

Cabinet

3 June 2025

Capital and Revenue Outturn and Annual Debt Write Off Report 2024/25

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 details the final revenue and capital outturn position for the financial year ended 31 March 2025. These figures will form part of the Council's Statement of Accounts, which will be presented to the Audit Committee following the completion of the External Audit. The report also presents a summary of debts written off during the 2024/25 financial year in line with the constitutional requirement to submit a report to Cabinet on an annual basis setting out details of all debt written off.

1. Recommendations

- 1.1. That the Cabinet notes the 2024/25 revenue and capital outturn position as summarised in Section 5 of the report, the Council's reserves position as summarised in Section 14 of the report and the debts written off against provisions as set out in section 15 of the report.
- 1.2. That the Cabinet recommends that Council agree to transfer back to General Capital Receipts the unspent balance on the amounts earmarked through the Flexible Use of Capital Receipts Strategy as set out in Section 13 of the report:
 - £544,076 originally earmarked for Children's Social Care improvement,
 - £148,709 originally earmarked for Adults Social Care Improvement, and
 - £165,230 originally earmarked to support the wider transformation programme.
- 1.3. That the Cabinet recommends to Council the removal of £34.170million from the Innovation Park Medway Scheme as set out in section 12.3 of the report in line with [Cabinet decision number 45/2025](#), 11 March 2025.
- 1.4. That the Cabinet recommends to Council that £2.400million of the underspend on the Pentagon Future Capital Works scheme be used to fund a new

scheme to deliver further improvements to the Pentagon, as set out in section 12.3 of the report including:

- Replacement of a section of roof (R14),
- Refurbishment of 205 high street,
- Upgrades to fire exits and windows to the bus lane,
- Repair and resurfacing of the service road, and
- Repairs and resurfacing to the car park.

- 1.5. That the Cabinet recommends that Council agrees to remove the remaining unspent balance of £431,000 from the Pentagon Future Capital Works scheme as set out in section 12.3 of the report.

2. Suggested reasons for decision(s)

- 2.1. Full Council is responsible for agreeing a balanced budget in advance of each financial year. Cabinet is responsible for ensuring that income and expenditure remain within the approved budget.

3. Budget and policy framework

- 3.1. The Cabinet is the body charged with the executive management of the Council's budget and it is therefore important for the final outturn to be reported to Cabinet.

- 3.2. The Budget virement limits are set out in the Financial Rules in the Council's Constitution and are as follows:

- For revenue, virements up to £500,000 can be approved by the Chief Executive and Directors, virements between £500,000 and £1million can be approved by the Cabinet while those in excess of £1million are a matter for Council.
- For capital, virements up to £1million can be approved by the Chief Executive and Directors, virements between £1million and £2million can be approved by the Cabinet while those in excess of £2million are a matter for Council.

The Financial Rules in the Council's Constitution also set out limits for approval to write off irrecoverable debts, as follows:

- Directors have delegated authority to write off debts relating to the services in their responsibility of up to £25,000.
- The Director of Children and Adults and Deputy Chief Executive has delegated authority to write off Adult Social Care client debt of unlimited value within the approved provision held within the accounts of the Council.
- The Chief Operating Officer has delegated authority to write off Council Tax and Business Rates of unlimited value within the approved provision held within the accounts of the Council, and to write off other debts to the Council up to £100,000 in consultation with the Director responsible for services to which the debt relates.

The Constitution also requires a report to be submitted to Cabinet on an annual basis setting out details of all debt written off, which this report fulfils.

4. Background

- 4.1. At its meeting on 29 February 2024, the Council set a total budget requirement of £438.569million for 2024/25, including a £14.742million capitalisation direction secured through the Exceptional Financial Support (EFS) scheme. Since then, a number of changes to grant funding have been confirmed, primarily the Household Support Fund and in relation to various schools funding allocations. The net impact of these amendments takes the final revenue budget outturn requirement to a total of £445.405million. The outturn position is detailed in sections 5-11 of this report. The capital programme for 2024/25 and beyond was also agreed by Council on 29 February 2024, at £429.563million. Additions and removals made during the year resulted in a final capital outturn budget of £319.537million. The final capital outturn position is summarised in section 12 of this report. Details of all debts written off in 2024/25 are provided at section 15 of this report in line with the constitutional requirement for this information to be provided to the Cabinet on an annual basis.

5. Revenue Outturn Summary 2024/25

- 5.1. The outturn for 2024/25 represents a net overspend of £5.497million, an improvement of £2.932million compared to the position reported at Round 3.

Directorate	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
<i>Budget requirement:</i>				
Children and Adult Services	10,577	340,547	350,250	9,702
Regeneration, Culture and Environment	144	82,150	80,782	(1,368)
Business Support Department	(878)	10,081	8,913	(1,168)
Business Support Centralised Services:				
Central Accounts	0	(14,702)	(14,702)	0
Interest & Financing	(2,895)	19,211	16,583	(2,628)
Corporate Management	1,481	2,853	4,217	1,364
Additional Government Support Grant Expenditure	0	5,264	5,264	0
Budget Requirement	8,429	445,405	451,307	5,902
<i>Funded by:</i>				
Council Tax	0	(158,462)	(158,462)	0
Retained Business Rates & Baseline Need Funding	0	(74,499)	(74,904)	(404)
Government Grants - Non Ringfenced	0	(8,129)	(8,129)	0
New Homes Bonus	0	(1,573)	(1,573)	0
Dedicated Schools Grant	0	(123,841)	(123,841)	0
Other School Grants	0	(4,662)	(4,662)	0
Adult Social Care Grants	0	(32,151)	(32,151)	0
CSC Grants	0	(502)	(503)	(1)
Public Health Grant	0	(19,186)	(19,186)	0
Use of Reserves	0	0	0	0
Additional Government Support Ringfenced Grant Income	0	(7,658)	(7,658)	0

Exceptional Financial Support	0	(14,742)	(14,742)	0
Total Available Funding	0	(445,405)	(445,810)	(405)
Net Forecast Variance	8,429	0	5,497	5,497

6. Children and Adults

- 6.1. The Directorate outturn is a net overspend of £9.702million, an improvement of £875,000 compared to the position reported at Round 3. Further details of the outturn in each service area in the Directorate set out in the tables below.

Adult Social Care	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Assistant Director Adult Social Care	5,766	(6,518)	(1,760)	4,758
Locality Services	1,804	100,724	104,940	4,216
Business Operations & Provider Services	(707)	5,309	4,440	(868)
Specialist Services/Principal Social Worker	254	2,057	1,095	(963)
Total	7,117	101,573	108,715	7,142
<p>The Adult Social Care Outturn reduced from the Round 3 position of £7.117million to £5.894million due to improvements in staffing and placement costs. However, this was before the contribution to the bad debt provision of £1.248million was actioned producing a final overspend of £7.142million.</p> <p>The forecast worsened for disability services due to an increase in gross costs for learning disability supported living resulting from a small net increase in numbers over this last quarter, and on average a 15% increase in the average weekly cost for new placements. While the Council was not able to bill all remaining Community Discharge Grant income held by Kent County Council on behalf of Medway Council in 2024/25, there are specific reasons for this, and the Council can expect to receive this funding in 2025/26. The forecast for Mental Health services remained fairly static whereas the forecast for Older Persons services significantly improved with the receipt of backdated funding income from Health.</p> <p>Delivery against all savings targets associated with the Financial Improvement and Transformation (FIT) Plan have been incorporated into the final outturn position. Just over £3million of direct cashable savings have been achieved by the service this year, along with a further £3.7million cost avoidance where demand management activity has prevented further pressures within the division. Work will continue throughout the new year to continue achieving further savings. As new processes for ownership and validation of FIT Plan targets roll out into 2025/26, this will give greater robustness and reliability of tracking achievements to date.</p>				

Children's Services	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Head Of Safeguarding & Quality Assurance	140	3,332	3,491	159
Children's Care Improvement	1,256	(1)	1,258	1,259
Children's Social Work Team	273	7,173	7,055	(118)
Business Support	(378)	2,033	1,600	(434)
Family SOL, Youth, MASH & ADOL	796	7,171	8,408	1,236
Children's Legal	893	2,742	3,428	686
Children's Social Care Management	(1,118)	331	(725)	(1,056)
Client Support Packages	1,323	4,425	5,975	1,550
Corporate Parenting	496	5,358	5,873	515
Placements	(2,015)	36,758	34,253	(2,506)

Children's Services	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Provider Services	218	6,438	7,440	1,002
Total	1,886	75,759	78,053	2,294
<p>The final outturn children services Social Care has worsened by £408,000 since the reported position at Round 3, to give a final outturn overspend of £2.294million. The main reasons for the increased overspend are several increases in placements costs, staffing and agency costs, a £67,000 increase in client section 17 expenses, and a contribution to the bad debt provision of £42,000 across the division which was not previously forecast.</p> <p>The Children's Legal Services overspend of £686,000 includes a £316,000 provision to settle five-age related assessment appeals from Unaccompanied Asylum-Seeking Children (UASC) clients, there was however a reduced demand on external assessments in the last quarter.</p> <p>Eden House overspend of £723,000 as the budget assumed the Eden House facility would be open in April 2024 and would generate savings from that point onwards. With the Ofsted application approved in September, it was only possible to deliver six months of savings. Two children were in placement at the end of March, however the additional two who were expected to transfer before the end of the financial year, will now moving in the first quarter of the new financial year.</p> <p>The staffing forecasts included an agency project team that was budgeted to end at the end of the previous financial year, that was instead released at the end of September 2024 due to high caseloads. The use of agency staff continues to cause pressures across most teams including Fostering, Assessment and the Children's Social Work teams, though as recruitment activity is filling several key posts and while it was expected to reduce towards the end of the financial year unfortunately additional staff was required to stabilise caseloads.</p>				

Directorate Management Team	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Directorate Management Team	(1,668)	2,959	729	(2,230)
Total	(1,668)	2,959	729	(2,230)
<p>The Directorate Management Team underspent by £2.230million, an improvement of £562,000 from the position reported at Round 3. The budget includes an allowance for the completion of the MedPay review in the Directorate, and a significant proportion of service areas did not conclude the review in the 2024/25 financial year as anticipated creating the increased underspend.</p>				

Education	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
School Organisation & Student Services	264	2,958	3,141	184
Psychology & Special Educational Needs	3,629	43,473	47,093	3,620
School Improvement	(113)	324	145	(178)
Special Educational Needs & Disabilities Transport	607	12,281	12,084	(196)
Inclusions	(833)	3,152	2,797	(355)
School Online Services	(31)	15	(2)	(17)

Education Management Team	(64)	816	694	(122)
Early Years Sufficiency	(87)	32,301	31,995	(306)
Total	3,372	95,320	97,948	2,629

The Education service overspent by £2.629million, the main areas of overspend for the general fund were £1.147million on Educational Psychology staffing as 10 agency staff were engaged to clear statutory assessment backlogs and a further overspend of £1.655million on staffing within the SEND team, with agency staff in the Assessment team in place until the end of March alongside agency staff covering vacancies in the service. These overspends were offset by an underspend on Special Educational Needs (SEN) transport of £196,000, which improved by £743,000 from the Round 3 position mainly due to lower negotiated SEN transport recoupment costs than anticipated.

The Dedicated Schools Grant (DSG) funded services underspent by £2.980million, which was transferred into the DSG reserve at the end of the financial year. The underspend on the early years block and the high needs block were transferred into the reserve within this division. The underspend on the schools block was transferred into the reserve but under the school funding section of this report which is where most of the school block expenditure occurs.

As at 31st March 2024 the DSG reserve was reporting a £19.378million deficit; this has reduced to £16.398million by March 2025 after the in-year underspend of £2.980million was transferred into the reserve. This forecast year end deficit position is before the Department for Education (DfE) contribution is added and is £702,000 worse than submitted as part of the Safety Valve Improvement Plan (SVIP), so it will be necessary to increase the savings delivery in the remainder of the plan or utilise the earmarked reserve that we were required to set up as part of the SVIP.

Partnership Commissioning & Business Intelligence	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Adults Commissioning	(12)	517	484	(34)
Children's Commissioning	(75)	1,732	1,666	(66)
C&A Performance & Intelligence	(29)	626	562	(63)
Total	(117)	2,874	2,712	(163)

Partnership Commissioning & Business Intelligence teams underspent by £163,000, an improvement of £46,000 from Round 3 due to savings on staffing and contract payments.

Public Health	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Public Health Management	252	1,221	1,938	716
Health Improvement Programmes	(129)	4,196	3,834	(362)
Stop Smoking Services	(44)	845	826	(19)
Supporting Healthy Weight	74	1,519	1,525	7
Substance Misuse	(2)	2,136	2,137	1
Child Health	(150)	5,633	5,291	(342)
Total	0	15,551	15,551	0

Public Health Services have remained within budget this year. Additional funding for Agenda for Change salaries, receipt of delayed Interreg income and re-profiling some management salary costs to specific or additional grant streams has allowed a further contribution to be made to the general PH reserve of £153,000. This increase to reserves will be used to help fund rising staffing and NHS contract pressures in the new financial year.

Additional Government Grants	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Start 4 Life Funding	0	1,232	1,232	0
Holiday Activity Fund	0	1,162	1,162	0
Health Determinants Research Collaboration	0	0	0	0
Total	0	2,394	2,394	0

This is the final year of the initial 3-year Family Hubs and Start for Life Program. 2024/25 has seen significant activity to deliver the program, spending not only the funding for the final year, but also £1.016million of accrued underspend from years 1 and 2. £274,000 remains in reserves to fund some projects that are continuing into 2025/26. The Autumn spending review confirmed a continuation of funding for 2025/26, but we await further announcements in late spring for continuation beyond 2026.

Improvements to the robustness of the budget monitoring for the Holiday, Activities and Food program has allowed the scheme to remain within budget this year. Planning for the year included a small contingency should any of the providers see an increase in numbers for their activities and request additional funding. No top-ups were requested from providers in addition to their initial funding and along with staff vacancies in the team, resulted in a small transfer to reserves of £34,000. We are awaiting confirmation from the funding body (DFE) in respect of whether they will request repayment of this small underspend in 25/26.

Over the last year, the HDRC has conducted several key pieces of work to develop a solid foundation for increasing research capacity and capability in the council, including a survey to gain insights into research readiness in the council and the development of a training programme. There have been some challenges with recruitment, however, these are now mostly resolved and the team will soon be at full capacity. The recruitment challenges mean that the HDRC has spent less than planned, resulting in a transfer to reserves of £145,000, which will be used to fund HDRC activity in future years.

Schools Retained Funding & Grants	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Finance Provisions	440	2,824	2,892	68
Hr Provisions	(13)	681	676	(5)
School Grants	(440)	40,612	40,580	(32)
Total	(13)	44,118	44,148	30

Schools Retained Funding & Grants overspent by £30,000, a worsening of £43,000 compared to the Round 3 forecast. The underspend and movement principally relate to schools' historic pensions and redundancy costs and contributions.

7. Regeneration, Culture and Environment

- 7.1. The Directorate outturn is an underspend of £1.368million, an improvement of £1.512million compared to the position reported at Round 3. Details of the outturn in each service area are set out in the tables below.

Culture & Community	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Sport, Leisure, Tourism & Heritage	(169)	4,123	3,794	(328)
Cultural Services	(166)	4,036	3,646	(390)
Greenspaces	(37)	6,353	6,537	183
Planning	(363)	2,216	1,717	(499)
South Thames Gateway Partnership	7	135	142	7
Strategic Housing	1,862	6,339	7,836	1,497
Libraries & Community Hubs	(26)	5,007	4,964	(43)
Culture & Community Support	19	73	88	15
Total	1,127	28,281	28,723	442

The Culture & Community division outturn is an overspend of £442,000, an improvement of £685,000 from the position reported at Round 3.

There was a £328,000 underspend on Sport, Leisure, Tourism & Heritage, largely due to additional income from an increase in sports centre memberships and income, the combined effect of these was an additional £781,000 of income. This was offset by overspends on the cost of utilities and other costs across the various leisure centres and other areas of activity.

Cultural Services underspent by £390,000, an improvement of £225,000 compared to the Round 3 forecast. The events programme overspent by £254,000. This pressure was more than offset by staff vacancy savings and additional income being generated at the Corn Exchange, theatres and Heritage attractions, which accounts for the improvement.

Greenspaces overspent by £183,000, a worsening of £221,000 from Round 3. The main reason for the overspend and movement from round 3 was the increased cost of water rates.

The Planning Service underspent by £499,000 due to an improved income position in relation to planning fees and staffing underspends offsetting the additional cost of the accelerated delivery of the Local plan. The improvement of £136,000 was due to lower than forecast cost of consultant fees across the service and in delivering the Local Plan in 2024/25.

Strategic Housing overspent by £1.497million, as the number of Homeless presentations remained high and the cost of private sector accommodation increased by 20%, exceeding the budget expectations. There were 589 temporary accommodation households (including those properties owned by Medway Council) at the end of March 2025. However, there was an improvement of £365,000 from Round 3 as this pressure was offset by savings across other parts of the service and through the use of external grant funding and drawing down earmarked reserves relating to homelessness.

Libraries and Community Hubs underspent by £43,000 which is an improvement of £17,000 from the position reported at Round 3 due to reductions in staffing costs and on supplies and services budgets across all libraries.

The Culture and Community Support outturn is a pressure of £15,000, broadly in line with the Round 3 forecast and due to the savings target for vacancies being held centrally and the actual vacancy savings showing elsewhere in the division.

Director's Office	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Director's Office	(438)	1,800	1,129	(671)
Total	(438)	1,800	1,129	(671)

The Director's Office underspent by £671,000, an improvement of £233,000 from Round 3. £592,000 of the underspend due to the budget for the completion of the MedPay review for the Directorate not being required as a significant proportion of service areas concluded the review late in the 2024/25 financial year with some still to be completed in early part of 2025/26. There was a £63,000 underspend on the budget for the provision of temporary travellers' sites.

Front Line Services	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Front Line Services Support	50	851	832	(19)
Highways	(575)	13,507	13,550	44
Parking Services	764	(6,273)	(6,212)	62
Environmental Services	47	31,201	31,164	(37)
Integrated Transport	(165)	7,708	7,642	(66)
Regulatory Services	(63)	3,060	2,584	(476)
Total	58	50,053	49,560	(493)

The Front Line Services outturn is an underspend of £493,000, an improvement of £552,000 compared to the position reported at Round 3.

Front Line Services Support underspent by £19,000, an improvement of £69,000 from the position reported at Round 3, due to reduced spend on staffing and supplies and services following the cessation of non-essential spend.

Highways overspent by £44,000, a worsening of £618,000 from Round 3, as the Round 3 forecast reflected the assumption that more elements of the highways maintenance works and contract costs could be funded through capital programme than was possible.

Parking Services overspent by £62,000, an improvement of £703,000 from Round 3 due to further improvements in the income levels achieved across both on and off-street parking as well as enforcement for Safer Streets schemes.

The Environmental Services outturn is an underspend of £37,000, an improvement of £84,000 from Round 3. Due to an increased forecast cost of refuse collection related to additional costs for waste vehicles offset by a reduction in the forecast cost of waste disposal, these are offset further by an underspend on the amount built into the budget to deliver a Waste Strategy where the costs were not incurred in 2024/25 but is due to be delivered in 2025/26

Integrated transport underspent by £66,000, a worsening of £99,000 from Round 3, due to some increased contract costs and a lower level of staff costs being chargeable to capital schemes.

Regulatory Services underspent by £476,000, an improvement of £413,000 from the position reported at Round 3 due to an improvement in the income received through Bereavement services and through not making the planned contribution to the Crematorium repairs and maintenance reserve.

Regeneration	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Medway Norse	269	0	250	250
Property & Capital Projects	(155)	1,546	1,274	(272)
Regeneration Delivery	(23)	968	1,056	89
Valuation & Asset Management	(585)	(1,137)	(1,198)	(60)
Economic Development	53	610	538	(71)
Skills & Employability	4	462	417	(46)
Total	(438)	2,448	2,337	(112)

The Regeneration outturn is an underspend of £112,000, a worsening of £326,000 from the position reported at Round 3.

The Medway Norse Core Contract overspent by £250,000, an improvement of £19,000 from the Round 3 forecast. The overspend is due to planned savings arising from a review/renegotiation of Facilities Management having not been achieved for 2024/25.

The Property & Capital Projects outturn position is an underspend of £272,000, an improvement of £118,000 from Round 3. The main reason for the underspend is a reduced contribution to the Building Repairs and Maintenance Fund based on a review of works required. Elsewhere there were pressures around income from capital schemes along staffing vacancy savings. Improvement from Round 3 is mainly due to reduced utilities costs at Gun Wharf.

Regeneration Delivery outturn is overspent by £89,000, a worsening of £112,000 compared to the Round 3 forecast. Primarily due to pressures around income from capital schemes to fund staff costs.

Valuation & Asset Management underspent by £60,000, a worsening of £525,000 compared to the Round 3 forecast. There was a surplus of rental income for investment properties of £554,000, mainly due to backdated rent. This was offset by an overspend of £314,000 on the Pentagon centre and staffing due to reduced income and the costs associated with the disposal of properties.

Economic Development underspent by £71,000, an improvement of £124,000 from the position reported at Round 3 due to improved income and reduced maintenance costs.

The Skills & Employability outturn is an underspend of £46,000, an improvement of £50,000 due to additional grant income being received.

Medway Norse Profit Share	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Medway Norse Profit Share	(165)	(433)	(967)	(534)
Total	(165)	(433)	(967)	(534)

The Medway Norse profit share was £534,000 higher than budgeted. This is due a higher than budgeted rebate for 2024/25 along with the final audited Medway Norse accounts for 2023/24 providing for a higher rebate to Medway Council than was assumed when the Medway Council accounts for 2023/24 were closed.

8. Housing Revenue Account

Housing Revenue Account	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Housing Revenue Account	(243)	0	317	317
Total	(243)	0	317	317

The Housing Revenue Account (HRA) ended the year with a deficit of £317,000, a variance of £561,000 against the Round 3 forecast. The outturn figure includes an additional £1.667million revenue contribution to capital to reduce the use of borrowing for the 2024/25 capital programme to nil, this was not reflected in the forecasts. The £317,000 deficit has been funded by the HRA reserves.

The HRA reserve remains higher than the minimum reserve position agreed during the budget setting. The forecasting throughout 2024/25 remained mostly consistent, budget realignments for 2025/26 have been made in an effort improve accuracy. Further budget variances across the HRA include an underspend of £185,000 against repairs and maintenance, mostly due to the responsive repairs and maintenance being an unknown factor. Multiple vacancies across the service generated savings causing variances against the budgets for Tenancy Services and Client Side. The outturn for the HRA income (both rental and other) was within a 0.5% variance to the budget set.

9. Business Support & Centralised Services

- 9.1. The Business Support Services outturn is an underspend of £1.168million which is an improvement of £291,000 compared to Round 3, while the Centralised Services outturn is an underspend of £1.264million, £151,000 worse than Round 3. The details of the outturn in each service area are set out in the tables below.

Communications & Marketing	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Communications & Marketing	8	103	77	(25)
Total	8	103	77	(25)

The service underspent by £25,000, an improvement of £33,000 compared to the Round 3 due to lower than budgeted expenditure on centralised marketing and other supplies and services budgets.

Divisional Management Team	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Divisional Management Team	27	0	40	39
Total	27	0	40	39

The Corporate Management outturn is an overspend of £39,000, a worsening of £12,000 compared to the Round 3 projection. The pressure relates to an overspend on staffing costs and on other supplies and services budgets.

Finance & Business Improvement	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Internal Audit & Counter Fraud	(58)	0	(30)	(30)
FBI Divisional Management Team	8	0	8	8
FBI - Finance	(646)	4,755	4,252	(502)
FBI - Information	(170)	2,011	1,502	(508)
FBI - Organisational Culture	(434)	477	204	(273)
Total	(1,299)	7,242	5,937	(1,306)

The Finance & Business Improvement divisional outturn is an underspend of £1.306million, an improvement of £7,000 from the position reported at Round 3.

The underspend of £502,000 on Finance (which includes Accountancy, Revenues, Benefits and Debt) relates to an underspend on Benefits Subsidy of £334,000, this is £167,000 worse than Round 3 and largely accounts for the movement from the previously reported position for the Finance section. Elsewhere there were a number of vacancy savings across the teams, offset by increased costs associated with a number of ICT systems and contracts in excess of the budget allocations which result in a net underspend of £168,000.

The Information (which includes Technology, Customer Experience and Digital) outturn is an underspend of £508,000, an improvement of £339,000 compared to the Round 3 forecast.

There was an overspend on CCTV services of £93,000, offset by a net underspend of £36,000 on ICT due to cost pressures on a number of centralised ICT systems, offset by staffing underspends. There were additional underspends on Customer & Business Support (CABS) of £213,000, Digital of £172,000, Performance & Intelligence of £154,000 and Community Interpreting service of £31,000 all largely due to vacancy savings.

The Organisational Culture outturn is an underspend of £273,000, a worsening of £161,000 compared to the Round 3 forecast. The underspend is due to vacancy savings across a number of teams within the service offset partially by reduced income. The movement primarily relates to a contribution to the bad debt provision in respect of rebate income from recruitment agencies

The Internal Audit & Counter Fraud outturn is an underspend of £30,000, a worsening of £28,000 from the Round 3 forecast relating to staff related costs.

Legal & Governance	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Democratic Services	1	653	614	(39)
Members & Elections	(8)	2,237	2,125	(113)
Category Management	(79)	9	(76)	(84)
Legal, Land Charges & Licensing	473	(163)	197	360
Total	386	2,736	2,860	124

The divisional outturn is an overspend of £124,000, an improvement of £262,000 compared to the Round 3 forecast.

Legal, Land Charges and Licencing overspent by £360,000, There was a £58,000 net underspend on Legal Services as an £843,000 underspend on permanent staff due to new posts agreed in the budget not all being in post, offset by an overspend of £903,000 on agency staffing to deliver the caseload. There was also a £77,000 underspend on Licensing. These underspends were offset by a £491,000 overspend on the cost of Legal support for Children's services. The improvement of £113,000 compared to Round 3 is due to staff vacancy savings, the cessation of non-essential spend and some additional income in Licensing.

The Democratic Services outturn is an underspend of £39,000 due to staff vacancy savings and savings on supplies and services budgets, this is an improvement of £40,000 compared to the Round 3 forecast and is due to the reduced spend on the supplies and services budgets.

Members and Elections underspent by £113,000, an improvement of £104,000 from the Round 3 forecast due to the planned contribution to the elections reserve not being made in 2024/25.

Category Management underspent by £84,000 primarily due to staff vacancy savings.

Centralised Services	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Central Accounts	0	(14,702)	(14,702)	0
Interest & Financing	(2,895)	19,211	16,583	(2,628)
Levies	(34)	1,892	1,833	(59)
Corporate Management	1,515	961	2,385	1,423
Total	(1,414)	7,362	6,098	(1,264)

The collective outturn on Centralised Services is an underspend of £1.264million.

There was an underspend of £59,000 relating to Levies, an improvement of £25,000 as the Coroners Service charge from Kent County Council to Medway was lower than projected.

The Interest & Financing budget funds the cost of borrowing required to support the Council's capital programme and was underspent by £2.628million, a worsening of £267,000 from the position reported at Round 3 due to increased borrowing costs.

Corporate Management overspent by £1.423million, an improvement of £92,000 from Round 3.

£1.323million of the overspend relates to Medway 2.0 and the Transformation Roadmap and reflects the spend against budget agreed by Corporate Management Team as an underspend against the total budget, offset by the £2million corporate savings target held here. This position is £233,000 improvement from the position reported at Round 3. The proposed budget for 2024/25 presented to the Cabinet in February 2025 removes this discrete savings target and instead reflects that the Transformation Team will support all services to deliver savings agreed across the budget.

There was a £209,000 overspend relating to external audit and valuation fees and a £195,000 overspend on External bank charges. This budget for external bank charges has been corrected for 2025/26.

We also made a £161,000 contribution to the corporate bad debt provision which was not forecast at round 3

There was a £39,000 underspend on the Ward Improvement Fund.

The budget included an allowance for the completion of the MedPay review in the Directorate, and as a significant proportion of service areas concluded the review late in the 2024/25 financial year or will do so in early 2025/26 this allowance was not used in full resulting in a £408,000 underspend, which was £116,000 higher than reported at Round 3.

10. Additional Government Support

Additional Government Support Expenditure	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Household Support Grant	0	4,525	4,525	0
Afghan Relocation Support	0	0	0	0
Homes for Ukraine	0	739	739	0
Total	0	5,264	5,264	0
All additional government support grants were spent to budget.				

11. Funding

- 11.1. There is a £405,000 surplus of income compared to the budget as the Government have again decided to distribute the surplus on the national Business Rates Levy Account. Medway Council's share for 2024/25 is £404,000. In addition there is a small surplus of grant income for Children's Social Care Grants.
- 11.2. The budget for 2024/25 was balanced including the use of a £14.742million capitalisation direction secured through the Exceptional Financial Support scheme (EFS). In February 2025 the Government issued an agreement in principle to an increased level of EFS based on the overspend projected in the budget monitoring. It will be necessary to use a total of £5.497million of additional EFS to fund the final outturn, taking the total EFS required in 2024/25 to £20.239million. This is less than the total amount of support agreed in principle by the Government for 2024/25 of £23.171million.

12. Capital Outturn

- 12.1. The capital programme year end position is shown in the table below. A carry forward budget of £240.286million is committed on existing schemes and will be added to the new schemes agreed by Council on 28 February 2025. The outturn represents an underspend against the 2024/25 agreed budget of £42.591million.

Directorate	2024/25 Budget	2024/25 Outturn	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Outturn/ Forecast Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Children and Adults	32,554	13,627	16,699	2,194	0	(34)
Regeneration, Culture and Environment	227,031	40,897	101,231	40,566	1,780	(42,556)
Housing Revenue Account	67,636	10,202	32,614	16,710	8,110	0
Business Support Department	430	292	138	0	0	0
Total	327,650	65,018	150,682	59,469	9,890	(42,591)

- 12.2. The outturn on the Children and Adults programme is an underspend of £34,000, arising from the Basic Needs Primary and SEND programmes. The Hundred of Hoo Primary Expansion and Pilgrim School Equipment have delivered an underspend upon completion of £18,000. The Inspire Special School scheme has delivered an underspend of £16,000.
- 12.3. The outturn on the Regeneration, Culture and Environment programme is an underspend of £42.556million against the 2024/25 approved budget, primarily due to the decision of the Cabinet in March 2025 to review the Innovation Park Medway scheme. The revised options have resulted in a reduced scheme and will mean that £34.170million will be removed from the existing budget, leaving a carried forward budget from 2024/25 to 2025/26 of just £2,268,141million for this scheme. In March 2025 the Cabinet agreed in principle to the removal of the capital codes from the programme once the final outturn was known, and as such Cabinet are now asked to recommend to Council the removal of £34.170million. The Mountbatten House project is being managed by Medway Development Company outside of the Council's capital programme, so the remaining balance on the Pentagon Future Capital Works scheme of £2.831million is no longer required for the original purpose. The Council remains committed to maintaining the Pentagon Centre alongside a range of improvements to Chatham Town Centre, including the opening later this year of the James Williams Healthy Living Centre, completion of the MDC Waterfront development and their ongoing transformation of Mountbatten House. Cabinet are asked to recommend to Council that £2.400million of the underspend be used to fund a new scheme to deliver further improvements to the Pentagon, including:
- Replacement of a section of roof (R14),
 - Refurbishment of 205 high street,
 - Upgrades to fire exits and windows to the bus lane,
 - Repair and resurfacing of the service road, and
 - Repairs and resurfacing to the car park.
- Finally, Cabinet are asked to recommend to Council that the remaining unspent balance of £431,000 be removed from the capital programme.
- 12.4. Within Front Line Services, a further underspend of £5million relates to the Waste Fleet Replacement Scheme as reported in the previous monitoring cycle as a result of a successful tender exercise. Within Culture and Community an underspend of £300,000 has been delivered on the Cozenton Park Sports Centre as reported in Round 3 monitoring.
- 12.5. The outturn on the Housing Revenue Account and on the Business Support programme are both to budget.
- 12.6. All unused approved budgets for continuing schemes will be carried forward to the new financial year where funding streams allow with an update reported to the Cabinet with the first round of budget monitoring in August 2025.

13. Flexible Use of Capital Receipts

- 13.1. Full Council has approved a Flexible Use of Capital Receipts Strategy alongside the budget, ahead of each financial year since this flexibility was

initially granted in 2016/17. In previous years, Council has approved the inclusion of sums to be used in line with this flexibility into the revenue budget. These schemes have been reviewed and the remaining projected expenditure is now lower than the budgets initially agreed. Cabinet is therefore recommended to transfer the projected underspends back to General Capital Receipts, as follows:

- £544,076 originally earmarked for Children's Social Care improvement,
- £148,709 originally earmarked for Adults Social Care Improvement, and,
- £165,230 originally earmarked to support the wider transformation programme.

This would leave a balance on Earmarked Capital Receipts of £1.510million.

14. Reserves

- 14.1. As at March 2024 the Council had non-earmarked general fund reserves of £10.065million available to it. Though the 2024/25 revenue outturn set out in this report represents an overspend against the budget, this will be funded from the expanded EFS agreed in principle by the Government and will not therefore impact the Council's general reserves balance, which will remain at £10.065million, above the minimum level of £10million set by the Section 151 Officer. In setting the 2025/26 budget, Council agreed to use £50,000 from general reserves to fund VE and VJ day celebrations in May 2025.

15. Irrecoverable Debt written off in 2024/25

- 15.1. The Financial Rules in the Council's Constitution also set out limits for approval to write off irrecoverable debts and these are set out in Section 3.3 of this report. The Constitution also requires a report to be submitted to Cabinet on an annual basis setting out details of all debt written off, and therefore details are provided below.

Debt Written Off 2022/23 to 2024/25

Debt Category	2022/23		2023/24		2024/25	
	Raised	Written Off	Raised	Written Off	Raised	Written Off
	£000s	£000s	£000s	£000s	£000s	£000s
Council tax ¹	171,336	1,979	181,835	1,448	194,634	1,406
Business Rates ¹	90,177	783	93,493	1,120	102,494	738
Housing Benefit Overpayments ¹	2,283	83	1,993	321	2,091	69
Housing ¹	14,463	103	15,963	47	17,449	63
Temporary Accommodation ²	2,464	50	3,013	9	4,227	42
Penalty Charge Notices (PCN's) ³	3,844	215	4,601	198	8,594	1,256
Sundry Debt	55,576	26	28,059	14	42,395	36
Adult Social Care	17,290	2	21,596	4	24,812	0
Total	357,433	3,241	350,553	3,161	396,696	3,610

- 1) Amounts written off each year are cumulative, including amounts raised in previous years.
- 2) Temporary Accommodation moved from being raised as a Sundry Debt to on the Housing database (Academy) from 2020/21.
- 3) PCNs are 'cancelled' rather than written off but included here for transparency. (Excludes Moving Traffic Enforcement) and school streets warning notices.)

16. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial resilience	Closing the 2024/25 accounts requires the use of additional EFS and the available general reserves are just above the minimum level of £10million set by the S151 officer. This may impact the Council's financial resilience as it may now be less able to withstand budgetary pressures.	Close monitoring of the Council's budget forecast and enhanced monitoring of reserves and other financial resilience measures being introduced in 2025/26.	BII
Inherent budget pressures	The 2024/25 outturn includes pressures in a range of services that are likely to be ongoing into 2025/26; these may have not been adequately addressed in the budget for next year.	Close monitoring of the Council's budget forecast, and work to develop the budget for 2026/27 and beyond is beginning early in 2025/26.	BII
Likelihood		Impact:	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

17. Financial implications

- 17.1. The 2024/25 budget set in February 2024 was balanced without the use of general reserves, though it assumed the use of £14.742million of Exceptional Financial Support to fund the cost of services for the year.
- 17.2. The 2024/25 outturn represents a net overspend on the cost of services of £5.902million and a favourable variance on funding of £405,000, representing a net overspend against the budget of £5.497million. As set out in section 11 of this report, the Government issued an agreement in principle to an increased level of EFS based on the overspend projected in the budget monitoring, and funding the 2024/25 outturn position will require the use of a further £5.497million of EFS, taking the total support required to

£20.239million. This is within the amount of support agreed in principle by the Secretary of State of £23.171million

- 17.3. The Council's general reserve balance as at 31 March 2025 will be £10.065million, above the minimum level of £10million set by the Section 151 Officer.

18. Legal and constitutional implications

- 18.1. The Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council. It is unlawful to set a budget that is not balanced or incur expenditure which results in the budget no longer being balanced.
- 18.2. Under section 114 of the Local Government Finance Act 1988, the Council's statutory Section 151 Officer, is required to produce a report, commonly known as a S114 report, "if it appears to him that the expenditure of the authority is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure."
- 18.3. The Council's Financial Procedure Rules state at Chapter 4, Part 6, the following paragraph references:
- 4.1 Approval by the Council of the overall revenue budget authorises the Cabinet and Chief Executive and directors to incur the expenditure in accordance with the scheme of delegation, the budget and policy framework rules and these rules.
- 4.4 The Chief Operating Officer shall be responsible for monitoring the Council's overall expenditure and income and for reporting to the Cabinet and Council significant variations between the approved estimates and actual expenditure.
- 4.6 There may be occasion in exceptional circumstances where additional expenditure is essential and therefore unavoidable. Requests for supplementary revenue estimates must be referred to Council for approval. Such referrals would only occur where proposals are incapable of being financed from within approved budgets and where it is not possible to defer the expenditure to a later year.
- 18.4. The Cabinet and officers may only spend within allocated budgets. If the budget is likely to be exceeded, the Council is required to consider if it wishes revise to the revenue budget or require mitigating action to be taken.
- 18.5. Article 7 of the Council's constitution states:
- 7.2 The Cabinet (meaning the Leader and such other Members of the Council as the Leader may appoint) will carry out all the authority's functions which are not the responsibility of any other part of the Council, whether by law or under this Constitution

- 18.6. Officers are mandated to deliver services within agreed performance standards and agreed policies. Subject to the scheme delegation officers do not have authority to vary policies or performance standards.
- 18.7. If the council is not minded to agree a supplementary revenue estimate, then the Cabinet is required to operate with the approved estimate. If that necessitates revisions of policies or service standards, then unless those matters are delegated to officers, it is matter for Cabinet to determine those matters.
- 18.8. Chapter 3, Part 5, section 5.4 of the Council's Constitution sets out the financial limits in place with respect to writing off irrecoverable debts, with Directors having authority to write off debts relating to the services which are their responsibility of up to £5,000. The Chief Operating Officer has authority to write off debts as follows:
- Council Tax – within the approved provision held within the accounts,
 - Business Rates – within the approved provision held within the accounts,
 - Other debts of the Council – up to £25,000 in consultation with the director responsible for services to which the debt relates.
- The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off. Requests for debt to be written off beyond the delegated authority set out above are a matter for the Cabinet.

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Appendices

None

Background papers

None