

## **Cabinet**

**10 February 2026**

### **Proposed Capital and Revenue Budget 2026/27**

Portfolio Holder: Councillor Vince Maple, Leader of the Council

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

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#### **Summary**

This report sets out the Cabinet's proposals for the Capital and Revenue budget for 2026/27. In accordance with the Constitution, this is to be submitted to Full Council on 25 February 2026, the meeting convened to set the Council Tax.

#### **1. Recommendations**

- 1.1. The Cabinet is asked to note the comments from the Overview and Scrutiny Committees as summarised in Appendix 1 to this report.
- 1.2. The Cabinet is asked to agree to recommend to Full Council that the net revenue budget summarised at Table 1 should be set at £523.752million, funded from a 4.994% increase in Council Tax for 2026/27 with the equivalent Band D figure at £1,934.33.
- 1.3. The Cabinet is asked to note that on 28 January 2026, Employment Matters Committee recommended to Full Council:
  - a) an increase for all staff on MedPay terms and conditions, in line with inflation, which includes those on MedPay Performance, Progression Pay Scheme as well as those who were on the legacy scheme.
  - b) To not return to NJC currently but keep negotiations open on this matter and do a joint piece of work on impact and cost assumptions.
- 1.4. The Cabinet is asked to agree to recommend to Full Council a 3.5% 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, recognising that CPI increased to 3.4% in December.
- 1.5. The Cabinet is asked to agree to recommend to Full Council the fees and charges as set out at Appendix 6 to this report.

- 1.6. The Cabinet is asked to agree to recommend to Full Council the Flexible Use of Capital Receipts Strategy set out at Appendix 7 to this report.
- 1.7. The Cabinet is asked to request that the Chief Operating Officer calculate the formal requirements under sections 30 to 36 of the Local Government Finance Act 1992 for resolution by the budget Full Council meeting on 25 February 2026.
- 1.8. The Cabinet is asked to recommend that Full Council approves the amendments to the Discretionary Non-Domestic Rate Relief Policy at Appendix 9 to the report and notes a further update will be presented to Full Council in respect of the policy for Pubs following the announcement By HM Treasury of further support on 27 January 2026.
- 1.9. The Cabinet is asked to agree to instruct officers to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme.

## 2. Suggested reasons for decision(s)

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

## 3. Budget and policy framework

- 3.1. According to the Council's Constitution, it is the responsibility of the Cabinet, supported by the Corporate Management Team, to propose a capital and revenue budget having first consulted the overview and scrutiny committees. Full Council has the ultimate responsibility for determining the budget and setting the Council Tax.
- 3.2. In respect of the Housing Revenue Account (HRA) budget proposals, Full Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change.
- 3.3. The 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.
- 3.4. At the time of publication for this report we are still awaiting the Final Local Government Finance Settlement, the impact of which will be reflected in the final budget to be submitted to the next scheduled Full Council meeting on 25 February 2026.

#### 4. Budget monitoring 2025/26

- 4.1. At its meeting on 27 February 2025, the Council set a total budget requirement of £496.441million for 2025/26. Since then, additional grant funding has been confirmed, primarily the Household Support Fund and there have been changes to the levels of Education funding. The net impact of these amendments takes the round 3 budget requirement to a total of £491.654million.
- 4.2. The Round 3 Revenue Budget Monitoring Report, considered elsewhere on this agenda, forecasts a net overspend on services pressure of £15.592million. Subject to the approval of Full Council, the suggested use of capital receipts under flexibilities and the use of declassified earmarked reserves will reduce the forecast overspend to £9.985million. As set out in section 7.13, in December 2025 an updated Exceptional Financial Support (EFS) request was submitted to the Government seeking a further £9.9million in respect of 2025/26, in addition to the £18.184million incorporated in the budget.

#### 5. Proposed Budget Summary

- 5.1. In accordance with the constitutional requirements, the Draft Budget, proposed by Cabinet, was passed to Overview and Scrutiny Committees inviting comments, with comments from these meetings summarised at Appendix 1 to this report. At that stage, the Draft Budget was some £25.897million in excess of the anticipated resources available, largely driven by demographic pressures manifesting across social care, education and homelessness services along with an emerging pressure on the Interest and Financing budget.
- 5.2. Commencing in the Summer, during formulation of the Financial Outlook, and continuing throughout the overview and scrutiny process, officers have worked closely with Portfolio Holders on proposals to reduce the gap. Officers have also worked to reflect the impact on available funding of the latest projections on the collection fund and of the Local Government Finance Settlement. As reported to the Cabinet in January 2026, while the additional funding announced through the Settlement is welcomed, it is clear that it will not be sufficient to meet the pressures on statutory services and close the Council's projected budget gap for 2026/27 without further support from the Government through the Exceptional Financial Support (EFS) scheme. The Proposed Budget therefore assumes that the remaining gap of £10.126million will be funded with Government support through EFS as set out in section 7 of this report. The Council's Proposed Budget is summarised in table 1 overleaf and represents a total budget requirement of £523.752million.
- 5.3. Directorate level budget proposals and their impact in 2026/27 are set out in section 6 of this report, with details of the individual pressures and savings proposals in Appendices 2, 3,4 and 5.

**Table 1: Proposed budget summary 2026/27**

Directorate	2026/27 Adjusted base budget excluding recharges £000s	2026/27 Projected pressures/ additional resources £000s	2026/27 Budget Requirement £000s	2026/27 Proposed Budget – Expenditure £000s	2026/27 Proposed Budget – Income £000s	2026/27 Proposed Budget - Net £000s
Adult Social Care	106,829	7,629	114,458	174,947	(60,489)	114,458
Directorate Management Team	2,419	47	2,466	2,861	(395)	2,466
Children's Services	76,872	(2,064)	74,808	82,326	(7,518)	74,808
Education	112,994	2,228	115,222	117,656	(2,434)	115,222
Partnership Commissioning & Additional Government Grants	4,181	118	4,299	7,878	(3,579)	4,299
Public Health	17,446	4,095	21,541	25,232	(3,691)	21,541
School Retained Funding and Grants	43,626	4,122	47,748	13,500	34,248	47,748
Pay Adjustments	0	1,489	1,489	1,489	0	1,489
<b>Children and Adult Services</b>	<b>364,368</b>	<b>17,664</b>	<b>382,031</b>	<b>425,889</b>	<b>(43,858)</b>	<b>382,031</b>
Culture and Community	24,885	2,402	27,287	40,136	(12,849)	27,287
Directors Office	710	(94)	616	636	(20)	616
Front Line Services	40,083	(795)	39,288	63,305	(24,017)	39,288
Regeneration	9,379	1,060	10,439	18,844	(8,405)	10,439
Norse profit Share	(269)	(11)	(280)	0	(280)	(280)
Pay Adjustments	0	772	772	772	0	772
<b>Regeneration, Culture &amp; Environment</b>	<b>74,788</b>	<b>3,334</b>	<b>78,123</b>	<b>123,694</b>	<b>(45,571)</b>	<b>78,123</b>
Communications	1,807	215	2,022	2,093	(71)	2,022
Directorate Management Team	800	0	800	821	(21)	800
Finance and Business Improvement	22,004	(1,395)	20,609	85,759	(65,150)	20,609
Crisis Resilience Fund	3,988	40	4,027	4,027	0	4,027
Legal and Governance	6,778	156	6,934	8,442	(1,508)	6,934
Pay Adjustments	0	611	611	611	0	611
<b>Business Support Department</b>	<b>31,389</b>	<b>(939)</b>	<b>35,003</b>	<b>101,753</b>	<b>(66,750)</b>	<b>35,003</b>
<b>Interest &amp; Financing</b>	<b>21,195</b>	<b>3,515</b>	<b>24,710</b>	<b>30,529</b>	<b>(5,819)</b>	<b>24,710</b>
<b>Corporate Management</b>	<b>4,931</b>	<b>(1,047)</b>	<b>3,885</b>	<b>4,679</b>	<b>(794)</b>	<b>3,885</b>
<b>Budget Requirement</b>	<b>500,659</b>	<b>23,093</b>	<b>523,752</b>	<b>686,545</b>	<b>(162,793)</b>	<b>523,752</b>
Council Tax	(170,516)	(13,060)	(183,576)	0	(183,576)	(183,576)
Retained Business Rates & Business Rates related grants	(76,806)	6,577	(70,230)	0	(70,230)	(70,230)
Government Grants (Non-Ringfenced)	(42,228)	(16,555)	(58,783)	0	(58,783)	(58,783)

Directorate	2026/27 Adjusted base budget excluding recharges £000s	2026/27 Projected pressures/ additional resources £000s	2026/27 Budget Requirement £000s	2026/27 Proposed Budget – Expenditure £000s	2026/27 Proposed Budget – Income £000s	2026/27 Proposed Budget - Net £000s
Local Authority Better Care Grant (LA BCG)	(9,015)	0	(9,015)	0	(9,015)	(9,015)
Children, Families and Youth Grant	(4,989)	(1,027)	(6,016)	0	(6,016)	(6,016)
Crisis Resilience Fund	(3,988)	(603)	(4,590)	0	(4,590)	(4,590)
Homelessness, Rough Sleeping and Domestic Abuse Grant	(3,374)	(329)	(3,703)	0	(3,703)	(3,703)
Public Health Grant	(20,347)	(2,339)	(22,686)	0	(22,686)	(22,686)
Education Related Grants	(144,874)	(4,122)	(148,996)	0	(148,996)	(148,996 )
Extended Producer Responsibility	(4,873)	257	(4,616)	0	(4,616)	(4,616)
Start 4 Life	(1,415)	0	(1,415)	0	(1,415)	(1,415)
Exceptional Financial Support	(18,184)	8,058	(10,126)	0	(10,126)	(10,126)
Use of Reserves	(50)	50	0	0	0	0
<b>Estimated Available Funding</b>	<b>(500,659)</b>	<b>(23,193)</b>	<b>(523,752)</b>	<b>0</b>	<b>(523,752)</b>	<b>(523,752 )</b>
<b>Budget Gap - General Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>686,545</b>	<b>(686,545)</b>	<b>0</b>

## 6. Revenue Budget Requirement 2026/27

### 6.1. Children and Adults

6.1.1. The Proposed Budget for Children and Adults of £382.911million represents a net increase of £18.544million compared to the budget for 2025/26, with £4.122million of this growth relating to grants to Schools with increased funding reflected in section 7.10 of this report. Table 2 summarises the Directorate's Proposed Budget for 2026/27 while the proposals within the budget for each service are summarised below and are set out in detail in Appendix 2 to this report.

**Table 2: Children and Adults Proposed Budget Summary 2026/27**

General Fund Activities	2026/27 Adjusted Base £000	2026/27 Net Adjustments £000	2026/27 Proposed Budget £000	2026/27 Proposed Budget – Expenditure £000	2026/27 Proposed Budget – Income £000	2026/27 Proposed Budget – Net £000
Assistant Director Adult Social Care	1,392	200	1,592	1,705	(113)	1,592
Adult Social Care Partnership Commissioning	495	0	495	31,564	(31,069)	495
Business Operations & Provider Services	5,567	0	5,567	5,965	(397)	5,567
Locality Services – Staffing	9,773	745	10,518	11,200	(682)	10,518
Service Provision	82,116	8,745	90,861	118,699	(27,838)	90,861
Specialist Services, Safeguarding & Principal Social Worker	5,082	342	5,424	5,813	(389)	5,424
Transformation and Improvement	2,043	(2,403)	0	639	(639)	0
<b>Total Adult Social Care</b>	<b>106,829</b>	<b>7,629</b>	<b>114,458</b>	<b>175,586</b>	<b>(61,128)</b>	<b>114,458</b>
<b>Directorate Management Team</b>	<b>2,419</b>	<b>47</b>	<b>2,466</b>	<b>2,861</b>	<b>(395)</b>	<b>2,466</b>
Business Support	1,956	0	1,956	1,956	0	1,956
Children's Care Improvement	337	0	337	357	(20)	337
Children's Commissioning	688	0	688	1,501	(812)	688
Children's Legal	1,032	0	1,032	1,032	0	1,032
Children's Social Care Management	(202)	(100)	(302)	(302)	0	(302)
Children's Social Work Team	7,181	0	7,181	7,181	0	7,181
Client Support Packages	4,655	0	4,655	4,655	0	4,655
Corporate Parenting	5,312	0	5,312	5,312	0	5,312
Family Solutions, Youth, MASH and Adolescence	9,465	60	9,524	9,564	(40)	9,524
Head of Safeguarding & QA	3,285	0	3,285	3,354	(69)	3,285
Placements	35,504	(2,196)	33,308	37,759	(4,271)	33,308
Provider Services	7,660	172	7,832	10,138	(2,305)	7,832
<b>Total Children's Services</b>	<b>76,872</b>	<b>(2,064)</b>	<b>74,808</b>	<b>82,326</b>	<b>(7,518)</b>	<b>74,808</b>
Early Years	43,862	0	43,862	43,862	0	43,862
Education Management Team	865	0	865	865	0	865
Education, Planning & Access	3,463	572	4,036	4,986	(950)	4,036
Medway Virtual School	789	120	909	1,037	(128)	909

General Fund Activities	2026/27 Adjusted Base £000	2026/27 Net Adjustments £000	2026/27 Proposed Budget £000	2026/27 Proposed Budget – Expenditure £000	2026/27 Proposed Budget – Income £000	2026/27 Proposed Budget – Net £000
School Effectiveness & Attendance	481	0	481	824	(343)	481
SEN Transport	13,704	289	13,993	14,443	(450)	13,993
SEND & Inclusion Client & Providers	46,847	6	46,853	47,133	(280)	46,853
SEND & Inclusion Council Services	2,983	1,241	4,224	4,507	(283)	4,224
<b>Total: Education</b>	<b>112,994</b>	<b>2,228</b>	<b>115,222</b>	<b>117,656</b>	<b>(2,434)</b>	<b>115,222</b>
Additional Government Grants	2,576	118	2,694	4,071	(1,378)	2,694
Partnership Commissioning and C&A Intelligence	1,606	0	1,606	3,807	(2,201)	1,606
<b>Total: Partnership Commissioning</b>	<b>4,181</b>	<b>118</b>	<b>4,299</b>	<b>7,878</b>	<b>(3,579)</b>	<b>4,299</b>
Child Health	5,695	0	5,695	5,709	(14)	5,695
Health Improvement Programmes	4,403	0	4,403	5,440	(1,037)	4,403
Public Health Management	2,384	4,095	6,479	6,891	(412)	6,479
Stop Smoking Services	914	0	914	1,301	(387)	914
Substance Misuse	2,317	0	2,317	4,157	(1,840)	2,317
Supporting Healthy Weight	1,734	0	1,734	1,734	0	1,734
<b>Total Public Health</b>	<b>17,446</b>	<b>4,095</b>	<b>21,541</b>	<b>25,232</b>	<b>(3,691)</b>	<b>21,541</b>
Finance Provisions	1,021	0	1,021	1,021	0	1,021
HR Provisions	716	0	716	956	(239)	716
School Grants	41,889	4,122	46,011	11,523	34,487	46,011
<b>Total School Retained Funding and Grants</b>	<b>43,626</b>	<b>4,122</b>	<b>47,748</b>	<b>13,500</b>	<b>34,248</b>	<b>47,748</b>
<b>Staff costs (pay award, Employers Pension Contribution rate)</b>	<b>0</b>	<b>1,489</b>	<b>1,489</b>	<b>1,489</b>	<b>0</b>	<b>1,489</b>
<b>Total for Children and Adults</b>	<b>364,368</b>	<b>17,664</b>	<b>382,031</b>	<b>426,528</b>	<b>(44,497)</b>	<b>382,031</b>

6.1.2. **Adult Social Care** – Costs are projected to increase by a net £7.629million in 2026/27 (excluding pay uplifts).

6.1.3. The primary drivers are the cost of placements in excess of the current year budget (referred to as the cost of current service pressure) of £7.596million and uplifts of £3.902million (broadly 3% a year across the medium term) to progress towards the fair cost of care and to reflect inflation and support the increased national minimum wage pay to carers by providers. The council is legally obliged to provide care for all eligible individuals regardless of payment status. Demographic growth projected at 3% adds £3.137million to 2026/27.

6.1.4. An additional allocation of £1.773million has been designated to support key service transformation priorities. This funding will address areas for improvement highlighted by the Care Quality Commission

(CQC), improve resourcing for safeguarding, manage the impact of agency staffing costs, and cover increased annual support and maintenance requirements across all Children and Adults IT systems. It also includes investment in the implementation of the Magic Notes AI tool, aimed at enhancing operational efficiency and service delivery. £880,000 of transformational activity will be funded through the flexible use of capital receipts. A £2.200 million investment has already driven substantial transformation, delivering measurable improvements across key service areas, and this MTFO reflects the removal of this funding for 2026/27. The positive outcomes achieved in 2024/25, including significant savings and cost avoidance are being sustained into the current year and beyond. The projected increase reflects the continued deployment of dedicated resources to lead and embed ongoing CQC Improvement and Transformation initiatives. Current savings targets remain on track, underpinned by steady progress against the Finance and Improvement Plan. National pressures like rising demand, workforce challenges, and financial strain are mirrored locally, making budget sustainability more complex. Despite these ongoing challenges, the service remains focused on innovation, cost management, and delivering high-quality support for residents. Savings projected for 2026/27 total £5.889million.

- 6.1.5. The budget also reflects the movement of some specific grant funding streams into Revenue Support Grant, adding £191k to the Adult Social Care budget.
- 6.1.6. **Children's Services** – The Proposed Budget for 2026/27 includes the impact of projections around further demographic growth, demand pressures and price uplifts to reflect inflation totalling £2.217million.
- 6.1.7. In November 2024, the Government confirmed it will roll funding for the post 16 pupil premium into the Children and Families grant from 2026/27. This income had previously been reflected in the Children's Services budget, however the Proposed 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.
- 6.1.8. The Proposed Budget also includes £472,000 to improve placement sufficiency. The level of additional investment in previous years is projected to enable the service to continue to proactively manage and review placements to ensure the best possible support is provided while delivering value for money, delivering £4.113million reduction in projected expenditure. It is also projected to save £300,000 by increasing the proportion of in-house foster care placements and £300,000 by supporting care leavers into independent accommodation.
- 6.1.9. The Proposed Budget therefore reflects a net decrease in the Children's Services budget (excluding pay uplifts) of £2.064million

compared to 2025/26.

- 6.1.10. **Education** – The Proposed Budget for Education services is projected to increase by a total of £2.228million in 2026/27, primarily driven by growth in pupil numbers and demand for EHCPs. For transport, lower provision costs were achieved as part of the FIT plan work in the last financial year, and the proportion of pupils with EHCPs receiving SEND transport is targeted to reduce by 5%, with both these mitigations the increase in transport costs has been reduced to £289,000 for SEND transport and £345,000 for mainstream transport for 2026/27.
- 6.1.11. The Proposed Budget also includes investment in permanent staffing in the SEND Team. Due to the doubling of requests for needs assessments, it is necessary to invest in additional staffing in order to meet statutory SEND assessment timeframes, projected to cost £1.195million. The new statutory duties arising from the Children's Wellbeing and Schools bill are expected to increase costs by £186,000. The projections also include investment of £222,000 in the Information, Advice and Guidance and Post-16 services, to fund staffing and engagement work in response to the doubling of the numbers of young people not in education, employment or training (NEETs). Finally, the service is exploring further use of AI to support the compilation of Education Health and Care Plans (EHCPs) and are projecting this will save £140,000 in 2026/27.
- 6.1.12. Finally the Proposed Budget reflects the impact of the Government announcements on the Dedicated Schools Grant for 2025/26, detailed at section 7.10 of this report which add £4.122million to the education grants compared to 2025/26, however the Proposed 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.
- 6.1.13. The Proposed Budget for general fund Education services therefore represents a net increase of £2.867million compared to the 2025/26 budget, excluding staff pay and pension increases while the Proposed Budget for Schools Retained Funding and Grants represent a net increase of £4.122million compared to 2025/26.
- 6.1.14. **Partnership Commissioning**
- 6.1.15. The Proposed Budget represents an increase of £118,000 compared to the 2025/26 budget, reflecting the increase in the allocation of the Holiday Activity Fund Element of the Children, Families and Youth Grant.
- 6.1.16. **Public Health**
- 6.1.17. Public Health is projected to deliver within the 2025/26 grant allocation and reflects the impact of an exercise to realign expenditure to

maximise delivery through the Public Health Grant, which will see direct expenditure in Public Health services increase as budgets in Adult Social Care and Children's Services reduce, as set out above. We will invest further into the prevention agenda and reducing health inequalities across Medway. This includes for example investment into Marmot Place initiatives to reduce inequalities; increase in investment into public health nursing to ensure there is capacity to meet the requirements of the new children's wellbeing and schools bill; a focus on reducing unwanted teenage pregnancies as well as reducing vaccine hesitancy and driving an increase in the uptake of screening by vulnerable residents.

6.1.18. Also as detailed in section 7.9.4, as part of the Provisional Local Government Finance settlement a number of previously specific public health related grants will form part of the Public Health Grant for 2026/27, we have therefore increased the Public Health budget requirement for 2026/27 to allow for this change adding £2.339million.

## 6.2. Regeneration, Culture and Environment

6.2.1. The Proposed Budget for Regeneration, Culture and Environment of £78.223million represents a net increase of £3.434million compared to the budget for 2025/26. Table 3 summarises the Directorate's Proposed Budget for 2026/27 while the proposals within the budget for each service are summarised below and are set out in detail in Appendix 3 to this report.

**Table 3: Regeneration, Culture and Environment Proposed Budget Summary 2026/27**

General Fund Activities	2026/27 Adjusted Base £000	2026/27 Net Adjustments £000	2026/27 Proposed Budget £000	2026/27 Proposed Budget – Expenditure £000	2026/27 Proposed Budget – Income £000	2026/27 Proposed Budget – Net £000
Culture	2,793	0	2,793	4,811	(2,017)	2,793
Culture & Community Support	57	0	57	165	(108)	57
Greenspaces	5,299	549	5,848	6,198	(351)	5,848
Libraries & Community Hubs	4,151	200	4,351	4,623	(272)	4,351
Planning	2,187	(80)	2,107	3,921	(1,814)	2,107
South Thames Gateway Partnership	281	134	415	415	0	415
Sport, Leisure, Tourism & Heritage	2,098	(489)	1,609	7,329	(5,721)	1,609
Strategic Housing	8,020	2,088	10,108	12,674	(2,566)	10,108
<b>Total for Culture &amp; Community</b>	<b>24,885</b>	<b>2,402</b>	<b>27,287</b>	<b>40,136</b>	<b>(12,849)</b>	<b>27,287</b>
<b>Director's Office</b>	<b>710</b>	<b>(94)</b>	<b>616</b>	<b>636</b>	<b>(20)</b>	<b>616</b>
Environmental Services	32,055	2,045	34,100	36,240	(2,140)	34,100
Front Line Services Support	874	0	874	884	(10)	874
Highways	6,385	(610)	5,775	7,356	(1,581)	5,775
Integrated Transport	6,867	110	6,976	8,774	(1,798)	6,976
Parking Services	(8,583)	(2,107)	(10,690)	4,862	(15,551)	(10,690)
Regulatory Services	2,486	(233)	2,253	5,189	(2,936)	2,253

General Fund Activities	2026/27 Adjusted Base £000	2026/27 Net Adjustments £000	2026/27 Proposed Budget £000	2026/27 Proposed Budget – Expenditure £000	2026/27 Proposed Budget – Income £000	2026/27 Proposed Budget – Net £000
<b>Total for Front Line Services</b>	<b>40,083</b>	<b>(795)</b>	<b>39,288</b>	<b>63,305</b>	<b>(24,017)</b>	<b>39,288</b>
Economic Development	594	50	644	1,727	(1,083)	644
Medway Norse	6,606	(606)	6,000	6,000	0	6,000
Property & Capital Projects	2,617	0	2,617	3,566	(949)	2,617
Regeneration Delivery	927	600	1,527	2,482	(955)	1,527
Skills & Employability	233	145	378	2,657	(2,279)	378
Valuation & Asset Management	(1,598)	871	(727)	2,412	(3,139)	(727)
<b>Total for Regeneration</b>	<b>9,379</b>	<b>1,060</b>	<b>10,439</b>	<b>18,844</b>	<b>(8,405)</b>	<b>10,439</b>
<b>Norse profit Share</b>	<b>(269)</b>	<b>(11)</b>	<b>(280)</b>	<b>0</b>	<b>(280)</b>	<b>(280)</b>
<b>Staff costs (pay award, Employers Pension Contribution rate)</b>	<b>0</b>	<b>772</b>	<b>772</b>	<b>772</b>	<b>0</b>	<b>772</b>
<b>Total for Regeneration, Culture and Environment</b>	<b>74,788</b>	<b>3,334</b>	<b>78,123</b>	<b>123,694</b>	<b>(45,571)</b>	<b>78,123</b>

## 6.2.2. Culture and Community

6.2.3. The Proposed Budget for Culture and Community reflects a budget requirement increase of £2.402million in 2026/27. The projections include the funding of a £2.088million pressure relating to the provision of Temporary Accommodation. The investment of £200,000 in permanent staffing to enable the Libraries service to continue ensure the safe continuous delivery of services. Investment of £100,000 in 2026/27 and 2027/28 would enable the Council to celebrate Rochester Castle reaching its 900th year in 2027. A saving of £63,000 from handing back the management of Upnor Castle and Temple Manor to English Heritage. The impact of inflationary increases on contacts in this area along with the increased contribution to the STG Building Control Partnership collectively add £408,000. The addition of £96,000 staffing is projected to deliver additional income from the Council's sports and leisure facilities of £692,000 in 2026/27. The addition of £70,000 is required to support the visitor economy, however the significant progress made towards the delivery of the Local plan enables the Planning service to reduce expenditure delivering a net saving of £80,000 in 2026/27. And finally, an addition of £275,000 to fund the cost of opening and closing parks.

6.2.4. **Directors Office** – The Proposed Budget represents a net decrease (excluding pay uplifts) of £94,000 reflecting a decreased budget to provide for bad debt.

## 6.2.5. Front Line Services

6.2.6. 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 £2.309million in 2026/27. The projections include investment of £75,000 into the maintenance of highways and footways required to keep the network operating smoothly. Costs associated with the delivery and enforcement of the Safer, Healthier Streets programme, including technical support and increased administration costs result in a saving of £44,000. There is a projected £2.218million in additional income in 2026/27 from changes to Highways and Parking schemes. There are savings of £350,000 from electricity costs on street lighting and the Medway Tunnel. The costs of providing Concessionary travel including the Medway Youth Pass adds £110,000. There is a £450,000 saving from the introduction of a commercial Waste recycling site.

- 6.2.7. As a result of the capital scheme to invest in in-house provision of kennels as referred to in section 12.4.7, there is a projected reduction in the budget requirement of £110,000. And finally the budget reflects the removal of the budgeted contribution to reserves for repairs at the crematorium of £138,000.
- 6.2.8. The Proposed Budget therefore reflects a net decrease in the Front Line Services budget (excluding pay uplifts) of £1.343million compared to 2025/26.

#### **6.2.9. Regeneration**

- 6.2.10. The Regeneration projections add a total of £1.698million to the budget requirement in 2026/27. As the assets declared surplus through the property rationalisation programme are sold, the loss of rental income manifests as a pressure here, projected at £1.242million. There is however an assumption in that expenditure on Interest & Financing will fall by the same amount as borrowing is reduced offsetting this. The projections reflect the investment of £500,000 in a package of support for High Streets, including funding a Chatham and Gillingham Safe & Clean High Streets Initiative, seed-funding for regeneration enablement funds for Gillingham and Rainham, markets improvements and support for town centre forums. Reductions in the grant funding for Medway Adult Education and Multiply create a pressure of £345,000 in 2026/27, although £100,000 Multiply element and £100,000 of the loss of income will be funded from the Crisis Resilience Fund in 2026/27 for course that meet the requirements of that funding stream. It is anticipated that the review of Facilities Management arrangements, including re-procuring elements of this work would deliver a saving of £606,000. Additional staffing in the Valuations and Asset Management team is projected to add an additional £79,000. An additional cost in relation to working in partnership with KCC to support visitor economy and inward investment activities adds £21,000. There is an additional Communications Officer for Town Centres and Economic Development adding £50,000. Finally, the resource required to deliver a river strategy is projected to cost £107,000, although this will be funded through the flexible use of capital receipts.

### 6.3. Business Support Department

6.3.1. The Proposed Budget for Business Support of £35.003million represents a net decrease of £374,000 compared to the budget for 2025/26. Table 4 summarises the Directorate's Proposed Budget for 2026/27 while the proposals within the budget for each service are summarised below and are set out in detail in Appendix 4 to this report.

**Table 4: Business Support Department Proposed Budget Summary 2026/27**

General Fund Activities	2026/27 Adjusted Base £000	2026/27 Net Adjustments £000	2026/27 Proposed Budget £000	2026/27 Proposed Budget – Expenditure £000	2026/27 Proposed Budget – Income £000	2026/27 Proposed Budget – Net £000
<b>Directorate Management Team</b>	<b>800</b>	<b>0</b>	<b>800</b>	<b>821</b>	<b>(21)</b>	<b>800</b>
<b>Communications</b>	<b>1,807</b>	<b>215</b>	<b>2,022</b>	<b>2,093</b>	<b>(71)</b>	<b>2,022</b>
FBI - Finance	5,027	717	5,744	65,243	(59,498)	5,744
FBI - Information	11,974	(1,526)	10,448	14,376	(3,928)	10,448
FBI - Organisational Culture	3,513	(71)	3,442	4,553	(1,111)	3,442
FBI Divisional Management Team	339	0	339	339	0	339
Internal Audit & Counter Fraud	701	(65)	636	849	(213)	636
Policy & Planning	450	(450)	0	400	(400)	0
<b>Total Finance &amp; Business Improvement</b>	<b>22,004</b>	<b>(1,395)</b>	<b>20,609</b>	<b>85,759</b>	<b>(65,150)</b>	<b>20,609</b>
<b>Crisis Resilience Fund</b>	<b>3,988</b>	<b>40</b>	<b>4,027</b>	<b>4,027</b>	<b>0</b>	<b>4,027</b>
Category Management	455	0	455	538	(83)	455
Democratic Services Manager	604	0	604	648	(44)	604
Legal, Land Charges & Licensing	3,420	241	3,661	4,982	(1,321)	3,661
Members & Elections	2,300	(85)	2,214	2,273	(59)	2,214
<b>Total Legal &amp; Governance</b>	<b>6,778</b>	<b>156</b>	<b>6,934</b>	<b>8,442</b>	<b>(1,508)</b>	<b>6,934</b>
<b>Staff costs (pay award, Employers Pension Contribution rate)</b>	<b>0</b>	<b>611</b>	<b>611</b>	<b>611</b>	<b>0</b>	<b>611</b>
<b>Total for Business Support</b>	<b>35,377</b>	<b>(374)</b>	<b>35,003</b>	<b>101,753</b>	<b>(66,750)</b>	<b>35,003</b>

6.3.2. **Communications & Child Friendly Medway – Expenditure** projections relating to Communications represent an increase to the budget requirement of £215,000 in 2026/27, excluding staff pay and pension increases. The 2025/26 budget included investment in additional staffing in Communications to enable the service to meet growing demands and support income generation across the Council. The projections for 2026/27 reflect the full year impact of that investment, adding £155,000 to the budget requirement for next year. The projections also include an additional £60,000 investment in the delivery of Child Friendly Medway programmes.

6.3.3. **Finance and Business Improvement**

6.3.4. The correction of income budgets in Internal Audit and Counter Fraud

results in a saving of £65,000. By March 2026, the Government aims to have completed the migration of working age claimants of Housing Benefit, administered by local authorities, to Universal Credit which is administered by the Department for Work and Pensions. This leaves local authorities administering Housing Benefit for pensioners, specified accommodation and temporary accommodation cases only, claim types which are not fully subsidised by the Government. In 2025/26 the budgeted level of Council funded benefits paid was £911,419, which is projected to rise by £350,000 in 2026/27. The Council is currently operating in a pilot for the Supported Housing Improvement Programme, which aims to help improve and uphold standards of supported housing for vulnerable people. Continuing this work beyond the end of the period for which the Government has confirmed funding is projected to cost £37,000. Increased postage costs are predicted to add £80,000. In addition, a further £240,000 will be saved through the funding of eligible spend on existing contracts through the Crisis and Resilience Fund

- 6.3.5. Inflationary uplifts on the corporate ICT software and hardware licensing managed here add £118,000 in 2026/27, however the contribution to the ICT reserve will decrease by £200,000. Income pressures in the Customer and Business Support add a further £56,000. There is reduction in resource available for the Policy and Partnerships team of £50,000. Finally, the correction of a series of income budgets in HR and Organisational Culture results in a net saving of £32,000.
- 6.3.6. There are number of service improvements being implemented as part of the Medway 2.0 programme which will lead to savings totalling £464,000. In addition, £1.647million of transformational activity will be funded through the flexible use of capital receipts.
- 6.3.7. The proposed budget also reflects changes to the funding of Discretionary Housing Payments, funding for which are now part of the Crisis Resilience Fund, this adds £563,000 to the budget requirement for Finance and Business Improvement although does not represent a pressure on the overall council budget requirement.
- 6.3.8. The Proposed Budget therefore reflects a net decrease in the Finance and Business Improvement budget (excluding pay uplifts) of £1.395million compared to 2025/26.
- 6.3.9. **Legal and Governance**
- 6.3.10. The cost of Legal, Contracts and Governance is projected to increase by £156,000 in 2026/27. The primary driver is a £256,000 pressure on the cost of supporting Children's Services legal proceedings. The cost of a required upgrade to the Legal Services case management system is estimated at £65,000, although this will be funded through the flexible use of capital receipts. The interface with His Majesty's Land Registry and other ICT licensing costs along with inflationary

uplifts on practising certificates collectively add £25,000. Members Allowances are uplifted annually in line with the median hourly rate increase for staff, and this is projected to add £65,000 to the budget for 2026/27. These pressures are partially mitigated by savings on £40,000 across Legal Services supplies and services and also the reduction of the budgeted contribution to the elections reserve of £150,000.

#### 6.4. Corporate Management

6.4.1. The Corporate Management budget includes Corporate Management costs and Levies from other public sector bodies. The Proposed Budget represents a decrease of £1.047million compared to the budget for 2025/26. Table 5 summarises the Proposed Budget for 2026/27 while the proposals within the budget for each service are summarised below and are set out in detail in Appendix 5 to this report.

**Table 5: Corporate Management Proposed Budget Summary 2026/27**

General Fund Activities	2026/27 Adjusted Base £000	2026/27 Net Adjustments £000	2026/27 Proposed Budget £000	2026/27 Proposed Budget – Expenditure £000	2026/27 Proposed Budget – Income £000	2026/27 Proposed Budget – Net £000
Corporate Management	2,935	(1,107)	1,828	2,590	(762)	1,828
Levies	1,996	60	2,057	2,089	(32)	2,057
<b>Total Corporate Management</b>	<b>4,931</b>	<b>(1,047)</b>	<b>3,885</b>	<b>4,679</b>	<b>(794)</b>	<b>3,885</b>

6.4.2. The proposed budget reflects a reduction of £314,000 in the resources available to deliver an Improvement Programme to transform services and make significant savings, as well as funding the remaining budget from the flexible use of Capital receipts reducing the budget requirement by a further £700,000. Corporate Management also includes the budgets in respect of bank charges and external audit fees and collectively these reduce the budget requirement by £93,000.

6.4.3. 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 Proposed Budget includes a projection that the cost to Medway of these levies will add a further £60,000 to the Council's budget requirement for 2026/27.

#### 6.5. Interest and Financing

6.5.1. The Council's Interest and Financing budget represents the net cost of the treasury activities required to fund the Council's capital programme and to ensure an adequate cash flow to support the delivery of all services. The primary driver of change to this budget is the extent of borrowing required (including any new capital schemes

not funded by grant etc.) and the cost at which that borrowing can be financed.

- 6.5.2. The MTFO was prepared before the development of the Capital Strategy and was based upon an anticipated decrease in the PWLB lending rates, as per projections provided by our treasury advisors MUFG. In spite of a forecast increase in borrowing, it was assumed that the effect of this would be compensated by a reduction in interest rates and consequently no growth was assumed in the Interest and Financing budget for 2026/27.
- 6.5.3. On 13 November 2025 Full Council agreed the addition of a total of up to £44million to the Council's capital programme for the development of a Medway Council owned and operated care home at Innovation Park Medway (IPM) South. This scheme adds £2.7million a year to the budget requirement for Interest and Financing and an estimate of the impact in 2026/27 has been incorporated into the Proposed Budget.
- 6.5.4. Around 64% of the Council's existing capital programme of £229.722million is funded through borrowing and interest rates continue to be higher than previously projected resulting in a budget pressure. The Council also previously borrowed from other local authorities, however the EFS agreed has resulted in a perception of higher risk, resulting in elevated rates compared to the PWLB. PWLB rates remain elevated as yields from Government Bonds have increased where hedge fund investors, demanding higher returns, have replaced pension funds that are no longer investing in bonds.
- 6.5.5. The Council also borrows to ensure the maintenance of an adequate day to day cashflow. Historically the Council has had sufficient cash balances that a portion of the borrowing requirement could be financed internally, reducing external borrowing costs. The Council no longer has available cash balances as the level of debtors has grown in comparison to creditors, and as it has been forced to bear the cost of funding the deficit on the High Needs Block of the Dedicated Schools Grant while the statutory override and Safety Valve programme have worked to mitigate it.
- 6.5.6. The Council is the primary funder for the activities of Medway Development Company (MDC), supporting the regeneration and delivery of housing in Medway. The Council borrows to fund MDCs schemes via onward lending. In previous years, the majority of the loans to MDC were short term to support the development of units for sale and MDC were charged rates reflecting this level of risk to the Council. As the rates on the loans to MDC were significantly higher than the rates payable by the Council on the loans taken to finance them, the budget here included an on-lending benefit. As MDC strategy has shifted to include the development of properties for long term rental, new loans have been secured against the existing assets and have been agreed at lower rates to ensure the viability of the

schemes while still complying with the Subsidy Control requirements (formerly known as State Aid). This has however reduced the level of income projected in the Draft Budget.

- 6.5.7. In addition to borrowing to fund the activities of the Council and MDC, the Proposed Budget also reflects the need to borrow from the Public Works Loans Board (PWLB) to fund the capitalisation directions the Minister for Homes, Communities and Local Government (MHCLG) has agreed in principle for Medway. At this stage, in order to fund the budget gap projected in this proposed Budget, it would be necessary to request an additional £10.126million EFS for 2026/27 and the Proposed Budget reflects the inclusion of borrowing to support this.
- 6.5.8. Where authorities borrow to finance capital spend, we are required under regulations to set aside money each year from the revenue account to make sure we can afford to repay the principal of the debt, known as the Minimum Revenue Provision (MRP). MRP is calculated on an annuity basis, over the useful life of the assets created through the capital investment, and as a result the amount we have to put aside each year for loans taken out in the past increases over the asset life, resulting in an increasing budget requirement year on year for MRP.
- 6.5.9. The Proposed Budget requirement for Interest and Financing is therefore £24.710million; this represents an increase of £3.515million compared to the adjusted base budget for 2025/26.

## 6.6. Pay and Pensions

- 6.6.1. The Proposed Budget reflects the recommendations of the Employment Matters Committee of 28 January 2026 to Full Council, which Cabinet are asked to note:
  - a) an increase for all staff on MedPay terms and conditions, in line with inflation, which includes those on MedPay Performance, Progression Pay Scheme as well as those who are on the legacy scheme.

[However, recognising that CPI increased to 3.4% for December 2025 the proposed budget includes a 3.5% increase for all staff on MedPay terms and conditions.]
  - b) To not return to NJC currently, but keep negotiations open on this matter, and do a joint piece of work on impact and cost assumptions.

[These recommendations can be met from the £4.728million provision incorporated into the Proposed Budget for pay uplifts.]

- 6.6.2. In addition, the triennial actuarial review of the LGPS recommended a reduction in the employers contribution rate from 20.3% to 18.3%.

This reduces the budget requirement by £1.856million

6.6.3. The Proposed Budget projections for staff pay therefore represent net growth in the budget requirement of £2.872million with the proportion of this total growth represented by each Directorate detailed in tables 2, 3 and 4 and Appendices 2, 3 and 4 to the report.

## 7. Revenue Budget Funding

### 7.1. Core Spending Power

7.1.1. 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. 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.

7.1.2. The settlement compares Core Spending Power back to 2024/25, this is different to previous years which have compared back to the previous financial year. Medway Council's CSP is summarised in Table 6 below.

**Table 6: Core Spending Power (CSP) 2024/25 to 2028/29**

	2024/25 £m	2025/26 £m		2026/27 £m	2027/28 £m	2028/29 £m
Legacy Grant Funding	35.294	37.660	Revenue Support Grant*	56.108	73.207	81.710
			LA Better Care Grant*	9.015	0.000	0.000
Legacy Business Rates	71.415	73.887	Business Rates Baseline Funding Level	69.344	70.935	72.366
<b>Settlement Funding Assessment</b>	<b>106.709</b>	<b>111.547</b>	<b>Fair Funding Allocation</b>	<b>134.467</b>	<b>144.142</b>	<b>154.075</b>
Council Tax excluding Parishes	159.523	168.937	Council Tax excluding Parishes	179.887	191.546	203.962
LA Better Care Grant	7.308	9.015				
Recovery Grant	0.000	2.675	Recovery Grant	2.675	2.675	2.675
Families First Partnership (Within Children, Families and Youth Grant)	1.290	3.083	Families First Partnership (Within Children, Families and Youth Grant)	4.678	4.678	3.995
Homelessness, Rough Sleeping and Domestic Abuse	2.591	3.780	Homelessness, Rough Sleeping and Domestic Abuse	3.703	3.821	3.923
Adjustment for rolled in grants	2.126	2.661				
<b>CSP</b>	<b>279.546</b>	<b>301.698</b>	<b>CSP</b>	<b>325.410</b>	<b>346.861</b>	<b>368.631</b>

\*LA Better Care Grant rolls into Revenue Support Grant from 2027/28

## **7.2. The Local Government Finance Settlement**

- 7.2.1. On 20 November 2025 MHCLG published the Local Government Finance Policy Statement 2026 to 2027 setting out the principles that would drive the distribution of new funding between local authorities. The Provisional Local Government Finance Settlement 2026 to 2029 was announced by the Government on 17 December 2025 and opened a four-week consultation period, which closed on 14 January 2026. The Final Local Government Finance Settlement is expected to be published early February 2026.

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

- 7.3.1. Income from Council Tax and Business Rates is held in a ringfenced collection fund account, from which authorities draw the 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.

## **7.4. Council Tax**

- 7.4.1. When the Government published the Final Local Government Finance Settlement in early February it will set out the package of referendum principles for 2026/27. For Medway Council, this report assumes 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.
- 7.4.2. In accordance with the Full Council delegation, on 16 January 2026 the Chief Operating Officer, in consultation with the Leader, agreed the Council Tax base for 2026/27 at 92,471.46 band D equivalents. This calculation reflects the impact of a projected 0.25% reduction in the collection rate due to the continued impact of the cost-of-living crisis on collection. The increase in the Council Tax base is lower than anticipated and this is mainly due to a slowdown in the completion of new build properties. The 2026/27 taxbase represents an increase of 371.26 (0.4%) Band D equivalents compared to the 2025/26 tax base.
- 7.4.3. At the end of the 2025/26 financial year there is a projected surplus of £3.955million which the Council can incorporate into the budget for 2026/27. The Proposed Budget therefore assumes the Council will receive a total of £182.826million through the Council Tax in 2026/27, an increase of £12.310million compared to the 2025/26 budget.
- 7.4.4. This report considers the budget requirement for Medway Council only. There are a number of other factors that will influence the final Council Tax requirement to be approved by Full Council on 25

February 2026. Whilst the final rate will be dependent on the level of spending, it will also be affected by:

- The Police and Crime Commissioner's precept – at their meeting on 5 February 2026 the Police and Crime panel will consider the PCC's proposed increase in their precept by the maximum allowable amount of £15 per year, or 5.6% taking the average Band D property to £285.15 and an associated precept of £26,368,180.
- The Kent Fire and Rescue Service (KFRS) precept – KFRS is proposing a £4.95 (5.2%) increase at their meeting on 18 February 2026, which would give a Band D figure of £98.81 and an associated precept of £9,137,085.
- The parish precepts – at this stage approved precept demands have not been received from all Parish Councils; these will be incorporated into the report to Council on 25 February 2026.

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

7.5.1. The rates payable by individual businesses is calculated based on the rateable value of the property as set by the government's Valuation Office Agency (VOA). This is then multiplied by a figure called the business rates multiplier which is set by the government each year. Every three years all business rates properties are revalued by the VOA and as a result updated rateable values will be in place from 1 April 2026 (based on rental values at 1 April 2024).

7.5.2. Since April 2020, eligible Retail, Hospitality, and Leisure (RHL) properties have been in receipt of various levels of relief from business rates. This relief has been granted using discretionary relief powers under section 47 of the Local Government Finance Act 1992 and reimbursed via Section 31 grants. At the budget on 26 November 2025, the Chancellor of the Exchequer announced that this relief is being replaced by two new multipliers which will be funded by a high-value multiplier for properties with a rateable value of £500,000 and above as shown in table 7 below:

**Table 7 Business rates multiplier by rateable value**

Rateable value	RHL	Non-RHL
£0-£50,999	38.2p	43.2p
£51,000-£499,999	43.0p	48.0p
£500,000 and over	50.8p	

7.5.3. As these new multipliers are now contained in regulations and no longer awarded as a discretionary relief, large businesses that were previously restricted by the £110,000 cash cap will be eligible for the RHL multiplier if the rateable value is below £500,000. The council, which cannot award discretionary relief to itself, will also benefit from the lower multipliers in respect of properties such as sports centres,

libraries and museums.

7.5.4. The Chancellor also announced in the budget two new business rate reliefs which come into effect from April 2026: Supporting Small Business Relief 2026 (SSBR), Electric Vehicle Charging Point (EVCP) Relief and Pubs and Live Music Venues Relief (PLMVR). These reliefs will both be granted using section 47 discretionary powers which will be fully reimbursed via Section 31 grants.

- SSBR 2026 is similar to the current scheme which restricts increases due to loss of Small Business Rate Relief and Rural Rate Relief as a result of revaluation, but the scheme also restricts increases caused due to loss of RHL relief as well as SSBR 2023. The maximum increase is £800 (the 2023 scheme restricted the increase to £600) or the transitional relief cap (whichever is greatest).
- EVCP Relief applies to eligible EVCPs and Electric Vehicle only forecourts that are separately assessed by the VOA. This will provide 100% relief from business rates for the next 10 years.
- PLMVR gives qualifying pubs and music venues a reduction of 15% in their net business rates liability (i.e. after any mandatory or other section 31 funded-discretionary reliefs have been applied). Bills will also be frozen in real terms for a further two years (until March 2029).

7.5.5. Two of three new elements of the Council's Policy for the granting of Discretionary Non-Domestic Rates Relief are provided at Appendix 9 to this report for Member approval. The third element (PLMVR) will be added when full guidance is received from MHCLG and reported to Full Council as part of the budget.

7.5.6. 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.

7.5.7. Our completed NDR1 calculates that Medway's income from retained business rates will be £71.963million. At the end of the 2025/26 financial year there was a deficit on the collection fund of £1.771million which Medway can budget for in 2026/27.

7.5.8. The Proposed Budget therefore assumes the Council will receive a total of £70.230million through business rates and related grants in 2026/27, a decrease of £6.577million compared to 2025/26, although

this needs to be viewed alongside changes to Revenue Support Grant set out in section 7.8.

## 7.6. Non-ringfenced Government Grant

- 7.6.1. **Recovery Grant** – The draft budget assumed that the recovery grant was one off funding and therefore assumed we would not receive any funding in 2026/27. However, it has been confirmed that the government will maintain 2025/26 Recovery Grant allocations in each year of the multi-year settlement. As a result, Medway's allocation remains at £2.675million.
- 7.6.2. **Revenue Support Grant (RSG)** – The Final Settlement confirms government's intention to consolidate 18 funding streams into RSG. The consolidation of funding streams will be delivered in the following 3 ways
- 7.6.3. Consolidating 2 funding streams new to the Settlement keeping the existing distributions:
  - Social Care in Prisons.
  - War Pensions Disregard.
- 7.6.4. Consolidating 9 funding streams that are new to the Settlement into the 2025/26 legacy funding shares, which will gradually be phased into the 2028/29 fair funding shares:
  - Temporary accommodation funding, previously part of the Homelessness Prevention Grant;
  - Virtual School Head for Children with a Social Worker and Children in Kinship Care;
  - Biodiversity Net Gain Planning Requirement ;
  - Deprivation of Liberty Safeguards Funding;
  - Local Government Finance Data Review;
  - Enforcement of Location Restriction and Volume New Burdens grant;
  - Enforcement of Calorie Labelling Regulations New Burdens grant;
  - Awaab's Law New Burdens;
  - Social Housing New Burdens Grant.
- 7.6.5. Consolidating 7 funding streams that are already within the Settlement into the 2025/26 legacy funding shares, which will also be gradually phased in to the 2028/29 fair funding shares:
  - Social Care Grant;
  - Local Authority Better Care Grant (see 7.8.7);
  - Historic business rates grant compensation for under-indexation of tax rates; Green Plant and Machinery exemptions; and Small Business Rates Relief lost supplementary income;
  - Market Sustainability and Improvement Fund;

- Employer National Insurance Contributions;
- New Homes Bonus;
- 2025/26 Funding Floor;
- Funding from the following grants (treated as one funding stream) brought together into the Children and Families Grant in 2025/26:
  - Supported Accommodation Reforms;
  - Staying Put;
  - Virtual School Heads Extension for previously looked after children;
  - Leaving Care Allowance uplift;
  - Personal Advisors Extended Duty.

7.6.6. Medway's RSG allocation is £56.108million for 2026/27.

7.6.7. **Local Authority Better Care Grant (LA BCG)** – LA BCG will be paid as a separate s31 grant (so that it can continue to be pooled with the NHS) in 2026/27 but will be included within RSG from 2027/28. The LA BCG allocations will use the current 2025/26 allocations; Medway's allocation remains at £9.015million. There will be no change in the amounts that have to be pooled with the NHS.

7.6.8. The combined total of these non-ringfenced government grants is £67.798million, while this is an increase of £16.055million compared to the 2025/26 budget, this represents a decrease of decrease of £9.605million compared to the projections in the Draft Budget due to the phasing of the transitional relief for authorities to reach their Fair Funding level.

## 7.7. **Consolidated Grants**

7.7.1. **Children, Families and Youth Grant** - This grant will bring together:

- The Children's Social Care Prevention Grant;
- Families First Partnership programme funding (previously Supporting Families) within the Children and Families Grant;
- New funding from the Transformation Fund announced at the 2025 Spending Review;
- Further new investment now confirmed;
- The Holiday, Activities and Food Grant (HAF).

Medway's allocation is £6.016million, an increase of £1.027million compared to 2025/26. With the cost of the Holiday Activities and Food grant (HAF) reflected as hypothecated growth in the expenditure budget in the Children & Adults Directorate budget.

7.7.2. **Crisis and Resilience Fund** - This will make it easier for local authorities to provide preventative support to communities and assist people when faced with a financial crisis, by bringing together the Household Support Fund and Discretionary Housing Payments (DHP)

funding, into one new, streamlined fund Medway's allocation is £4.590million, an increase of £603,000 compared to 2025/26. Although it should be noted that £563,000 DHP funding was previously accounted for within service allocations and represents a realignment of budgets rather than increased income, we have reflected growth in expenditure in the Business Support budget in respect of this realignment.

**7.7.3. Homelessness, Rough Sleeping and Domestic Abuse Grant –** This grant brings together the prevention, relief and staffing element of Homelessness Prevention Grant along with the Rough Sleeping and recovery Grant and the Domestic Abuse Safe Accommodation Grant. Medway's allocation is £3.703million, an increase of £329,000 compared to 2025/26.

**7.7.4. Public Health Grant –** This will bring together funding from the existing Public Health Grant using the same distribution approach as in previous years, with the following funding streams:

- Drug and Alcohol Treatment and Recovery Improvement Grant (DATRIG);
- Local Stop Smoking Services and Support Grant;
- Individual Placement and Support Grant.

Medway's allocation is £22.686million, an increase of £2.339million compared to 2025/26. Although it should be noted that £1.8million funding in respect of the funding streams listed above was previously accounted for within service allocations and represents a realignment of budgets rather than increased income, we have reflected growth in expenditure in the Public Health budget in respect of this realignment.

## 7.8. Education Related Grants

**7.8.1.** Outside the Settlement, on 28 November 2025, 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. Medway's allocations for Education Related Grants will total £148.916million in 2026/27 as set out in table 8 below, alongside our projections for future years allocations. This represents an increase of £17.540million compared to 2025/26, with the equivalent hypothecated growth in expenditure also reflected in the Education Budget.

**Table 8: Education Related Grant**

	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s
DSG (Retained Schools Block)	1,302	1,346	1,386	1,428	1,471
DSG (Schools Block)	44,679	39,755	40,948	42,176	43,441
DSG (High Needs Block)	49,484	52,427	52,427	52,427	52,427
DSG (Early Years Block)	44,149	51,020	52,551	54,127	55,751
Pupil Premium Grant	4,287	3,395	3,497	3,602	3,710
Sixth Form Grant	973	973	1,002	1,032	1,063
<b>Total Grant</b>	<b>144,874</b>	<b>148,916</b>	<b>151,811</b>	<b>154,792</b>	<b>157,863</b>

7.8.2. On 23 June, as part of the Fair Funding Review 2.0 the government has confirmed that the statutory override on accounting for Dedicated Schools Grants (DSG) deficits would be extended to 31 March 2028. As set out in the Autumn Budget, once the Statutory Override ends at the end of 2027/28 SEND would be taken on by central government from 2028/29. The government has also confirmed that it will bring forward a full Schools White Paper early in the new year. This will set out substantial plans for reform of special educational needs provision to deliver a sustainable system which – first and foremost – supports children and families effectively, and which is also financially sustainable.

### 7.9. Extended Producer Responsibility for Packaging (EPR) Scheme

7.9.1. In July 2025, the Department for Environment, Food and Rural Affairs (DEFRA) wrote to local authorities notifying them of their updated payments in respect of EPR for 2025/26. In the absence of any further guidance the proposed budget reflects anticipated income of £4.616million for 2026/27 in respect of EPR which is £257,000 lower than in 2025/26.

### 7.10. Best Start in Life

7.10.1. The proposed budget assumes the continuation of Best Start in Life (previously Start 4 Life) funding at the level received in 2025/26 of £1.415million, the funding fully funds the activity under the Best Start in Life programme in C&A, any changes to the funding allocation will be updated when known and expenditure budgets adjusted accordingly so there is no impact on the Councils Revenue budget.

### 7.11. Exceptional Financial Support

7.11.1. As set out in section 4.1 of this report, the Council's budget for 2025/26 included funding of £18.184million 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 2025/26. When considering the Draft Capital and Revenue Budget 2026/27 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 2026/27 and to continue to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme if required.

- 7.11.2. In December 2025, a request was submitted to the Government seeking a further £9.9million in respect of 2025/26, in addition to the £18.184million incorporated in the budget, to fund the overspend projected at Round 2 should that arise at year end.
- 7.11.3. The request submitted in December 2025 also included support of £25.9million as per the potential budget gap projected for 2026/27 at that stage. The support requested would not only enable the Council to balance the budget for 2026/27 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.
- 7.11.4. This Proposed 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 £10.126million for 2026/27. Officers will continue to work with MHCLG to secure the capitalisation direction required to balance the Council's budget for 2026/27 ahead of the meeting of Council scheduled to approve the Budget on 25 February 2026.

## 8. Flexible Use of Capital Receipts

- 8.1. 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.
- 8.2. Appendix 7 to this report sets out the updated strategy and the proposed use of this flexibility in 2025/26, reflecting the decision to fund the continuation of the Medway 2.0 programme, the ongoing ASC improvement programme and

some other transformational initiatives. Besides this expenditure, the medium term financial projections at Appendix 8 reflect the continued use of capital receipts on this spend in 2027/28 as well.

## 9. Fees and Charges

- 9.1. The budget proposals have been formulated on an assumption that fees and charges will generally increase to account 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 6 to the report.

## 10. General Reserves

- 10.1. The principal risks to be covered by general reserve balances are that of an overspend and 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:
  - 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.
- 10.2. Since 2017, when Medway Council's general reserves were at their lowest level, the Section 151 Officer has sought to rebuild reserves, with an unofficial target for non-earmarked general fund reserves of 5.0% of the net budget requirement. By March 2022, the Council had non-earmarked general fund reserves of £26.551million, representing 7.5% of the then budget requirement. Since that time, the need to invest in improvements to our services for children and the rapidly escalating cost of providing social care services for adults, has meant that the Council has been unable to set budgets without recourse to reserves and more latterly exceptional financial support. A significant result of this, is that by March 2025 non-earmarked general fund reserves had fallen back to just over £10.0million, which represents around 2.0% of the 2025/26 budget requirement and the Council has been forced to seek a capitalisation direction for both 2024/25 and 2025/26, under the government's exceptional financial support.
- 10.3. Furthermore, the Round 3 revenue budget monitoring report (presented elsewhere on this agenda) projects that the Council will overspend by £9.985million, even after declassifying £2.285million of earmarked reserves in order the fund part of the forecast overspend. As detailed in section 7.13 of this report, the Council has requested expanded support for the current financial year through the EFS.

**Table 9: Movement in Reserves**

Type of Reserve	Closing Balance 31/03/2017 £000s	Closing Balance 31/03/2022 £000s	Closing Balance 31/03/2025 £000s
General Fund Non-earmarked Reserves	5,008	26,551	10,061
General Fund Earmarked Reserves	10,843	40,141	27,462
Schools Balances	3,209	1,750	852
HRA Balances	3,623	5,283	7,379
Capital Grants and Contributions (inc. S106)	5,764	21,092	56,668
Capital Receipts Reserves	408	8,113	3,302
<b>Total Usable Reserves</b>	<b>28,855</b>	<b>105,413</b>	<b>108,138</b>
Unusable Reserve – DSG Adjustment Account	132	(23,530)	(16,398)

## 11. Medium Term Financial Projections

- 11.1. 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 8 to this report and will form the basis of the work to prepare the budget for 2027/28 and beyond, commencing in the Spring of 2026.
- 11.2. This proposed budget includes no assumption of potential structural changes under Local Government Reorganisation or any provision for additional costs of reorganisation. Any such costs incurred by Medway Council would need to be funded through the savings from reorganisation over the payback period including any temporary borrowing costs.

## 12. Capital Programme 2026/27 and beyond

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

**Table 10: 2025/26 Capital Monitoring Summary Round 3**

Directorate	Total Approved Cost £000s	Total Exp to 31/03/25 £000s	Remaining Budget £000s	Forecast Spend 2025/26 £000s	Forecast Spend in Future Years £000s	Forecast (Under)/ overspend £000s
Children and Adults	140,738	23,116	117,622	14,898	102,901	177
Regeneration, Culture and Environment	346,311	190,663	155,853	88,115	67,739	0
Housing Revenue Account	103,481	43,768	59,713	27,580	32,133	0
Business Support Department	2,458	2,320	138	138	0	0
<b>Total</b>	<b>592,989</b>	<b>259,867</b>	<b>333,326</b>	<b>130,731</b>	<b>202,772</b>	<b>177</b>

**Table 11: Funding the Budget**

Funding Source	Total £000s	C&A £000s	RCE £000s	HRA £000s	BSD £000s
Capital Grants	95,689	55,920	36,989	2,780	0
Developer Contributions	5,757	481	5,276	0	0
Capital Receipts	2,223	0	2,088	0	135
RTB Receipts	1,000	0	0	1,000	0
Revenue / Reserves	19,919	0	304	19,615	0
Borrowing	208,738	61,222	111,195	36,319	3
<b>Total</b>	<b>333,326</b>	<b>117,622</b>	<b>155,853</b>	<b>59,713</b>	<b>138</b>

12.2. At this stage, no further additions to the capital programme for 2025/26 are planned that are not fully funded from external sources and services are focussed on the delivery of existing schemes within available resources. 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.

### 12.3. Housing Revenue Account (HRA)

12.3.1. The HRA Capital and Revenue Budgets 2026/27 report considered earlier on this agenda sets out that 2026/27 will be the third 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 12 below.

**Table 12: HRA Capital Requirement 2026/27**

	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>

### 12.4. Capital Receipts

12.4.1. Following a review of the Council's Asset Management Strategy, in October 2024 and March 2025, the Cabinet agreed to declare a series of non-operational assets with a projected value of £37.9million as surplus to requirements and delegated authority to officers to consider either repurposing or disposal. Latest projections suggest the Council could realise capital receipts in the region of £19.8million in 2026/27, with costs of sale estimated at £500,000 but capped at 4% to be charged against the gross sales value.

12.4.2. As set out in section 8 of the report, the Council will be asked to approve the use of capital receipts to fund revenue expenditure on transformation, in accordance with flexibility granted to all local authorities by the government.

12.4.3. **Schools Capital Programme:** The Annual Review of the School Place Planning Strategy 2022-2027 approved by Cabinet in August 2025 articulates a requirement to add 1,930 places at an estimated total cost of £77.75million. In March 2025, the Department for Education announced the Basic Need capital grant allocations to support the creation of places needed during 2026/27 and 2027/28. Medway's allocation is £25.497million. In addition to the Basic Need capital grant allocation, the Council has been allocated £4.838million of High Needs Provision Capital in 2025/26. These funding allocations have been added to the capital programme to deliver places in line with the Strategy.

12.4.4. **Highways and Transport Related Capital:** The government has announced £7.3 billion of capital funding for local highway maintenance between 2026 to 2027 and 2029 to 2030 to maintain and improve local roads across the country. This funding increase will allow local authorities to invest in significantly improving the long-term condition of England's road and local highways network more widely, delivering faster, safer and more reliable journeys. Funding is set out for a 4-year period. This will give local highway authorities greater funding certainty, enabling them to better plan ahead and to move away from expensive, short-term repairs and to invest in proactive and preventative maintenance. As was the case in 2025 to 2026, a portion of this funding will be designated as incentive funding and is subject to local highway authorities demonstrating that they comply with best practice in highway maintenance. The indicated funding of £5.218million for Highways Maintenance, £1.752million Local Transport Grant, £350,000 Active Travel and £2.246million LA Bus Grant for 2026/27 is exclusively ring fenced to highways and local transport.

12.4.5. **Disabled Facilities Grant (DFG):** The DFG is a means tested grant of up to £30,000 to provide adaptations in people's homes that will make them more accessible. The grant forms part of the Better Care Fund and for 2025/26 is worth £3.065million; when the allocation for 2026/27 is confirmed the funding will be added to the budget using the delegation of the Chief Operating Officer.

12.4.6. **Safer Healthier Streets Tranches 3 and 4:** Application for the powers to enforce Moving Traffic Enforcement was made by Medway Council and accepted by the Department for Transport. On 27 June 2023 this was laid before the Parliamentary, Business and Legislation (PBL) Committee and approved. These powers for Medway came into force on 22 July 2023. Tranche 1 of the Safer Healthier Street programme, we successfully implemented 10 existing restrictions for ANPR enforcement that went live on 5 February 2024. In July 2024

Cabinet agreed to progress implementing a further 16 locations with the current capital programme funding the installation of cameras agree all scheme and any physical infrastructure improvements required. These moving traffic tranche 2 locations have been successfully implemented and went live in February 2025. A further 9 School Streets are well on the way for implementation during the first quarter of 2026. Investment of a further £2.5million would enable the consultation, design and delivery of a further two tranches, including an additional 20 school streets and 20 moving traffic enforcement sites. The schemes will help contribute to the implementation of the Council's Environment Strategy, the Sustainable Transport Strategy and the Local Transport Plan (LTP).

12.4.7. **Kennel Build:** The Council has a duty to house stray dogs and currently spends in the region of £70,000 each year with third party kennelling facilities. Proposals are being developed to deliver and operate a facility in Medway that could meet the Council's demand and sell services to partners including neighbouring authorities and Kent Police. It is anticipated that investment of £450,000 will deliver a facility for the Council, and that income from other users alongside the existing budgeted cost of third-party delivery could repay the estimated cost of borrowing required over a period of 5 years.

12.4.8. **Residential Design Works and OPE Project management fees, the Brook Multistorey Car Park:** Match funding of £400,000 is required subject to the successful bid for £1.5million from the One Public Estate (OPE) for enabling works required to unlock the site for residential development.

**Table 13: Summary of Proposed Additions to the Capital Programme in 2026/27**

New Capital Scheme	Source of Funding	Allocation £000s
Schools Maintenance and Condition	DfE Maintenance Grant	TBC
Devolved Schools Maintenance and Condition	DfE Devolved Formula Capital	TBC
Highways Maintenance	DfT Highways Maintenance Grant/Local Transport Grant	6,970
Active Travel	DfT Active Travel Grant	349
Bus service Improvement Plans	DfT LA Bus Grant	2,456
Disabled Facilities Grants	DoH Grant	TBC
Safer Healthier Streets Tranche 3 and 4	Borrowing	2,500
Kennel Build	Borrowing	450
Residential Design Works & OPE Project Management Fees, the Brook MSCP	Capital Receipts	400
<b>Total</b>		<b>13,125</b>

### 13. Housing Revenue Account

13.1. 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.

- 13.2. 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 features elsewhere on this agenda.
- 13.3. The Housing Revenue Account budget for 2026/27 is summarised in table 14 below, with the capital investment requirements included within the current programme at tables 10 and 12.

**Table 14: Housing Revenue Account Budget Summary 2026/27**

Description	Budget 2025/26			R2 Forecast 2025/26			Proposed Budget 2026/27		
	Exp £000s	Inc £000s	Net £000s	Exp £000s	Inc £000s	Net £000s	Exp £000s	Inc £000s	Net £000s
HRA Working Balance B/F			2,188			2,188			2,188
Housing Maintenance	3,717	0	3,717	3,717	0	3,717	3,717	0	3,717
Homes For Independent Living	923	(1)	922	923	(1)	922	920	(1)	919
Tenancy Services	1,405	0	1,405	1,405	0	1,405	1,500	0	1,500
Estate Services	562	(5)	557	562	(5)	557	753	(5)	748
Community Development	452	0	452	452	0	452	287	0	287
Centralised Accounts	603	0	603	603	0	603	1,158	0	1,158
Client Side	2,371	(277)	2,094	2,371	(277)	2,094	2,375	(277)	2,098
Capital Development Programme	248	(198)	50	248	(198)	50	258	(208)	50
Capital Financing	8,805	0	8,805	8,805	0	8,805	9,028	0	9,028
Rental Income	0	(18,378)	(18,378)	0	(18,378)	(18,378)	0	(19,325)	(19,325)
Other Income	0	(227)	(227)	0	(227)	(227)	0	(180)	(180)
<b>Total - Housing Revenue Account</b>	<b>19,086</b>	<b>(19,086)</b>	<b>0</b>	<b>19,086</b>	<b>(19,086)</b>	<b>0</b>	<b>19,996</b>	<b>(19,996)</b>	<b>0</b>
Revenue Contribution to Capital Expenditure			<b>0</b>			<b>0</b>			<b>0</b>
HRA Working Balance C/F			<b>2,188</b>			<b>2,188</b>			<b>2,188</b>

## 14. Conclusion

- 14.1. The Proposed 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 proposed revenue budget requirement of £523.752million is presented as funded with support from the Government through EFS of £10.126million as set out in section 7.13 of this report. We await confirmation from the Government of the EFS available to Medway will take and will update the budget proposals presented to Full Council should any Ministerial decisions be made after the publication of this report.

## 15. Section 25 Statement

15.1. 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. A Section 25 Statement from the Section 151 Officer will be incorporated into the Budget report to Council on 25 February 2026.

## 16. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Council request for Exceptional Financial Support not granted	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
Funding assumptions underpinning the Budget may be overstated	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
Assumptions around the cost of service delivery underpinning the Budget may be understated	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
Likelihood		Impact:	
A Very likely	B Likely	I Catastrophic	
C Unlikely	D Rare	II Major	
		III Moderate	
		IV Minor	

## 17. Consultation

- 17.1. The Draft Budget was subject to consultation with Members via Overview and Scrutiny Committees with their comments captured at Appendix 1 of this report.
- 17.2. 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.

## 18. Climate change implications

- 18.1. There are no direct climate change implications to this report.

## 19. Diversity Impact Assessment

- 19.1. 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.
- 19.2. In accordance with statutory requirements, work is currently ongoing by services to ensure that robust diversity impact assessments have been completed for the budget proposals in advance of Full Council's decision on the 25 February 2026. To manage the potential cumulative effect of proposals, this will include an overarching assessment taking a strategic view of the aggregate impact of reductions in funding, in recognition that some individual proposals on their own may not be significant but may need to be considered against changes in provision by other Council services.
- 19.3. It should be noted however that although equality impact assessments help to anticipate the likely effects of proposals on different communities and groups, in reality, the full impact will only be known once the proposal is introduced. To mitigate any unintentional and unidentified impact, monitoring will be

undertaken.

## 20. Financial implications

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

## 21. Legal implications

- 21.1. 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.
- 21.2. Section 25 of the Local Government Act 2003 requires the Council's Section 151 Officer to report to the Council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.
- 21.3. The Local Authorities (Standing Orders) (England) Regulations 2001 deal, amongst other things, with the process of approving the budget. Under the constitution the adoption of the budget and the setting of the Council Tax are matters reserved for the Council upon recommendation from Cabinet
- 21.4. Council budget: In reaching their decisions, Members and officers must act reasonably, taking into account all relevant considerations and ignoring irrelevant ones. There is a need to ensure that when making budget decisions the result is not one which is irrational in the Wednesbury sense (i.e., one which no reasonable local authority could have made). The Council's overriding duty is to make a lawful budget and this is the touchstone against which other considerations must be tested.
- 21.5. The Council must have regard to its public sector equality duties when making decisions. This includes the requirement to undertake a Diversity Impact Assessment in relation to all significant changes to policies, procedures or practice, and to pay 'due regard' to the need to eliminate discrimination and promote equality with regards to race, disability and gender. This is further dealt with in section 19 of this report.
- 21.6. Legal Obligations: Local authorities provide services pursuant to statutory duties (a mandatory requirement to provide services), and statutory powers, (where the Council has a discretion whether or not to provide services).

Where the Council has a legal duty then it still has discretion in determining the manner in which those services are provided, so long as the level of quality of service provision is sufficient to fulfil the statutory duty.

- 21.7. Even where Members and officers are under pressure to make a budget reduction, they must not pre-empt proper decision-making processes by focusing solely on financial considerations. Members and officers must address the core question of individual service users' needs, rather than a lack of resources. Recent case law has held that resources may be a relevant consideration in making a decision relating to the manner of service provision, so long as the individual's assessed needs are met.
- 21.8. Charges for services: In considering charges for services, Members and officers should also try to achieve a fair balance between the interests of the users of Council services and Council 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.
- 21.9. Members' responsibility to make a personal decision: In Council, Members must make a personal decision on how to vote on the budget proposals. Members' overriding duty is to the whole community. Members have a special duty to their constituents, including those who did not vote for them. Whilst Members may be strongly influenced by the views of others, and of their party in particular, it is their responsibility alone to determine what view to take when deciding upon budget questions. He/she should not follow party loyalty and party policy to the exclusion of other considerations.
- 21.10. 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.
- 21.11. Capping: The Localism Act 2011 has superseded the previous capping legislation and dictates that should a council propose an increase in Council Tax which would be deemed to be excessive in accordance with principles and levels designated by the minister, then a local referendum on the proposal would be required. This would necessitate the drafting of an alternative proposal that would meet ministerial requirements to be put to the electorate alongside the 'excessive' proposition. Since this proposed budget is below the 'excessive' threshold this does not apply.
- 21.12. Housing Revenue Account: Under Section 76 of the Local Government and Housing Act 1989, the Council is required, in advance of the financial year, to formulate proposals which satisfy the requirement that, on certain stated assumptions, the Housing Revenue Account for that year does not show a debit balance. The Council is obliged to implement those proposals and from time to time to determine whether the proposals satisfy the 'break even'

requirement. If not, then the Council shall make such provisions as are reasonably practicable towards securing that the proposals as revised, shall satisfy the requirement.

21.13. Under Section 24 of the Housing Act 1985, the Council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The Council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. In exercising this function (determining and fixing rent), the Council should have regard to the rents charged in the private sector.

21.14. A decision to increase rent constitutes a variation of the terms of a tenancy. Under Section 103 of the Housing Act 1985, in respect of secure tenancies, a notice of variation (specifying the variation and date on which it takes effect) must be served on each tenant. For non-secure tenancies (excluding introductory tenancies), a notice must be served that complies with Section 25 of the Housing Act 1985.

21.15. The Housing Act 1985 defines the legal requirements for informing tenants of rent increases. In practice this requires the issue of written notification to each tenant a minimum of four weeks in advance of the date that the increase becomes operative. For 2025/26 the latest date for posting the notices (first class) is 28 February 2025.

21.16. The Council's constitution contains the budget and policy framework rules. The relevant extracts from the constitution are summarised as follows:

- The budget and policy framework rules contained in the constitution specify that the Cabinet should produce the draft revenue and capital budget. This initial budget which does not have to give full detail, nor be a finalised set of proposals, should be submitted to the overview and scrutiny committees to consider the initial budget and if appropriate offer alternative proposals. Any such proposals will be referred back to the Cabinet for consideration.
- Under the constitution the Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is the Cabinet's responsibility to present a budget to the Council, with a Council meeting arranged for this purpose on 25 February 2026. The adoption of the budget and the setting of Council Tax are matters reserved for the Council.

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

21.18. 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.

## Lead officer contact

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## Appendices

- 1 – Report back from Overview and Scrutiny Committees on Draft Budget Proposals
- 2 – Children & Adults Directorate Pressures and Savings
- 3 – Regeneration, Culture and Environment Directorate Pressures and Savings
- 4 – Business Support Department Pressures and Savings
- 5 – Corporate Management Pressures and Savings
- 6 – Schedule of Proposed Fees and Charges 2026/27
- 7 – Flexible Use of Capital Receipts Strategy
- 8 – Medium Term Financial Projections
- 9 – Discretionary Non-Domestic Rate Relief Policy

## Background papers

[Medium Term Financial Outlook 2025-2030 report to Cabinet 26 August 2025](#)

[Draft Capital and Revenue Budget 2026/27 report to Cabinet 18 November 2025](#)

[Provisional Local Government Settlement 2026 to 2029 report to Cabinet 13 January 2026](#)