

Medium Term Financial Strategy

Organisation	Gravesham Borough Council
Title	Medium-Term Financial Strategy
Department	Corporate Services
Date	2025-6, 2028-29

1. Introduction

- 1.1. The Medium-Term Financial Strategy forms a key part of the council's Policy Framework and is intended to document the estimated financial resources that the council will have available to deliver the ambitions contained within its Corporate Plan 2023-27: *Together – Proud to be Gravesham*.
- 1.2. The fragility of the financial sustainability of the local government sector has been well reported in recent years following more than a decade of austerity and reductions in funding for local government, international events such as the COVID-19 pandemic and war in Ukraine affecting the economy alongside the national cost of living crisis impacting on council budgets and those of its residents alike. Additional demand for council services alongside increased statutory and legal obligations has created an unprecedented period of challenge and uncertainty in local government finance. Recent research conducted by the Local Government Association (LGA) found that in 2025/26 local government in England will face a £2.3 billion funding gap, which will rise to £3.9 billion in 2026/27.
- 1.3. Since 2016 the council has proactively identified base budget savings of £9.22m within its General Fund, with £4.98m identified in the last three years. This has enabled the council's revenue spending plans to remain within a budget envelope similar to that operated by the council more than a decade ago.
- 1.4. Whilst there are signs of improvement in the national economic position, inflation remains volatile, and interest rates remain relatively high in comparison to recent times. The new Government have recognised the erosion of financial resilience within local government and committed to "unlock" new fairer funding for local authorities and bring back multi-year financial settlements but have also been clear that a long-term programme of recovery is needed for change in the sector, and this will take time. The medium-term financial outlook therefore remains uncertain and subject to a high level of volatility.
- 1.5. Based on the latest estimates, the council is able to set a General Fund balanced budget for 2025/26 but only through almost exhaustive use of its general reserve to achieve this position. These estimates indicate that the council will need to deliver £2.54m of base budget reductions to balance the current budget requirement estimated for 2026-27, with a need to deliver a further £0.09m in 2027-28 to close a cumulative financial gap of £2.63m. The council will also need to implement a plan to return its working balances back to the expected level to restore financial sustainability in the medium to longer term.
- 1.6. The Housing Revenue Account is also under more intense financial pressure from increasing landlord responsibilities in relation to its buildings and the introduction of the Consumer Standards, intended to protect tenants and drive improvement in the services that social landlords provide. Delivery of additional social housing, a key objective of the

council, is also likely to become more challenging due to changes in the funding streams from which development costs can be funded.

- 1.7. The council has developed a Balancing the Budget programme, providing a multi-faceted plan of activity and intended to respond to improving the sustainability of the council's financial position. To maintain a prudent approach, activity is not reflected in the Medium-Term Financial Plan or the HRA Business Plan unless its delivery has been confirmed.

2. The Purpose and Principles of the Medium-Term Financial Strategy

What is the Medium-Term Financial Strategy?

- 2.1. The Medium-Term Financial Strategy forms a key part of the council's Policy Framework and is intended to assist financial planning and strategic financial management through providing a financial context within which the council will set its budgets for General Fund and HRA Services during the period of the strategy.
- 2.2. The strategy covers all activity of the council and therefore applies to both General Fund Services, concerned with the day-to-day running of council services to the public, and Housing Revenue Account (HRA) Services associated with the provision of council dwellings and related services.

What are the Medium Term Financial Plan and HRA Business Plan?

- 2.3. The Medium-Term Financial Plan and the HRA Business Plan provide numerical representations of the council's future financial projections and are informed by the Medium-Term Financial Strategy. Both financial plans are intended to provide a view on the financial direction of the council for financial planning purposes by outlining the estimated level of revenue resources available to the council over the term and the financial consequences of the demand for services and associated council expenditure.
- 2.4. The Medium-Term Financial Plan and HRA Business Plan are regularly reviewed and publicised through budget monitoring reports and the budget setting process to ensure that they continue to reflect the best estimates of likely levels of spending and income.

Objectives and Principles of the Medium-Term Financial Strategy

- 2.5. The objectives of the Medium-Term Financial Strategy are:

- To ensure that effective financial planning and management contributes to the council achieving the objectives set out in the Corporate Plan.
- To ensure sound and robust financial management arrangements which inform decision-making regarding effective resource allocation and asset use.
- To continue to improve value for money, managing our resources effectively and efficiently.
- To maximise income where possible to support the council's priorities.
- To ensure that decisions relating to capital investment projects or new or amended function delivery methods consider both the initial costs and the ongoing financial liabilities those decisions will create.
- To ensure the council remains financially resilient into the future.

- To maintain earmarked reserves for specific purposes that are in line with the achievement of the objectives set out in the Corporate Plan or to manage or mitigate specific financial risks.

2.6. The core activity that will underpin the delivery of these objectives are:

- Ensuring that the finite financial resources available are aligned to the council's Corporate Plan objectives
- Preservation of a minimum level of General Fund Working Balances of £2m, with a maximum General Reserve of £3.25m (total £5.25m). A minimum level HRA Working Balances of £3m
- Regular review of earmarked reserves to ensure these remain fit for purpose and appropriately funded
- Ensuring that decisions relating to Council Tax setting are made with due regard to the guidelines issued by the Secretary of State
- Maintaining robust financial management arrangements across the council, including budget setting and budget management, monitoring, and control arrangements
- Ensuring that information relating to the council's financial position is based on the most recent information available.
- Ensuring that decisions that have a significant impact on the council's financial position are supported by a robust business case.
- Proactively taking action as a council to address budget pressures through a well-considered programme of innovation and savings

3. Strategic Direction and Supporting Documentation

Corporate Plan

- 3.1. The Corporate Plan is the key document for setting the strategic direction of the council. The plan is developed through consideration of local priorities, understanding the key community characteristics of the borough, consultation with residents, businesses and key stakeholders in the borough, the manifesto pledges of our elected administration, and the council's available resources over the period.
- 3.2. In October 2023, the council formally adopted a new Corporate Plan covering the period 2023-2027 with the ambition of creating a borough where we are; *Together - Proud to be Gravesham*.
- 3.3. In seeking to deliver against this ambition, the council has established a suite of corporate objectives, each with its own portfolio of activities and initiatives for the benefit of our local community.

#oneborough: a safe, clean, and attractive living environment, enhanced by a sustainable and increasingly energised local economy.

#onecommunity: an active, engaged, and culturally enriched population, built on the foundations of an affordable and quality local housing offer.

#onecouncil: a well-run and innovative authority, defined by its skilled and valued workforce, committed to developing its local social impact.

Supporting Key Documents

3.4. The Medium-Term Financial Strategy is supported by the following strategic financial documents

- Treasury Management Strategy
- Capital Strategy
- Charging Strategy
- Financial Procedure Rules
- General Fund Medium Term Financial Plan
- HRA Business Plan

4. Financial Background

Historic External Pressures

4.1. Local authorities are legally obliged to set a balanced budget each year and to ensure they have enough reserves to cover any unexpected events. Therefore, to legally balance the budget the council must make spending plans affordable by matching it to the estimated funding available over that time. Over the last 14 years the council has experienced numerous challenges from external factors which have detrimentally impacted its financial sustainability.

Local Government Funding

Since 2010-11 Central Government have made a series of progressive cuts to local government funding with District Council's bearing the brunt of these reductions. Over this time Central Government has also pursued a strategy to reduce the level of direct funding received by the local government sector and instead replace this with more localised funding through an authority's ability to support housing delivery and generate council tax and business rates. This has negatively impacted councils such as Gravesham who have a relatively low council tax base and business base growth.

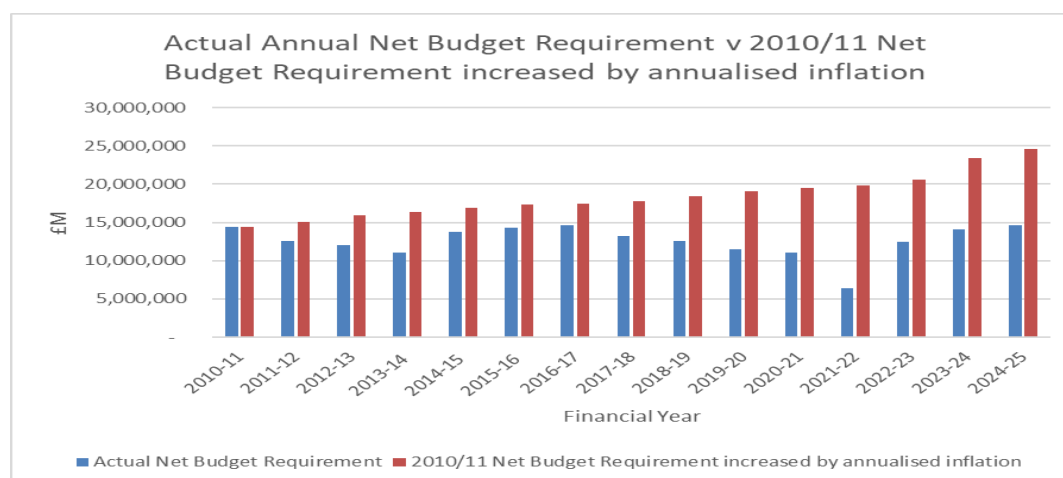
More recently, council tax setting referendum principles determined by Central Government have been set to a maximum of 3% or £5, a lower level than inflation and pay awards and other precepting authorities. This has meant that the council's ability to generate income through council tax increases, its greatest source of funding, has not kept pace with the rate at which expenditure has increased.

In 2016 Central Government committed to the Fair Funding review, intended to ensure a fairer formula for the allocation of funding to Local Government by assessing the relative spending needs of different local authorities against their ability to generate revenue. Reform of local government funding has not yet been implemented, albeit the new Government have indicated support to the sector in understanding the issues and committing to implement 'fairer' funding reform from 2026-27.

All of these factors, alongside ongoing single-year financial settlements and one-off funding for specific purposes allocated through bidding processes rather than by need, has created significantly more volatility in the council's financial position. It has also stifled the ability to strategically plan beyond a single year horizon which is critical to ensuring that the council's limited resources are deployed in a way that achieve the greatest benefit to its local communities.

Despite growing demand pressures, the level of funding available to meet expenditure on council services has reduced. As an illustration of this, the council's net budget requirement in 2010/11 was £14.4m. Taking into account inflation this would have

increased to £24.6m for the 2024/25 financial year; the actual net budget requirement for 2024/25 was £14.6m. The council is operating within the same financial envelope as it was over a decade ago.



Source: Annualised inflation calculated using December RPI figures reported at <https://www.ons.gov.uk/economy/inflationandpriceindices#timeseries>

Government Policy Decisions

Changes in national priorities and legislative change can have significant impacts on how the council deploys the resources it has available to it. In recent years these have ranged from service specific requirements changing the way existing services are delivered or the requirement for the council to take on new responsibilities, for example related to Housing, Planning and Biodiversity and Electoral Administration, and wider national priorities relating to National Significant Infrastructure Projects (NSIP) such as the Lower Thames Crossing or Local Government Reform and Devolution.

Brexit and other international events

The UK left the European Union on 31 January 2020. The impacts of this are routinely assessed by institutions such as the Office of Budget Responsibility and academics and have been reported to include labour and goods shortages, increased lead times for supplies and services, price increases and reduced levels of business investment.

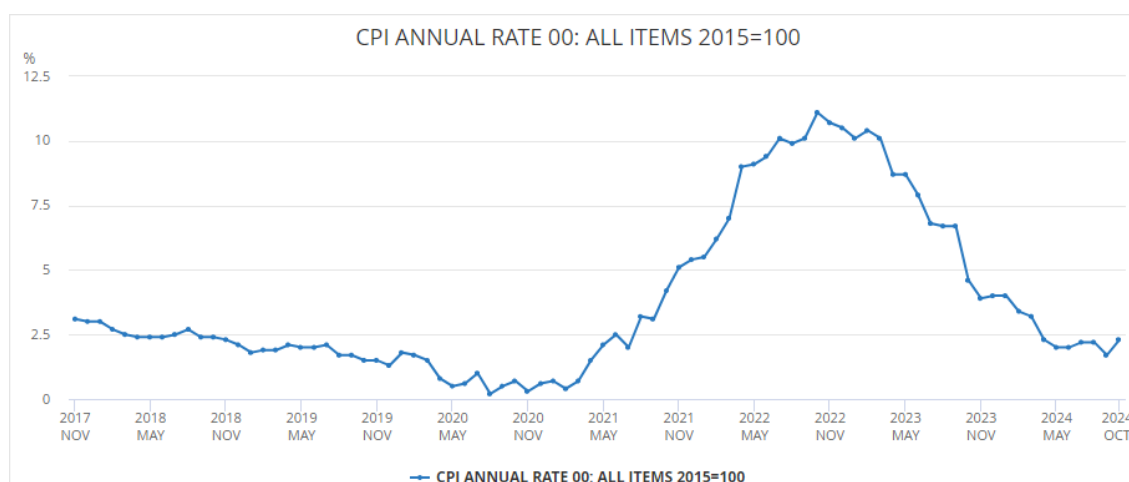
Local government played an integral role in the national response to the COVID-19 pandemic; responding directly to the needs of local communities, acting on Central Government's behalf in administering a number of schemes and activity on its behalf, in addition to maintaining the critical services that local government delivers. Local Councils have, however, been left with longer term financial impacts of declining key revenue income streams and increased demand for services alongside recruitment and retention challenges.

Global energy prices have been affected over the last four years by increased demand from for energy from China, Asia and Europe post-Covid, an extended, colder winter period in 2020/21, the failure of a number of energy suppliers limiting competition in the UK energy market and sanctions placed on Russia following its invasion of Ukraine.

Inflation

Consumer Price Index Inflation (CPI) has been particularly volatile since March 2021, peaking at 11.1% in October 2022 before starting a downward trend to 1.7% in September

2024 and increasing to 2.3% in October. This volatility was, in part, driven by the Russian invasion of Ukraine impacting on food, fuel and utility prices.



Source: ONS [CPI ANNUAL RATE 00: ALL ITEMS 2015=100 - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/cpi/annual-rate-00-all-items-2015=100)

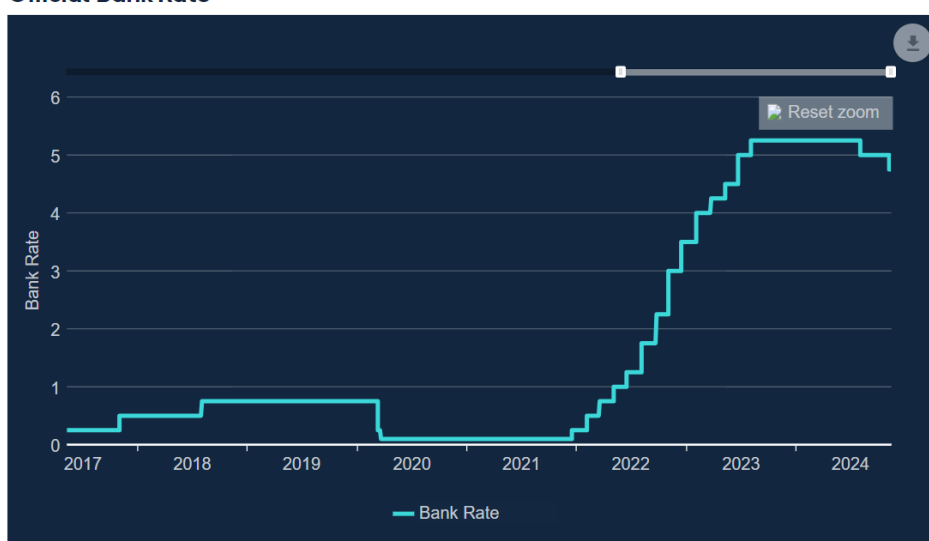
In the same way that high inflation affects the cost of living for the residents of the borough, increases to the cost of food, fuel, utility prices and other goods and services increases the cost of delivering services and capital investment projects by the council.

Interest Rates

The level of interest rates impacts on the cost of borrowing and returns from investment activity undertaken by the council. An increasing interest rate environment will make capital project commitments likely to be more expensive to deliver. It is also important to recognise that interest rates can be used as a tool by the Bank of England to influence national spending and inflation to manage periods of economic uncertainty.

Interest rates have been unpredictable since March 2020 after a period of relative stability, with 14 consecutive rate increases in 20 months and interest rates moving from 0.1% to 5.25% in that period.

Official Bank Rate



Source: Bank of England [Interest rates and Bank Rate | Bank of England](https://www.bankofengland.co.uk/interest-rates)

Pay

The cost of employing council staff to deliver services accounts a significant proportion of the council's net expenditure.

Unlike other parts of the public sector where pay awards are determined by Central Government, pay and terms and conditions of employment for council employees are determined by the National Joint Council (NJC) for Local Government Services through negotiations between the employer and trade union representatives of the NJC.

Pay awards and increases to the National Living Wage are not funded by Central Government but must be met from what the council receives through its sources of funding and other income it is able to generate. Over the last four years, average pay awards have been as set out in the table below:

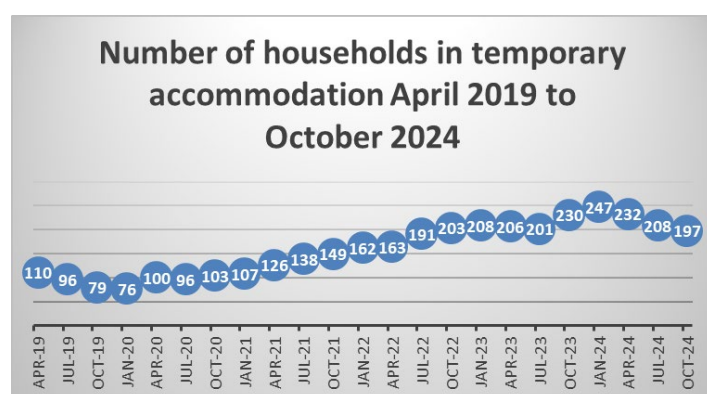
Financial Year	Average Pay Award
2024/25	5.00%
2023/24	5.54%
2022/23	5.50%
2021/22	1.75%

Temporary Accommodation Service Demand

Demand for homelessness assistance has been the most significant pressure affecting Borough and District Councils financial stability for a number of years. Providing temporary accommodation to a person or household that is homeless, eligible, has a priority need and is not intentionally homeless is a statutory duty that the council must discharge.

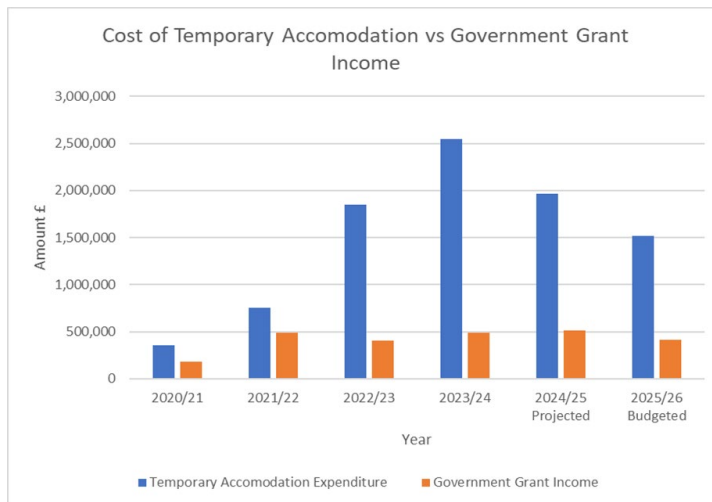
Councils in England spent a record £2.3 billion on temporary accommodation for homeless families in the past year⁽¹⁾, an increase of 29% in the last year and almost doubled in the last five years, driven by increasing private rent levels, a lack of housebuilding and increased eviction rates.

Since April 2019 the council has experienced a doubling of households to which it has a duty to provide temporary accommodation.



Government funding for homelessness services has not kept pace with demand.

[Homelessness bill doubles in five years to £2.3bn - Shelter England](#)



Consequently, the proportion of the council's net revenue budget spent on securing temporary accommodation has also increased over this period.

Decisions by Other Organisations and Partners

All parts of local government grapple with the financial pressures they are experiencing. But this council has experienced financial consequences from some of the decisions taken in particular by Kent County Council in managing its financial position:

- In November 2023 KCC introduced a new Transitional Service for Care Leavers which relies on support from Local Housing Authorities, such as Gravesham, to support Care Leavers aged 18+ to source their own long-term accommodation. This has coincided with a period when the number of Care Leavers in the County has increased through more resident children coming into care and former Unaccompanied Asylum-Seeking children turning 18 and becoming Care Leavers.
- In February 2024, KCC's Cabinet took the decision to not renew the Inter-Authority Agreement for waste and recycling services with the council which expired on 31 March 2024. This decision instantly removed annual income of £300,000 from the MTFP.
- KCC's Cabinet are currently considering the removal of the Council Tax Incentive Payments to Kent District Councils which support the levying of council tax charges across the county. This decision will remove annual income of £203,000 from the MTFP.

Whilst these budget savings can be immediately realised by Kent County Council, they also create an immediate budget pressure on this council with little or no time to seek options for how this budgetary impact can be managed or mitigated.

The Council's Response

- 4.2. The financial challenges within the General Fund in particular have become increasingly acute.
- 4.3. Having followed a proactive programme which delivered £4.25m of base budget reductions between 2016 and 2019, in February 2020 the council was able to set a General Fund Budget for the forthcoming financial year which was supported by a Medium Term Financial Plan that required no further budget reduction activity to be delivered.
- 4.4. In February 2022, following both national and international events affecting the UK economy, the council assessed its General Fund budget gap to be £3m. The sheer pace at

which external pressures escalated during 2022 resulted in the assessed budget gap increasing to £4.6m in February 2023, despite the council delivering base budget reductions of £1.43m in the same period.

4.5. In addition to the Balancing the Budget Programme, the council also implemented enhanced oversight of expenditure and strengthen its financial management arrangements across the General Fund and HRA through:

- Implementing additional financial control measures around recruitment activity, spend, and recovery action.
- Implementing increased monitoring and scrutiny of significant areas of spend.
- Taking decisions to defer planned capital investment assessed as not financially affordable.
- Making use of its cash balances to delay decisions to take on additional borrowing where appropriate.
- Opting to make use of its working balances and reserves to deliver a balanced budget.
- Implementing enhanced reporting requirements relating to decisions that are expected to have a significant financial impact on the council.
- Increasing the level of public financial reporting and enhancing the information provided through routine budget monitoring reports.

4.6. Base budget reductions of £1.88m were delivered within the General Fund during 2023 but pressures continued to emerge at a quicker rate than the council was able to respond to. In February 2024 the budget gap had reduced to £3.7m but was estimated to have been just over £7m had the council not taken action during the year to manage its financial position.

4.7. During 2024 the Balancing the Budget Programme and enhanced financial management arrangements continued, delivering activity to the value of £1.67m. The impact of this action has been to reduce the assessed overall General Fund budget gap at February 2025 to £2.63m.

5. The Council's Current Financial Position and Response

General Fund Revenue Budget

5.1. The Local Government Act 1992 places a legal requirement for a council to set an annual budget and for that budget to be 'balanced' or fully funded. Based on current MTFP projections, the council will be required to implement budget reduction activity to the value of £2.54m to balance the General Fund budget for 2026-27, with a further £0.09m of base budget reductions to be delivered in 2027-28. This is a highly challenging situation, and the council will need to ensure its resources are focused on the priority outcomes it set out to deliver in its Corporate Plan and that spending plans are brought within the anticipated level of funding available.

Balancing the Budget

5.2. As a responsible steward of public funds and services, Gravesham Borough Council has been proactive in its approach to managing its General Fund financial position and has actively sought to identify initiatives to reduce its net budget requirement. This activity will continue under the following five key workstreams with a primary focus on the General Fund, but with these workstreams equally applicable to the HRA:

Budget Rationalisation

The Council has a strong track record in managing its financial resources and recognises that strong financial control must continue to be a central plank to managing its financial position. The Council will seek to continue the development and robustness of its financial management, monitoring and planning arrangements. The Council will also undertake specific exercises to review its reserves and challenge spend and budgetary provisions and ensure that budgetary provisions remain fit for purpose given the evolving operations of and demands on the organisation.

Fees & Charges

The council recognises that the levying and collection of fees and charges is a key source of revenue income and will seek to ensure that fees and charges continue to meet the principal objectives of its Charging Strategy. Continued efforts will be made to identify new income streams to support the delivery of council services. The Council will continue to undertake at least an annual review of its fees and charges and keep other income generation opportunities under review.

Asset Optimisation

The council owns and operates a number of assets and will work to ensure it maintains its optimum asset portfolio and is obtaining the best value from the assets it holds.

Trading and Commercialisation

The council has successfully established Rosherville Limited as a Local Authority Trading Company and, as primary shareholder, continues to work with the company and its subsidiaries to develop its activity as a means of delivering financial returns to the council which can be directed to underpin council services to local residents.

Continuous Improvement Team

The council will continue to utilise the Continuous Improvement Team to undertake targeted work and support the delivery of base budget reductions.

- 5.3. Progress in delivering against these workstreams will continue to be monitored regularly by the council's Management Team and reported publicly to Elected Members through subject area specific reporting and corporate financial reporting to Cabinet and the Finance & Audit Committee.

Housing Revenue Account

- 5.4. Section 74 of the Local Government and Housing Act 1989 requires every local housing authority to keep a Housing Revenue Account (HRA) for the purpose of recording the revenue expenditure and income relating to the provision of council dwellings and related services. It is an account that is ring fenced from the Council's General Fund with statutory guidance about the items that can be charged and credited to it. The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.
- 5.5. Based on current HRA Business Plan projections, the council is able to support the planned level of expenditure within the HRA for the ten-year period considered for budget monitoring purposes.
- 5.6. The Housing Service has undergone substantial change in the last few years in terms of how it structures and deploys its resources to deliver effective services to council tenants, and this is likely to continue for the foreseeable future and the council responds to additional responsibilities placed on it by the Social Housing Consumer Standards and building safety

and standard requirements. The council continues to also undertake activity to increase the supply of social housing in the borough. The council will need to review the financial plans it has for the HRA to ensure its ongoing sustainability. This work will follow a number of the workstreams identified in the Balancing the Budget Section on the previous page and will include:

- On-going review of staffing resource levels deployment and budgetary provision
- Optimising income generation (revenue) within the HRA through applying Affordable Rent levels to New Build properties where possible and reviewing other fees and charges
- Optimising income generation (capital) within the HRA through working with partners to bring forward new affordable housing in the Borough on HRA owned land
- Seeking to ensure that capital projects, where possible and appropriate, are self-sustaining or provide an ongoing revenue benefit
- Continuing to review operational processes to increase efficiency and deliver options to reduce the net expenditure on Housing Services where possible
- Continuing the development and robustness of financial management, monitoring and planning arrangements, including challenging spend and budgetary provisions, including reserves

General Fund Capital Programme

5.7. The capital programme and use of the authority's assets are formulated to support the delivery of the council's priorities, as set out in the Corporate Plan. It is influenced by needs identified by service delivery plans as well as opportunities arising from government initiatives and our partners.

5.8. The principles followed by the council in its approach to planning, procuring, prioritising and managing its capital investment and financing decisions over the long-term is set out within the Capital Strategy.

5.9. For the General Fund, the council's capital investment priorities will be:

- **Investment to improve and maintain Corporate Property Assets** – the council has an extensive land and property portfolio. The council has established a maintenance programme to support its key property assets which considers both capital and revenue requirements to ensure that these assets remain operational. Where acquisition or disposal of land or property assets is recommended, this will be actioned in accordance with the Property Strategy.
- **Investment to support sustainability, inclusivity and economic growth** – the council will seek to invest in capital projects that support the sustainability of the borough over the longer term, particularly as a means of supporting longer term economic growth, place shaping and providing wider community benefits, particularly around health and wellbeing and delivery of the council's Climate Change Strategy.
- **Investment to save** – the council will seek to invest in capital projects that support the sustainability of General Fund Services over the longer term, including those that are expected to reduce running costs, avoid costs that might otherwise arise or are expected to generate a financial return.

- 5.10. The council will continue to ensure that all capital investment proposals are assessed and considered through the formal capital project appraisal process to prioritise capital investment plans on the basis of the extent to which proposal contributes to meeting the key aims and objectives of the Corporate Business Plan, the cost-effectiveness of proposals in meeting those objectives and compliance with the council's Asset Management Plan.

HRA Capital Programme

- 5.11. The HRA Capital Programme is principally focused on three investment priorities:

- **Maintenance of Council Dwellings** – Investment in the council housing stock and estate improvements and enhancements ensures properties remain lettable, helping to provide a good standard of housing for current and prospective tenants whilst also securing and sustaining rental income, which fundamentally ensures the viability of the HRA.
- **New Build and Acquisitions** – Investment in increasing the social housing stock helps to deliver housing to meet the needs of the borough, as well as offsetting the loss of housing stock and associated rent income loss from sales through RTB.
- **Investment to save** – the council will seek to invest in capital projects that support the sustainability of HRA over the longer term, including those that are expected to reduce running costs, avoid costs that might otherwise arise or are expected to generate a financial return.

- 5.12. The council will continue to ensure that all capital investment proposals for the HRA are informed by a programme of stock condition surveys, financial project appraisals of new build and the formal capital project appraisals process to prioritise capital investment plans.

6. Medium Term Financial Planning and assumptions

- 6.1. The assumptions which underpin the Medium-Term Financial Plan and HRA Business Plan are kept under review to ensure that they represent best estimates of likely economic activity and market conditions based on the latest available information. The following sources of information are utilised to evidence and support assumptions made. This list is not exhaustive, and further credible information which becomes available would be considered as part of this strategy;

- Kent-wide comparison via Kent Finance Officers and Kent Chief Accountants Groups, as well as the shared service arrangements in place with other authorities.
- External Advisors (LG Futures, Capita) who provide briefings on current government actions, likely levels of central government support and other government policy initiatives, as well as economic updates and treasury management issues.
- Local Government Support Organisations (SOLACE, LGA, DCN)
- Media (News and other publications) - information streams such as the BBC and other respected news broadcasting mediums (Financial Times, etc.) are utilised wherever possible to inform decision making.
- Accountancy Bodies (CIPFA)
- Government Consultations & other releases – through the Internet, social media services and press releases from Central Government, officers remain informed of Central Government announcements and policy directions

- 6.2. The assumptions currently in use are shown below.

Area	Assumption applied
Salaries	3% growth in 2025/26, then 2% annually from 2026/27
Vacancy Savings	£600,000 (General Fund) and £400,000 (HRA) expected to be achieved annually through management of vacancies and staffing costs
Council Tax Income	2% growth annually from 2026/27
Council Tax Base	Growth of 0.60% from 2026/27
Business Rates Income	2% growth annually from 2026/27
Central Government Funding	Assumed to continue at the same cash level as 2025/26
Inflation	Provision based on 2% of eligible expenditure in each year
Energy Costs	10% growth annually in energy prices

6.3. These assumptions will be reviewed in during the first half of 2025 to ensure they remain fit for purpose and reflective of current information.

7. Financial Challenges beyond 2024/25

7.1. Longer term strategic financial planning continues to be challenging due to a number of significant factors, however there are also opportunities that the council may be able to capitalise on to stabilise its financial position:

- The 2025/26 Provisional Local Government Finance Settlement provided a further single-year settlement, the seventh such single-year settlement in a row. Positively, Government has confirmed that local government funding reform will take effect from 2026/27, based on an assessment of need and available resources, and cover multiple years. Further detail on how any new funding model will operate and what this will mean for the council will not be known until late-2025.
- Following a similar timescale, Government will be looking to implement Business Rates Reform, intended to “create a fairer business rates system that protects the high street, supports investment, and is fit for the 21st century”. Again, further information on the design of these reforms and the implications for the council will not be known until later in 2025.
- Inflation is predicted to remain above the government’s target of 2%. The Bank of England Base rate is also forecast to not reduce as quickly as perhaps anticipated. Stubborn inflation and any increase in base rate (or slowing of base rate reduction) could result in increased costs to the council, both in terms of the cost of supplies and services, construction costs or increases in the cost of borrowing which will impact on the revenue budget and also the financial viability of capital projects where external borrowing is required. This could also increasingly affect the council’s housebuilding programme due

to changes in Right to Buy and the level of capital receipts from house sales retained by the council.

- Pay pressures could emerge if public sector pay awards are beyond the level assumed within the council's financial plans.
- There are clearly pressures on the General Fund working balance which affects the council's ability to manage the impact of unexpected events or emergencies. In the short term, there may be a need to review and redeploy earmarked reserves to protect the council's overall financial position with a view to rebuilding such reserves in future years.
- The council has clear plans to promote economic growth and housebuilding in the borough as a means to creating a strong, resilient and productive Gravesham communities and the local economy. Success in this area will support the council's financial position from increased business rates and council tax receipts but these will be dependent on the right economic conditions to enable growth to take place.
- The council has clear workstreams in place to support delivery of activity to deliver base budget reductions, ensure a focus on the outcomes that are a priority for the borough, improve service efficiency and manage its longer-term financial sustainability. Any delay or inability to deliver such activity will increase the pressure on the council's financial resilience.
- The council recognises the value that comes from partnership working, both in terms of cohesive delivery of community priorities, responding to increased demand for services and maximising the value of the public pound. Constructive and ongoing engagement with partners will be critical to ensuring that each is working towards common goals and that objectives are aligned.
- Further to the publication of the English Devolution White Paper on 16 December 2025, the Leaders of Kent County Council and Medway Council have formally written to Jim McMahon OBE MP, Minister for Local Government and Devolution, to formally request that Kent and Medway be included in the Devolution Priority Programme. This will lead to a reshaping of local government and local public service delivery in Kent and restructuring of the 14 councils currently within the county.

7.2. Risks to the MTFS will be continually monitored and will feed into the annual review of the Corporate Risk Register and review of Financial Services Risk Register. Commentary on existing and emerging risks will also continue to be provided through budget monitoring and budget setting processes.