.

- 4.3.5. The Budget also reflects additional investment of £201,000 in Planning Services to deliver the Government's planning reforms and the Local Plan, and that the contribution Medway will be required to make to the STG Building Control Partnership from 2025/26 will increase by £146,000.
- 4.3.6. The festivals income budget has been reduced by £40,000 reflecting a reduction in activity agreed in setting the current year's budget.
- 4.3.7. The projected cost of utilities in the Council's buildings operated in the division is a pressure of £304,000, while Business Rates liabilities are increased by £160,000 and increased insurance costs add a further £55,000. These pressures are partly mitigated by projected additional income through our Leisure facilities of £278,000, from the Corn Exchange of £49,000 and savings relating to the operation of the Visitor Information Centre of £44,000.
- 4.3.8. The Budget therefore reflects a net increase in the Culture and Community budget (excluding pay uplifts) of £6.177million compared to 2024/25.
- 4.3.9. **Director's Office** – The Budget represents a net increase (excluding pay uplifts) of £105,000 reflecting increases in the cost of utilities in the Council's buildings, alongside an increased provision for bad debt and insurance costs.
- 4.3.10. **Front Line Services**
- 4.3.11. 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 £1.386million. The majority of the Council's waste functions are delivered through our joint venture partner, Medway Norse and as with social care and Green Spaces, and as set out in section 5.8.4 of this report, the projected impact of the changes to employer National Insurance Contributions (NICs) on Medway Norse employees will not be funded by the Government. This cost, along with the increased National Living Wage rates results in a projected increase to the cost of delivering this function of £954,000 compared to the 2024/25 budget. In 2023 the Council added £17million to the capital programme to fund the replacement of the aging fleet of Refuse Collection Vehicles (RCVs) used in Medway. Following a successful procurement exercise, the new fleet were delivered in January 2025 at a cost of £11.898million and will mean the additional hire costs that have been required in recent years can be removed, which along with some efficiencies in service delivery will save £543,000. A review of the allocation to services of the element of the Medway Norse cost relating to their management overheads has resulted in a realignment of this cost between the relevant service budgets, to more accurately reflect the cost of each service; this change has no impact on the net budget position of the service or the Council.

- 4.3.12. The cost of utilities including streetlighting is projected to add £448,000 while increased insurance costs add a further £149,000 and increased Business Rate liabilities a further £4,000. Contractual price increases for the subsidised yellow bus routes add a further £152,000 however projected additional income for the service of £50,000 partially mitigates this. The Proposed Budget also includes investment of £200,000 required to re-procure the Highways Infrastructure Contract ahead of the end of the current contract in 2027.
- 4.3.13. The impact of increased car parking and permit fees, a Council-wide parking review and projected improvement to the recovery rate of Penalty Charge Notices issued are collectively expected to generate £1.196million additional income in 2025/26. A series of increased costs in Traffic Management including staffing, signal maintenance and the implementation of a lane rental scheme totalling £141,000 are more than mitigated by additional income from lane rentals, the introduction of a localised footway parking ban, charging for Electric Vehicle charging bays and licensing for articles on the highway totalling £360,000. The addition of further streets and a pilot of school zones in our Safer Healthier Streets programme is projected to add £200,000 income while charging residents for a second garden waste bin is projected to add £20,000.
- 4.3.14. The Budget therefore reflects a net increase in the Front Line Services budget (excluding pay uplifts) of £1.389million compared to 2024/25.
- 4.3.15. **Regeneration**
- 4.3.16. The Budget reflects £1.072million additional investment to right-size staffing resources in this area, with investment to fund posts previously charged to capital or developer contributions, a corporate landlord project management office, 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 Social Regeneration, Economic Development, Town Centre Management and supporting Markets.
- 4.3.17. On 13 November 2024 the Chief Executive, in consultation with the Leader of the Council and the Leader of the Conservative Group, approved an addition to the revenue budget for a budget of £400,000 pa for up to three years to fund the cost of additional staff, required to dispose of the surplus properties, this expenditure is to be funded from the resultant capital receipts, under flexibilities granted by the Government.
- 4.3.18. The Budget also reflects a total of £270,000 investment in the delivery of strategies including inward investment and growth, a river strategy and the Medway 2041 delivery plan. These additional costs are mitigated through £270,000 funding projected following the closure of the Local Enterprise Partnership and £300,000 lease income through Innovation Park Medway. 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.

4.3.19. The Facilities Management service for the Council’s corporate properties is delivered in partnership with the Council’s joint venture, Medway Norse. As in Social Care, Green Spaces and Waste, the projected impact of the changes to employer National Insurance Contributions (NICs) on Medway Norse employees will not be funded by the Government and resulted in a pressure of £969,000 compared to the 2024/25 budget. However, the service has worked collaboratively to design a programme of works for the coming year that ensures the safe operation of properties and protects investment required at income generating services to reduce this pressure by £318,000 and that also enables the reduction of the planned annual revenue contribution to the Building Repairs and Maintenance Fund of £375,000. The removal of a savings target of £150,000 associated with the Medway 2.0 programme (detailed further in section 6.4.2 of this report) represents a £150,000 increase in the budget requirement here. A review of the allocation to services of the element of the Medway Norse cost relating to their management overheads has resulted in a realignment of this cost between the relevant service budgets, to more accurately reflect the cost of each service; this change has no impact on the net budget position of the service or the Council.

4.3.20. 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 £136,000. Increased business rates liabilities and increased insurance costs 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. Finally, the Proposed Budget reflects projected increases in income of £121,000 following a rent review of the commercial property portfolio, and of £15,000 additional income in Medway Adult Education.

4.3.21. The Budget therefore reflects a net increase in the Regeneration Services budget (excluding pay uplifts) of £1.531million compared to 2024/25.

#### 4.4. Business Support Department

4.4.1. Table 4 below summarises the Department’s Budget for 2025/26. 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 Budget Summary 2025/26**

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
Directorate Management Team	675	1	676	708	(33)	676
<b>Total for Directorate Management Team</b>	<b>675</b>	<b>1</b>	<b>676</b>	<b>708</b>	<b>(33)</b>	<b>676</b>
<b>Communications</b>	<b>924</b>	<b>425</b>	<b>1,350</b>	<b>1,434</b>	<b>(85)</b>	<b>1,350</b>

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
FBI – Finance	4,266	49	4,315	64,275	(59,960)	4,315
FBI - Information	10,527	163	10,690	13,354	(2,664)	10,690
FBI - Organisational Culture	2,468	430	2,898	3,973	(1,075)	2,898
FBI Divisional Management Team	308	0	308	308	0	308
LG Reform & Devolution	0	450	450	450	0	450
Internal Audit & Counter Fraud	553	1	554	776	(222)	554
<b>Total Finance &amp; Business Improvement</b>	<b>18,123</b>	<b>1,093</b>	<b>19,216</b>	<b>83,136</b>	<b>(63,921)</b>	<b>19,216</b>
Legal, Land Charges & Licensing	3,029	128	3,157	4,533	(1,376)	3,157
Category Management	398	1	399	489	(90)	399
Democratic Services Manager	534	1	534	579	(44)	534
Members & Elections	1,953	51	2,004	2,063	(59)	2,004
<b>Total Legal &amp; Governance</b>	<b>5,914</b>	<b>181</b>	<b>6,094</b>	<b>7,663</b>	<b>(1,569)</b>	<b>6,094</b>
<b>Allowance for Pay award &amp; Impact of MedPay</b>	<b>0</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>0</b>	<b>2,175</b>
<b>Total for Business Support</b>	<b>25,635</b>	<b>3,875</b>	<b>29,510</b>	<b>95,117</b>	<b>(65,607)</b>	<b>29,510</b>

4.4.2. **Communications** – Expenditure projections relating to Communications represent an increase to the budget requirement of £425,000 in 2025/26, excluding staff pay and pension increases. The growth reflects additional investment in permanent staffing to meet growing demand from services to help meet income targets and the increased cost of insurances.

4.4.3. **Directorate Management Team** – the budget requirement is increased by £1,000 reflecting the increased cost of insurances.

#### 4.4.4. **Finance and Business Improvement**

4.4.5. On 16 December 2024 the Government published the English Devolution White Paper, outlining plans for the devolution of powers to local government and for the reorganisation of local government. Recognising that delivering these aims will be resource-intensive, on 23 January 2025 Full Council agreed to delegate authority to the Chief Executive to establish “the appropriate support and resource to deliver this programme of change (inclusive of recruitment to new posts as deemed necessary)” (minute 637b refers). The Budget includes £450,000 to create a team to support the organisation to engage with the Government, other local authorities and public sector bodies to capitalise on the opportunities and maximise the benefits that devolution and local government reorganisation could bring for Medway’s residents.

4.4.6. In response to the latest staff survey results and recognising that the MedPay review will increase demand for corporate training, the existing budget for staff learning and development is being doubled, representing growth to the budget requirement of £408,000.

4.4.7. The division holds the centralised budget for the majority of the Council’s ICT software systems and for ensuring all ICT devices are replaced before the end of their usable life; the budget requirement is increased by a total of £215,000 to cover increasing costs in this area. Finally, the division’s share of increased insurance costs adds a further £19,000.

4.4.8. The Budget therefore reflects a net increase in the Finance and Business Improvement budget (excluding pay uplifts) of £1.093million compared to 2024/25.

**4.4.9. Legal and Governance**

4.4.10. The Legal and Governance budget requirement has increased by £181,000, excluding staff pay and pension increases. The transfer of services to His Majesty’s Land Registry (HMLR) will reduce the Council’s income by £70,000, while 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. The projected increase to Members allowances, in line with the projection for staff pay uplifts at 5% represents a further £50,000 increased expenditure. Finally contractual inflationary uplifts and increased insurance costs add a further £11,000.

**4.5. Corporate Management**

4.5.1. Table 5 below summarises the Corporate Management Budget for 2025/26. The detailed proposals within the budget for each service is summarised below and are set out in detail in Appendix 4.

**Table 5: Corporate Management Budget Summary 2025/26**

General Fund Activities	2025/26 Adjusted Base £000	2025/26 Net Adjustments £000	2025/26 Proposed Budget £000	2025/26 Proposed Budget – Expenditure £000	2025/26 Proposed Budget – Income £000	2025/26 Proposed Budget – Net £000
Corporate Management	2,593	340	2,932	3,052	(120)	2,932
Levies	1,892	104	1,996	2,029	(32)	1,996
Medway 2.0 programme	(1,136)	2,150	1,014	1,014	0	1,014
<b>Total Corporate Management</b>	<b>3,349</b>	<b>2,594</b>	<b>5,943</b>	<b>6,095</b>	<b>(153)</b>	<b>5,943</b>

4.5.2. In setting the 2024/25 budget the Council agreed to invest £1.014million to deliver an Improvement Programme to transform services and make significant savings. As the proposals were not developed sufficiently to be allocated to individual service areas at that stage, instead both the investment and the savings target associated with the Medway 2.0 programme were reflected in the Corporate Management budget. The Budget reflects that this investment will remain in the Corporate Management budget at £1.014million, but will support all Council services to deliver the £15.413million savings and income generation proposals identified throughout this report, rather than being expressed as a distinct savings target. Corporate Management also 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 add £327,000 to the budget requirement.

- 4.5.3. Finally, 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. The Council has received levy uplift requests from the Southern Regional Flood and Coastline Committee of the Environment Agency, the Lower Medway Internal Drainage Board and the Kent and Essex Inshore Fisheries and Conservation Authority. To date no levy uplift request has been received from Kent County Council in respect of the Coroner's service. As 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, the Budget includes a projection that the cost to Medway of these levies will increase by a further 5.5% for 2025/26, adding a total of £104,000 to the budget requirement.

#### 4.6. **Interest and Financing**

- 4.6.1. The Budget reflects that almost £220million of the Council's capital programme is funded by borrowing in some way, as set out in the tables in section 11 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 have impacted the financing of the capital programme in recent years. As detailed in section 5.17 of this report, the Budget assumes a capitalisation direction will be received through the EFS scheme, and the budget for Interest and Financing includes the cost of financing the level of capitalisation projected. Collectively these changes result in a Budget for Interest and Financing of £18.107million, which represents a reduction of £1.104million compared to the 2024/25 budget.

#### 4.7. **Additional Government Support Expenditure**

- 4.7.1. The Council's participation in the Afghan Citizens Resettlement Scheme and Homes for Ukraine Scheme are both wholly funded through government grant based on claims for reimbursement submitted by the Council. The Budget assumes these schemes will continue in 2025/26 but are not funded from Council resources so do not represent a budget pressure.

### 5. **Revenue Budget Funding**

#### 5.1. **Core Spending Power**

- 5.1.1. The Local Government Finance Settlement is underpinned by the Core Spending Power (CSP) calculation. This calculation makes certain assumptions about the local tax that Medway is able to generate and then aggregates this with core grant funding available to Medway. Medway Council's CSP is summarised in table 6 below. The CSP calculation is not in itself a statement of actual resources available to the Council, it is simply a



mechanism used by the Government to illustrate the potential funds available to local authorities. In practice, the budget is based on the Council's own estimate of local tax yields.

**Table 6: Core Spending Power 2025/26**

	<b>2024/25 £000s</b>	<b>2025/26 £000s</b>
Revenue Support Grant	7,792	8,051
Business Rates Baseline Funding Level	52,414	53,048
Settlement Funding Assessment	60,207	61,099
Council Tax excluding Parishes	159,523	169,450
Section 31 Compensation for under-indexing the Business Rates Multiplier	9,876	10,297
Local Authority Better Care Fund	7,308	9,015
New Homes Bonus	1,573	1,311
Social Care Grant	18,770	21,870
Adult Social Care Market Sustainability	4,366	4,366
Adult Social Care Discharge Fund	1,708	0
Children's Social Care Prevention Grant	0	1,793
Recovery Grant	0	2,675
Employer National Insurance Contributions Grant		2,063
Services Grant	337	0
Domestic Abuse Safe Accommodation Grant	617	769
Adjustment for rolled in grants*	131	0
<b>Core Spending Power</b>	<b>264,415</b>	<b>284,707</b>

\*Grants rolled into the CSP calculation in 2025/26: Electoral Integrity Programme New Burdens grant, Tenant Satisfaction Measures New Burdens grant, Transparency Code New Burdens grant, Extended Rights to Home to School Transport grant (£54million).

## 5.2. The Local Government Finance Settlement

5.2.1. The Government published its Autumn Budget on 30 October 2024 outlining significant additional funding for local authorities among announcements relating to the wider public sector finances and the economy. On 28 November MHCLG published the Local Government Finance Policy Statement 2025 to 2026 setting out the principles that would drive the distribution of new funding between local authorities. The Provisional Local Government Finance Settlement 2025 to 2026 was announced by the Government on 18 December 2024 and opened a four-week consultation period, which closed on 15 January 2025. The Final Local Government Finance Settlement was published on 3 February 2025.

## 5.3. Income from Local Taxation – the Collection Fund

5.3.1. Income from Council Tax and Business Rates is held in a ringfenced collection fund account, from which authorities draw the level of income projected and budgeted for in each year irrespective of the 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. Where the level of

income collected is higher than was originally projected and budgeted, the resultant surplus can be used to increase the amount of income the Council can budget for in the following year.

#### **5.4. Council Tax**

5.4.1. On 3 February 2025, the Government published the Final Local Government Finance Settlement which set out the package of referendum principles for 2025/26. For Medway Council, this represents a core referendum threshold of up to 3% per year and as a local authority with social care responsibilities, the ability to set an Adult Social Care Precept of 2% per year without a referendum. As set out in section 5.17 of this report, the Council made a request to the Government through the EFS scheme for flexibility to increase the Council Tax above the referendum threshold, however the Final Settlement confirmed that Medway's request had not been granted. The Budget therefore reflects that Medway's Council Tax will be increased by 4.994% taking the Band D to £1,842.32.

5.5. In accordance with the Full Council delegation, on Monday 20 January 2025 the Chief Operating Officer, in consultation with the Leader, agreed the Council Tax base for 2025/26 at 92,100.20 Band D equivalents. This calculation reflects the impact of a projected 0.25% reduction in the collection rate reflecting the continued impact of the cost-of-living crisis on recovery. The calculation also reflects the impact of the decision taken by Full Council in February 2024 to charge a 100% premium for long term empty properties after one year rather than two from 1 April 2024 and a 100% premium for properties that are unoccupied but furnished (referred to as second homes) from 1 April 2025, as allowable through the Local Government Finance Act 1992 as amended by the Levelling-up and Regeneration Act 2023. The 2025/26 taxbase represents an increase of 1,187.71 (1.31%) Band D equivalents compared to the 2024/25 tax base.

5.5.1. At the end of the 2024/25 financial year there is a projected surplus of £2.073million which the Council can incorporate into the budget for 2025/26. Finally, it will be necessary to add £1.235million to the provision for non-payment of Council Tax debt. The Budget therefore assumes the Council will receive a total of £170.516million through the Council Tax in 2025/26, an increase of £12.054million compared to the 2024/25 budget.

5.6. This report considers the budget requirement for Medway Council only. The total Council Tax Band D rate also reflects the following the precepts of the Kent Police and Crime Commissioner, the Kent Fire and Rescue Service and of Parish Councils in respect of Parished areas. Details of these precepts and their impact on the Council Tax billed in Medway are set out at Section 13 of this report.

#### **5.7. Retained Business Rates and Business Rates Related Grants**

5.7.1. 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. The most recent revaluation came into effect on 1 April 2023, based on rateable values from 1 April 2021. The next revaluation will come into effect on 1 April 2026, based on rateable values from 1 April 2024.

- 5.7.2. In October 2024 in their Autumn Budget the Government made a series of announcements relating to business rates, and local authorities are fully compensated for the impact of these changes through the Final Settlement. The Council's existing business rates policies and practices have been reviewed and incorporated along with these changes into the Policy for the granting of Discretionary Non-Domestic Rate provided at Appendix 10 to this report for Member approval. This policy reflects the following changes:
- At Appendix A to the policy, that alongside becoming liable for VAT, private schools will lose their eligibility for charitable relief on business rates from April 2025. Private schools that are "wholly or mainly" concerned with providing full time education to pupils with an EHCP will continue to be eligible for this relief.
  - Appendix B provides the policy for Supporting Small Business Relief which is unchanged from the version approved by Council in February 2023.
  - At Appendix C to the policy, that the Retail, Hospitality and Leisure Relief is continuing for a final year and is identical to the scheme in place in 2024/25 except for the reduction of the amount of relief from 75% to 40%. The Government intends to introduce permanently lower multipliers for eligible properties from 2026/27, paid for by a higher multiplier for properties with rateable values above £500,000.
  - That to date, Partly Occupied Relief has been applied to eligible properties in Medway in line with Section 44A of the Local Government Finance Act 1998 and this procedure is now incorporated into the Policy at Appendix D.
  - That to date, Hardship Relief has been applied to eligible properties in Medway in line with Section 49 of the Local Government Finance Act 1998 and this procedure is now incorporated into the Policy at Appendix E.
- 5.7.3. 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 RV of the area. Business rates related grants are confirmed each year in the Local Government Finance Settlement.
- 5.7.4. Our completed NDR1 calculates that Medway's income from retained business rates will be £53.426million. At the end of the 2023/24 financial year there was a surplus on the collection fund of £1.660million which Medway can budget for in 2025/26. Finally, the Council can budget to

receive a total of £21.721million in business rates related grants.

5.7.5. The Budget therefore assumes the Council will receive a total of £76.807million through business rates and related grants in 2025/26, an increase of £2.307million compared to 2024/25.

## 5.8. **Non-ringfenced Government Grant**

5.8.1. Recovery Grant – the Final Settlement confirms that a total of £600million is being distributed through this new grant for 2025/26, with allocations determined through a formula that focusses resources on authorities that have high levels of deprivation and relatively low ability to generate Council Tax income. Medway's allocation is £2.675million.

5.8.2. Revenue Support Grant (RSG) – The Final Settlement confirms that local authorities will receive the 2024/25 allocations of the RSG increased in line with the Consumer Price Index (CPI) of inflation as at September 2024, 1.7%. A series of grants are being rolled into the RSG in 2025/26 with no change to distribution at this stage:

- Electoral Integrity Programme New Burdens grant (£4.6million)
- Tenant Satisfaction Measures New Burdens grant (£3.9million)
- Transparency Code New Burdens grant (£3.6million)
- Extended Rights to Home to School Transport grant (£54million).

Medway's allocation is £8.051million.

5.8.3. The Final Settlement confirmed a distribution of £100million from the surplus on the national Business Rates Levy Account, with Medway's allocation £404,000 in respect of 2024/25. The most recent accounts for the Levy Account (published in July 2024) reflect a surplus £206million as at 31 March 2024, and as such we can expect a similar distribution in respect of 2025/26 and the sum of £404,000 is included in the Budget.

5.8.4. Employer National Insurance Contributions (NICs) – The Final Settlement confirmed that £515million has been made available to compensate local authorities for the changes to employer NICs announced in the Autumn Budget. Of the £515million, only £502million is available for local authorities within the settlement; the remaining £13million is allocated separately to mayoral combined authorities. The national sum has been distributed based on each authority's share of Net Current Expenditure for 2023/24 and Medway's allocation is £2.063million. As set out in section 7.1.2 the projected cost of this change on Medway Council's directly employed staff represents a sum in excess of the available grant. As set out in sections 4.2 and 4.3, no compensation is available to fund the impact on staff engaged through contract arrangements including Medway Norse and social care providers, resulting in increased costs being passed onto the Council.

5.8.5. Collectively, these grants add a total of £13.193million to the Budget, an increase of £5.064million compared to 2024/25.

5.9. **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. It has been expected that the scheme would end since 2020 but has been extended through six one-off allocations, and the Final Settlement confirms that this grant will continue for one year in 2025/26. Medway's allocation is £1.311million.

## **5.10. Adult Social Care Related Grants**

- 5.10.1. Social Care Grant – In addition to the flexibility to levy a 2% Adult Social Care precept on Council Tax, the Final Settlement confirmed that the Social Care Grant will increase nationally by £882million. There is no change to the distribution methodology through the Adult Relative Needs Formula which is based on data on care needs, income and wealth and unpaid care, adjusted for the ability of each local authority to raise local taxes. Medway's allocation is £21.870million.
- 5.10.2. Local Authority Better Care Grant – The Final Settlement confirmed that the Government have renamed the Improved Better Care Fund (£2.140billion) and incorporated the Discharge Fund (£500million), however there are no changes to local authority allocations, so the Final Settlement confirmed Medway's allocation remains at £9.015million.
- 5.10.3. Market Sustainability and Improvement Fund – There is no change to the national or local allocations of this grant, and Medway's share is £4.366million.
- 5.10.4. Collectively, these grants add a total of £35.251million to the Budget, an increase of £3.100million compared to the 2024/25 position.

## **5.11. Children's Social Care Related Grants**

- 5.11.1. Children's Social Care Prevention Grant – The Final Settlement confirmed the national sum for this new grant would be increased compared to the level in the Provisional Settlement, taking it to £270million. This grant will fund the rollout of mandatory Family Group Decision Making and allocations have been distributed using an interim Children's Social Care Relative Needs Formula based on research commissioned by the Government and led by LG Futures and academic partners, which will allocate funding according to estimated need for children's social care services. Medway's allocation is £1.793million.
- 5.11.2. Children and Families Grant – Funding for several existing DfE children's social care programmes, including the Supporting Families programme (£253.5million), Supported Accommodation Reforms (£94.5million), Staying Put (£33.3million), Virtual School Heads Extension for Previously Looked After Children (£7.6million), the Leaving Care Allowance uplift (£13.4million) and Personal Advisor Support for Care Leavers (£12.1million) will be consolidated into a single Children and Families Grant worth £414million. There will be no change to the 2024/25 allocations through this grant and it is not included in the CSP calculation for 2025/26. Medway's allocation is £2.035million.

5.11.3. Collectively, these grants add a total of £3.828million to the Budget, a net increase of £1.732million compared to 2024/25.

## 5.12. Education Related Grants

5.12.1. Outside the Settlement, on 28 November 2024 the Department for Education (DfE) published the provisional Dedicated Schools Grant (DSG) funding allocations for Schools, High Needs and Central School Services national funding formulae, with the core schools budget increasing by £2.3billion. The Government also set out a £1billion increase to Special Educational Needs and Disabilities and Alternative Provision funding. Medway's allocations for Education Related Grants will total £144.643million in 2025/26 as set out in table 7 below, alongside our projections for future years allocations. This represents an increase of £17.540million compared to 2024/25, with the equivalent hypothecated growth in expenditure also reflected in the Education Budget.

**Table 7: Education Related Grant**

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s
DSG (Retained Schools Block)	1,141	1,302	1,341	1,381	1,423	1,465
DSG (Schools Block)	46,116	44,679	46,019	47,400	48,822	50,286
DSG (High Needs Block)	44,019	49,484	50,969	52,498	54,073	55,695
DSG (Early Years Block)	30,943	44,149	45,474	46,838	48,243	49,690
Pupil Premium Grant	3,938	4,056	4,178	4,303	4,432	4,565
Sixth Form Grant	945	973	1,003	1,033	1,064	1,096
<b>Total Grant</b>	<b>127,103</b>	<b>144,643</b>	<b>148,984</b>	<b>153,453</b>	<b>158,057</b>	<b>162,797</b>

5.12.2. The Government has announced that the DfE's Extended Rights to Home to School Transport grant (£54million) will be rolled into the Revenue Support Grant, as reflected in section 5.8.2 of this report.

5.12.3. Finally, the Government has confirmed that the statutory override on accounting for Dedicated Schools Grants (DSG) deficits is due to end on 31 March 2026 and at that stage local authorities would have to fund any remaining DSG deficits from general reserves. Medway continues to progress the Deficit Recovery Plan agreed with the DfE to secure the Safety Valve Intervention Programme (SVIP) funding, and the latest DSG monitoring reported to the Cabinet earlier this month projects that the deficit would be reduced to £1.028million at the point the override ends, however this should not impact the revenue budget as £3million was transferred to an earmarked reserve to mitigate against any under-delivery of the plan at that stage. The consultation on the Provisional Settlement says that the Government intends to set out plans for reforming the SEND system in further detail next year and that this will inform any decision to remove the statutory override.

5.12.4. Collectively, these grants add £17.540million to the Budget.

### 5.13. **Public Health Grant**

5.13.1. On 11 February 2025 the Government published the Public Health Grant allocations for 2025/26. Medway's allocation of £20.347million represents an increase of £1.310million compared to the grant in 2024/25.

### 5.14. **Housing Related Grants**

5.14.1. The Domestic Abuse Safe Accommodation Grant – Medway's allocation is £769,000, an increase of £152,000 compared to 2024/25.

5.14.2. Homelessness Prevention Grant – Medway's allocation is £3.167million, an increase of £1.029million compared to 2024/25.

### 5.15. **Extended Producer Responsibility for Packaging (EPR) Scheme**

5.15.1. On 28 November 2024 the Department for Environment, Food and Rural Affairs (DEFRA) wrote to local authorities notifying them of their estimated payments in respect of this new scheme for 2025/26. While the amounts were noted as subject to further review and adjustment, to date no changes have been made. The grant payment is intended to enable local authorities to maximise the collection and recycling of packaging materials in order to support the transition to a circular economy and to meet their obligations in relation to the collection of packaging materials as part of Simpler Recycling and the Separation of Waste responsibilities. Funding allocations for specific councils aim to reflect the costs of waste collection and disposal, with higher existing waste volumes, deprivation and rurality leading to higher payments. The Government is guaranteeing the level of funding for 2025/26, however the amount authorities will receive in subsequent years will fall if the levy leads to a reduction in the amount of packaging used, and as such the Government has not included this revenue in the CSP calculation. Local authorities will be notified of any revisions in early 2025 with final allocations confirmed in Autumn 2025. Medway's indicative allocation is £4.873million.

### 5.16. **Additional Government Support Grants**

5.16.1. 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 2025/26 but are not funded from Council resources so do not represent a budget pressure. The Budget also reflects the latest known allocations for the Holiday Activity Fund and Start 4 Life funding.

5.16.2. In October 2024 the Government's Autumn Budget allocated £1billion to fund the continuation of the Household Support Fund and Discretionary Housing Payments in 2025/26. The Local Government Finance Policy Statement from MHCLG published in November 2024 confirmed that the Household Support Fund would total £742million national funding, representing a reduction of £100million. The Government has not yet confirmed allocation of funding to individual local authorities, or provided guidance on how the scheme should operate. The funding will be added to

the budget when confirmed and a scheme will be proposed via a report to Cabinet in due course.

## **5.17. Exceptional Financial Support**

5.17.1. The Council's budget for 2024/25 included funding of £14.742million through a capitalisation direction agreed in principle with the then Government through the Exceptional Financial Support (EFS) scheme. The Revenue Budget Monitoring 2024/25 Round 2 report to Cabinet in November 2024 noted that in order to preserve our minimum level of general reserves or it may be necessary to seek further support from the Government through the EFS scheme in respect of 2024/25. When considering the Draft Capital and Revenue Budget 2025/26 also reported in November, the Cabinet agreed to instruct officers to continue to work with Portfolio Holders in formulating robust proposals to reduce the budget deficit for 2025/26 and to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme.

5.17.2. In December 2024 a request was submitted to the Government seeking a further £11.221million in respect of 2024/25, in addition to the £14.742million incorporated in the Budget to fund the overspend projected at Round 2 should that arise at year end.

5.17.3. The request submitted in December 2024 also included support of £26.177million as per the potential budget gap projected for 2025/26 at that stage. The support requested would not only enable the Council to balance the budget for 2025/26 but to continue to invest in the Improvement Programme working to transform services and deliver significant savings. The Council requested:

- flexibility to increase the Council Tax above the relevant referendum limits, and
- a capitalisation direction (allowing the Council to borrow for revenue purposes) sufficient to close our remaining gap.

Officers have worked with CIPFA to support their delivery of an assurance review commissioned by the Ministry of Homes, Communities and Local Government (MHCLG) to assist them to confirm the level of support required by Medway Council. On 3 February 2025, the Government published the Final Local Government Finance Settlement, which confirmed that Medway's request for flexibility to increase the Council Tax had not been granted.

5.17.4. This Budget reflects the impact of the Final Settlement and continued work to reduce pressures since the Draft Budget was prepared and therefore includes a reduced requirement for EFS of £18.184million for 2025/26.

## **5.18. Local Government Funding Reform**

5.18.1. Alongside the Provisional Settlement, on 18 December 2024 the Government opened the Local authority funding reform: objectives and principles consultation, which closed on 12 February 2025. The consultation document outlines the need for reform, setting out that "the link between funding for local authorities and need for services has broken down,



contributing to worse outcomes and higher Council Tax bills on balance in more deprived places” and that the current system means funding is allocated inefficiently through outdated formula. The consultation outlines plans including the introduction of longer-term settlements and consolidating funding streams to reduce the number of funding pots, providing local authorities with more flexibility to judge local priorities, meet the needs of local people, and decide how best to deliver [the Government’s] national priorities”. Further details are expected to be announced in the Government’s Spring Budget Forecast, scheduled for 26 March 2025.

## 6. Flexible Use of Capital Receipts

- 6.1. From 2016/17 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. Successive extensions had been agreed taking the scheme to 2024/25, and the MHCLG Policy Statement published on 30 November 2024 confirmed that these flexibilities, expected to end in March 2025, would be extended to March 2030.
- 6.2. Appendix 8 to this report sets out the updated strategy and the proposed use of this flexibility in 2025/26, reflecting the decision to add £400,000 a year for up to three years to resource the new asset management strategy and facilitate the disposal of properties declared surplus as set out in section 4.3.17 of this report. Besides this expenditure, the Budget does not reflect the addition of any further capital receipts to this programme of activity at this stage, however Members will be presented with options for the use of capital receipts generated from the sale of assets in due course.

## 7. Pay and Pensions

- 7.1. The Budget reflects the recommendations of the Employment Matters Committee of 29 January 2025 to Council as follows:
- a) a 5% increase for all staff on MedPay terms and conditions, which includes those on MedPay Performance, Progression Pay Scheme as well as those who are on the legacy scheme.
  - b) not to increase sleep-in payments.
  - c) not to return to National Joint Council pay scales currently, but keep negotiations open on this matter.
  - d) an additional ‘wellbeing’ day to be awarded on a colleague’s birthday to be taken on the day or close to the birthday as agreed with line management.
  - e) to offer a salary sacrifice Cycle to Work scheme with a scheme partner for an initial term of two years.
  - f) to implement a shared cost Additional Voluntary Contribution scheme with My Money Matters, formerly AVC Wise for an initial term of three years.
  - g) to offer a 50% discount on annual single premier membership to our leisure centres annual admission membership and a 25% discount on

family and joint memberships, with no monthly membership falling below £20, for Medway Council employees and Medway Council Councillors to Medway Leisure Centres.

- h) to align the Children and Adults social care pay scales, for the reasons set out in Appendix 4 to the report [presented to Employment Matters Committee on 29 January 2025].
- i) to align the Joint National Committee Youth and Community Workers terms and conditions except for automatic increments, as agreed at [Employment Matters] Committee on 4 December 2024.

These recommendations can be met from the projection of £5.880million incorporated into the Proposed Budget for pay uplifts. However when considering the Proposed Budget on 11 February 2025, the Cabinet record of decisions notes that “the offer of a leisure membership discount to Medway Councillors had been tabled by officers at the meeting on 29 January 2025, and it had been correct for the Committee to recommend that to Council for fuller consideration. However, the Leader made it clear that the Cabinet would not support this recommendation”.

- 7.1.1. The Budget also includes £1.912million to enable the completion of MedPay reviews in all services and £1.646million to reflect the increased employer pension contribution rates required following the latest actuarial review.
- 7.1.2. Finally, the Government announced two significant changes to Employer National Insurance contributions (NICs) in the Autumn Budget. The rate of Secondary Class 1 NICs will increase from 13.8% to 15% from 6 April 2025 and the Secondary Threshold (the point at which employers become liable to pay NICs on employees’ earnings) will reduce from £9,100 to £5,000 a year from 6 April 2025 until 6 April 2028, after which it will be increased by the Consumer Price Index (CPI). The impact of these changes on Medway Council’s directly employed staff is projected to add £2.400million to the budget requirement for 2025/26. As set out in section 5.8.4 of this report, in the Final Local Government Funding Settlement the Government confirmed that local authorities would be compensated for the impact of this change on directly employed staff, and Medway has been allocated funding of £2.063million. As the funding is less than the projected cost of £2.400million, this change represents a further pressure to the budget for 2025/26 of £337,000. As set out in sections 4.2 and 4.3 of this report, the NICs changes have brought additional pressures to the cost of services for which the Government has not provided any compensation, and the net impact of the NICs change on the Council’s budget for 2025/26 is therefore a total pressure of £2.237million.
- 7.1.3. The Budget projections for staff pay costs therefore represent total growth in the budget requirement of £11.838million with the proportion of this total growth represented by each Directorate detailed in tables 2-5 and Appendices 1-4.

## 8. Fees and Charges

- 8.1. The budget proposals have been formulated on an assumption that fees and charges will generally increase by 8% to accounting for the impact of

increasing National Living Wage and staff pay along with inflationary uplifts on the cost of service delivery, with the principle being that fees and charges should cover the cost of the service delivered. Where market conditions allow, greater increases have been applied. The schedule of proposed fees and charges is set out at Appendix 7.

## 9. General Reserves

- 9.1. 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 prior to 2023/24, over successive years the Council has consistently underspent its revenue budget. The other reason for maintaining reasonable reserve balances is to protect against the financial impact of a major emergency or catastrophic event. It would be fair to say that recent years have seen several events that would fall into this category:
- the lasting impacts of the Covid-19 pandemic,
  - the economic impact of the war in Ukraine including high inflation and cost of living,
  - spiralling demand for social care and the crisis being experienced in the NHS and social care system.
- 9.2. Prior to 2022/23 the Council had pursued a strategy seeking to rebuild reserves and table 8 overleaf illustrates the progress made since March 2019, showing that as of March 2022 the Council had non-earmarked general fund reserves of £26.550million. 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 of 31 March 2023, the Council's general reserves were reduced to £10.155million. During 2023/24 a review of earmarked reserves was carried out and identified £5.7million of earmarked reserves that were no longer required for their original purpose. In February 2024 alongside the budget for 2024/25, Council agreed that these sums be declassified and alongside the Outturn for 2023/24, a further £807,000 was declassified taking general reserves to £16.8million. It was however necessary to use £6.7million of reserves to fund the outturn position for the 2023/24 year, taking general reserves to their current level at £10.065million.
- 9.3. The Round 3 revenue budget monitoring report presented to the Cabinet on 11 February 2025 projects that the Council will overspend by £8.429million, in excess of the current reserves balance. As detailed in section 5.17 of this report, the Council has requested expanded support for the current financial year through the EFS scheme to the level of overspend projected at Round 2. A further review of reserves is underway to identify any remaining opportunities to declassify earmarked reserves to mitigate the overspend at year end.

**Table 8: Movement in Reserves**

Type of Reserve	Closing Balance 31/03/2020 £000s	Closing Balance 31/03/2021 £000s	Closing Balance 31/03/2022 £000s	Closing Balance 31/03/2023 £000s	Closing Balance 31/03/2024 £000s DRAFT
General Fund Balance	10,000	10,000	10,000	10,000	10,000
General Fund Earmarked Reserves	28,562	53,526	40,141	35,559	27,411
General Reserves	9,197	12,689	16,551	238	61
Insurance Fund	960	2,459	2,483	3,179	2,384
Schools Balances	1,356	1,414	1,750	1,756	1,900
HRA Balances	5,145	5,395	5,283	6,373	7,524
Capital Grants and Contributions (inc. S106)	18,764	25,916	21,092	42,142	63,099
Capital Receipts Reserves	5,463	6,674	8,113	4,284	2,908
HRA Major Repairs Reserve	0	0	0	0	0
<b>Total Usable Reserves</b>	<b>79,447</b>	<b>118,073</b>	<b>105,413</b>	<b>103,530</b>	<b>115,288</b>
Unusable Reserve – DSG Adjustment Account	(9,346)	(16,261)	(24,729)	(23,530)	(23,530)

## 10. Medium Term Financial Projections

10.1. Since February 2023 we have published medium term financial projections twice each year; alongside the Proposed Budget for Cabinet and Council in February and in the Medium Term Financial Outlook presented to Cabinet in Autumn. Our latest medium term financial projections (MTFP) are presented at Appendix 9 to this report and will form the basis of the work to prepare the budget for 2026/27 and beyond, commencing in the Spring of 2025.

## 11. Capital Programme 2025/26 and beyond

11.1. Tables 9 and 10 below from the Round 3 2024/25 Capital Budget Monitoring Report presented to the Cabinet on 11 February 2025 reflect planned capital expenditure over the medium term and incorporate everything we currently know about capital grant allocations for the period.

**Table 9: 2024/25 Capital Monitoring Summary Round 3**

Directorate	Total Approved Cost £000s	Total Exp to 31/03/24 £000s	Remaining Budget £000s	Forecast Spend 2024/25 £000s	Forecast Spend in Future Years £000s	Forecast (Under)/overspend £000s
Children and Adults	54,659	19,802	34,857	15,165	17,336	(2,356)
Regeneration, Culture and Environment	444,142	218,243	225,899	61,719	158,924	(5,256)
Housing Revenue Account	101,201	33,566	67,636	11,802	55,834	0
Business Support Department	2,750	2,320	430	378	52	0
<b>Total</b>	<b>602,752</b>	<b>273,931</b>	<b>328,821</b>	<b>89,063</b>	<b>232,145</b>	<b>(7,612)</b>

**Table 10: Funding the Budget**

Funding Source	Total £000s	C&A £000s	RCE £000s	HRA £000s	BSD £000s
Capital Grants	67,411	32,272	34,501	637	0
Developer Contributions	6,628	1,300	5,328	0	0
Capital Receipts	2,488	0	2,229	0	258
RTB Receipts	1,485	0	0	1,485	0
Revenue / Reserves	30,980	0	304	30,676	0
Prudential Borrowing	159,520	1,285	123,226	34,838	172
Borrowing in lieu of Capital Receipts	20,284	0	20,284	0	0
Borrowing in lieu of Future Business Rates	16,847	0	16,847	0	0
Borrowing in lieu of Future Rent	11,415	0	11,415	0	0
Borrowing in lieu of Future Section 106 Contributions	0	0	0	0	0
Borrowing in lieu of Future NHS Grant	11,764	0	11,764	0	0
<b>Total</b>	<b>328,822</b>	<b>34,857</b>	<b>225,899</b>	<b>67,636</b>	<b>430</b>

11.2. In considering the Round 3 2024/25 Capital Budget Monitoring Report earlier this month, the Cabinet agreed to recommend a series of additions and removals from the Capital Programme, (decision refs:13-18/2025) as follows:

- the addition of £43,647 of capital budget to the Hoo Dining and Changing scheme; £14,672 to be funded from s106 developer contributions (MC/17/0962) and the remainder is to be funded from unallocated Basic Need grant;
- the addition of £52,950 of capital budget to be allocated to the Maritime Academy Science Block scheme, funded by borrowing in advance of s106 developer contributions (MC/21/2225) which have not yet been received;
- the removal of £2.4million for the Sir Joseph Williamson's SEND scheme from the Capital Programme; the service will request a new capital addition once an alternative grammar provision had been identified;
- the removal of the remaining budget of £7,992 from the Building Maintenance scheme as this is now complete;
- the removal of the remaining budget of £100,000 from the Mobile Library scheme as this is no longer required with the addition of the Library Improvement Fund scheme to the Capital Programme; and
- the addition of £559,000 to the Mountbatten House Purchase scheme, funded by prudential borrowing, to cover the costs of holding the building for onward sale to Medway Development Company (MDC).

As capital grant and/or developer contributions are received, or as capital receipts are generated or prudential borrowing agreed, new schemes will be added to the capital programme during the year through reports to the Cabinet and Council or under officer delegations where appropriate.

### 11.3. Housing Revenue Account (HRA)

11.3.1. The HRA Capital and Revenue Budgets 2025/26 report considered by the Cabinet on 11 February 2025 set out that 2025/26 will be the second year of a three-year planned maintenance and disabled adaptations capital works

programme, reflecting the budget required for further acquisitions of properties including Right to Buy (RTB) buy backs, purchasing temporary accommodation units and the delivery of phase 5 and 6 of the HRA new build programme, which once completed, will deliver an additional 81 units. The HRA Business Plan references a three-year planned capital maintenance budget as summarised in table 11 below.

**Table 11: HRA Capital Requirement 2025/26 and beyond**

	2024/25 £000s	2025/26 £000s	2026/27 £000s
Planned Maintenance	8,671	5,657	9,391
Disabled Adaptations	200	200	200
New build/Acquisition programme	4,500	8,875	2,225
<b>Total</b>	<b>13,371</b>	<b>14,732</b>	<b>11,816</b>

#### 11.4. Capital Receipts

11.4.1. Following a review of the Council’s Asset Management Strategy, in October 2024 the Cabinet agreed to declare a series of non-operational assets with a projected value of £34.9million as surplus to requirements and delegated authority to officers to consider either repurposing or disposal. Officers are working on a programme of reviews, and their latest projections suggest the Council could realise capital receipts in the region of £31.5million in 2025/26, with costs of sale estimated at £500,000 but capped at 4% to be charged against the gross sales value. On 13 November 2024 the Chief Executive, in consultation with the Leader of the Council and the Leader of the Conservative Group, approved an addition to the revenue budget for a budget of £400,000 pa for up to three years to fund the cost of additional staff, required to dispose of the surplus properties, this expenditure is to be funded from the resultant capital receipts, under flexibilities granted by the Government.

11.4.2. At this stage Members have not yet taken any decisions as to the use of these receipts and will be presented with options in due course, including funding expenditure in the existing capital programme currently funded by borrowing, funding the capitalisation directions secured through the EFS scheme or funding new capital investment plans.

#### 12. Housing Revenue Account

12.1. 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.

12.2. The Regeneration, Culture and Environment Overview and Scrutiny Committee received a report on 21 January 2025 that detailed the HRA revenue and capital budget proposals and a follow up to that report was presented to the Cabinet on 11 February 2025. The main points of these reports are covered by the following recommendations:

- a) a proposed social rent increase of 2.7% (CPI of 1.7 plus 1%) for the

social rent housing stock as set out in Appendix 5A to the report (based on 52 collection weeks), with effect from 1 April 2025. All new tenancies issued during 2025/26 to be set at either the formula rent or rent cap for social rent dwellings, whichever is the lower.

- b) a proposed affordable rent increase of the lower of Local Housing Allowance (LHA) rate or 2.7% (CPI of 1.7 plus 1%) for the affordable rent properties as set out in Appendix 5B to the report (based on 52 collection weeks), with effect from 1 April 2025. All new tenancies during 2025/26 to be set at either 80% of market rent or the LHA rate for affordable rent dwellings, whichever is lower.
- c) a proposed rent increase of 2.7% to be applied to all garage tenure types with effect from 1 April 2025.
- d) to approve the service charges increases/decreases as set out in Appendix 5C to the report for 2025/26.
- e) to approve the revenue budget for the HRA service for 2025/26, as set out in Appendix 5D to the report.
- f) to approve the provision for the estimated repayment of debt, based on annuity-based payment on the HRA's outstanding debt.
- g) to delegate authority to the 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 2025/26.
- h) to approve the 30-year HRA Business Plan model as attached at Appendix 5E to the report.

### 13. Precepting obligations and the Council Tax Booklet

- 13.1. As a Billing Authority, Medway Council must incorporate the requirements of the precepting bodies into the Council Tax it approves. The requirements of the major preceptors Kent Police and Crime Commissioner (PCC) and the Kent Fire and Rescue Service (KFRS) and those of the local precepting authorities (Parish Councils) are detailed in the following paragraphs and incorporated in the formal resolution set out at Appendix 6A.
- 13.2. The Kent PCC precept – at their meeting on 4 February 2025 the Kent Police and Crime Panel agreed not to veto the Kent PCC's proposed increase in their precept by the maximum allowable amount of £14 per year, or 5.5% taking the average Band D property to £270.15 and an associated precept of £24,880,869.
- 13.3. The KFRS precept – KFRS is proposing a £4.95 (5.51%) increase at their meeting on 18 February 2025, which would give a Band D figure of £94.86 and an associated precept of £8,736,625.
- 13.4. The Parish Council precepts and the consequent additions to the general level of Council Tax are detailed at Appendix 6B. In total the Parish precepts amount to £740,954 and add an average of £8.05 to the Medway band D rate. These reflect the level of precept approved by each Parish Council for their area with the exception of St Mary Hoo Parish Council. St Mary Hoo Parish Council has been unable to meet to agree a precept as it currently

only has one serving Parish Councillor. The Billing Authorities (Anticipation of Precepts) Regulations 1992 as amended by the Billing Authorities (Anticipation of Precepts) (Amendment) Regulations 1995 enables a billing authority to anticipate the precept of a local precepting authority if it has not received notification before 1 March. The anticipated precept cannot be higher than any of the three preceding years' precepts increased or decreased in proportion to the difference between the retail prices index (RPI) for September of the financial year preceding that in respect of which the calculations are made (the prior year) and the RPI for September of the year preceding the prior year. As the St Mary Hoo precepts for the three years preceding 2025/26 were £12,000, £12,500 and £18,000 respectively, an anticipated precept of £18,486 has been calculated based on the 2024/25 precept adjusted for RPI. An anticipated precept for the parish of St Mary Hoo of £18,486 has been incorporated into the Council Tax Resolution and Bandings at Appendices 6A and 6B respectively. The regulations enable a Parish Council for whom a precept has been anticipated to submit a demand by 1 March and require the billing authority (Medway Council) to bill residents of the Parish at the rate agreed by the Parish Council regardless of what rate is incorporated into the analysis presented to Medway Council at Appendices 6A and 6B. Should St Mary Hoo Parish Council submit an approved precept demand after Council approves the Budget report on 27 February 2025, Medway Council will initially bill residents on the basis of the anticipated precept, but would then bring a report to the next meeting of the Council seeking approval for the revised Council Tax Resolution and Bandings (Appendices 6A and 6B), and would then reissue revised bills for the properties in the area of St Mary Hoo Parish.

#### 14. Council Tax setting

- 14.1. On 11 February 2025 the Cabinet recommended that the Medway 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 £1,842.32.
- 14.2. The total Band D for billing purposes, incorporating the KFRS and Kent PCC precepts will be £2,207.33. Additional requirements for parish areas are shown in the formal Resolution and Bandings at Appendices 6A and 6B.

#### 15. Conclusion

- 15.1. 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. The revenue budget requirement of £496.391million is presented as funded with support from the Government through EFS of £18.184million as set out in section 5.17 of this report. We await confirmation from the Government of the EFS available to Medway will update Members should any Ministerial decisions be made after the publication of this report.



## 16. Section 25 Statement

- 16.1. 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.
- 16.2. 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 Local Government Finance Settlement, are detailed throughout this report.
- 16.3. The Council's reserves position is set out in detail at Section 9 of this report. It demonstrates that as of March 2024 the Council had non-earmarked general fund reserves of £10.061million available to it. The latest revenue monitoring for the current year, as reported to Cabinet on 11 February 2025, forecasts an overspend of £8.429million. If this forecast position does not improve by year end and in the extremely unlikely event that our request for exceptional financial support, as set out at section 5.17, is rejected, the Council may be called upon to use a large proportion of these reserves, taking the balance down to £1.632million. This would leave the Council with little or no latitude to respond to unplanned budgetary pressures in 2025/26.
- 16.4. As the Section 151 Officer, I would prefer that the Council were not in this position. The Council's earmarked reserves have been set aside for a range of specific purposes, to provide for future spending commitments and ensure the Council's long term sustainability. Using them to fund year on year overspends and balance annual budgets is simply not sustainable over the medium term, however I am confident that the early engagement we carried out with the MHCLG, the encouraging dialogue that we've had with civil servants and the positive messages from CIPFA in its recent Assurance report about the Council's willingness and capability to address its financial challenges should ensure that our request for exceptional financial support in 2024/25 and 2025/26 will be granted. However, in the meantime work continues to curb expenditure and reduce the forecast overspend over the remainder of the financial year.
- 16.5. I feel confident in confirming the robustness of the assumptions underpinning this proposed budget and that it represents a budget which provides the Council with the tools and resources necessary to steer a course to longer term financial sustainability. It incorporates measures to improve recruitment and retention and ensure that we have a skilled and motivated workforce, at the same time reducing reliance on expensive agency and interim staff. It also seeks to restore capacity in some areas of the business that have borne

the brunt of historic budget constraint, such as social care and our strategic support services. Our transformation, under the banner of Medway 2.0 continues to gather momentum, as is the comprehensive review of the Council's estate. However, the projected resources available to the Council are insufficient to meet the 2025/26 budget requirement, without further support from the government in the form of EFS.

- 16.6. In the extremely unlikely event that the Council's request for EFS is turned down, I would have to consult with the Cabinet and draw up urgent plans for an emergency budget to be presented to the Council. I do not believe that this will be necessary however this risk is reflected in the risk register at section 17 nonetheless.

## 17. Risk management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
<b>Council request for Exceptional Financial Support not granted</b>	In the extremely unlikely event that the MHCLG rejects the Council's latest application for EFS, the Section 151 Officer may be forced to issue a Section 114 notice to the Council.	Regular communication with officials from MHCLG to progress the Council's EFS request and a positive Assurance Review by CIPFA.	DI
<b>Funding assumptions underpinning the Budget may be overstated</b>	Our projections for Council Tax / Business Rates could be overstated.	Funding assumptions in the Budget are in line with assumptions prepared by the Council's advisors. Officers and Members continue to work closely to identify savings.	CII
<b>Assumptions around the cost of service delivery underpinning the Budget may be understated</b>	The growth in the cost of delivering the Council's services may be higher than anticipated in the Budget, or income may be lower than anticipated.	The pressures reflected in the Budget have been developed in consultation with management across the organisation.	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
<b>The Parish of St Mary Hoo meets and agrees a precept between 27 February and 1 March 2025</b>	As Medway Council will bill residents based on the anticipated precept for St Mary Hoo Parish Council following approval of the budget on 27 February 2025, it would be necessary to seek Council approval for a revised Council Tax Resolution and Bandings, and to reissue revised bills to all properties in St Mary Hoo.	Communication with the Parish Council to advise of anticipated precept and explaining the implications should they agree a different sum between 27 February and 1 March.	CIII
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

## 18. Consultation

18.1. The Draft Budget was subject to consultation with Members via Overview and Scrutiny Committees with their comments captured at Appendix 1 to this report. Budget proposals may require formal consultation as required by relevant legislation or as part of the Council's duty to consult on its functions to reduce disadvantage, meet needs, and encouraging participation of individuals with protected characteristics under the Equalities Act 2010. Specific consultation requirements will be determined during the proposal development process, including through the creation of diversity impact assessments.

## 19. Climate change implications

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

## 20. Diversity Impact Assessment

20.1. 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.

- 20.2. 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. 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.

## 21. Financial implications

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

## 22. Legal implications

- 22.1. 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.
- 22.2. The Billing Authorities (Anticipation of Precepts) Regulations 1992 as amended by the Billing Authorities (Anticipation of Precepts) (Amendment) Regulations 1995 enables a billing authority to anticipate the precept of a local precepting authority if it has not received notification at the time of

setting its budget as long as a parish precept has been issued for one or more of the three immediately preceding financial years. The precept cannot be higher than any of the three preceding years' precepts increased or decreased in proportion to the difference between the retail prices index for September of the financial year preceding that in respect of which the calculations are made ("the prior year") and the retail prices index for September of the year preceding the prior year. Whether or not the billing authority anticipates a precept, if the parish subsequently issues a precept demand before 1 March the billing authority must pay the parish the amount of the demand. If the parish issues a precept demand after 1 March, the billing authority must pay the parish the lower of the precept demand issued or the precept anticipated by the billing authority.

- 22.3. 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.
- 22.4. 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
- 22.5. 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.
- 22.6. 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 19 of this report.
- 22.7. 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.
- 22.8. 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.

- 22.9. 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 Tax payers. 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.
- 22.10. 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.
- 22.11. Members need to balance the cost to Council Tax payers 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.
- 22.12. 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.
- 22.13. 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.
- 22.14. 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.

- 22.15. 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.
- 22.16. 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 2025/26 the latest date for posting the notices (first class) is 28 February 2025.
- 22.17. 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 Council meeting arranged for this purpose on 27 February 2025. The adoption of the budget and the setting of Council Tax are matters reserved for the Council.
- 22.18. 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.
- 22.19. Section 14 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.
- 22.20. 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.

22.21. Section 17 of this report refers to the potential budget gap for the next financial year. When determining its budget, the Council must have regard to the advice provided by the Chief Operating Officer (its statutory S151 finance officer). The S151 officer is required to report on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves.

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### Appendices

- 1 – Children & Adults Directorate Pressures and Savings
- 2 – Regeneration, Culture and Environment Directorate Pressures and Savings
- 3 – Business Support Department Pressures and Savings
- 4 – Corporate Management Pressures and Savings
- 5A – HRA Social Rents 2025/26
- 5B – HRA Affordable Rents 2025/26
- 5C – HRA Service Charges 2025/26
- 5D – HRA Budget 2025/26
- 5E – HRA Business Plan
- 6A – Council Tax Resolution 2025/26
- 6B – Council Tax Bandings 2025/26
- 7 – Schedule of Proposed Fees and Charges 2025/26
- 8 – Flexible Use of Capital Receipts Strategy
- 9 – Medium Term Financial Projections
- 10 – Discretionary Non-Domestic Rate Relief Policy
- 11 – Diversity Impact Assessment

### Background papers

[Medium Term Financial Outlook 2024-2029 report to Cabinet 27 August 2024](#)

[Draft Capital and Revenue Budget 2025/26 report to Cabinet 19 November 2024](#)

[Provisional Settlement 2025 to 2026 report to Cabinet 14 January 2025](#)

[Proposed Capital and Revenue Budget 2025/26 report to Cabinet 11 February 2025](#)