

Business Support and Digital Overview and Scrutiny Committee

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Revenue Budget Monitoring – Round 1 2025/26

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Summary

This report presents the results of the first round of the Council's revenue budget monitoring process for 2025/26. The Council's summary position is presented in section 4, with sections 5 and 6 providing the detail for each service area.

1. Recommendations

- 1.1. The Committee notes the results of the first round of revenue budget monitoring for 2025/26.
- 1.2. The Committee notes that Cabinet instructed the Corporate Management Team to implement urgent actions to bring expenditure back within the budget agreed by Full Council.

2. Budget and policy framework

- 2.1. Cabinet is responsible for ensuring that income and expenditure remain within the budget approved by Council. Budget virements are subject to the financial limits contained in part 5 of chapter 3 of the Council's Constitution.

3. Background

- 3.1. 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. The net impact of these amendments takes the Round 1 budget requirement to a total of £500.659million.
- 3.2. This report presents the results of the first round of revenue budget monitoring based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year's outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of

commitments and service requirements anticipated for the remainder of the financial year.

4. Summary Revenue Budget Forecast Position 2025/26

4.1. The forecast outturn for 2025/26 represents a pressure of £10.948million.

Directorate	2024/25 Outturn £000's	2025/26 R1 Budget £000's	2025/26 R1 Forecast £000's	2025/26 R1 Variance £000's
<i>Budget requirement:</i>				
Children and Adult Services	347,954	380,946	391,528	10,582
Regeneration, Culture and Environment	68,601	83,836	84,559	723
Business Support Department	8,687	8,942	8,569	(373)
Business Support Centralised Services:				
Interest & Financing	16,583	18,107	18,107	0
Corporate Management	4,217	4,841	4,857	16
Additional Government Support Grant Expenditure	5,264	3,988	3,988	0
Budget Requirement	451,307	500,659	511,607	10,948
<i>Funded by:</i>				
Council Tax	(158,462)	(170,516)	(170,516)	0
Retained Business Rates & Baseline Need Funding	(74,904)	(76,806)	(76,806)	0
Government Grants - Non Ringfenced	(8,129)	(13,192)	(13,192)	0
New Homes Bonus	(1,573)	(1,311)	(1,311)	0
Dedicated Schools Grant	(123,841)	(139,614)	(139,614)	0
Other School Grants	(4,662)	(5,260)	(5,260)	0
Adult Social Care Grants	(32,151)	(35,251)	(35,251)	0
CSC Grants	(503)	(3,828)	(3,828)	0
Public Health Grant	(19,186)	(20,347)	(20,347)	0
Extended Producer Responsibility	0	(4,873)	(4,873)	0
Housing Related Grants	0	(4,862)	(4,862)	0
Use of Reserves	0	(50)	(50)	0
Additional Government Support Ringfenced Grant Income	(7,658)	(6,563)	(6,563)	0
Exceptional Financial support	(14,742)	(18,184)	(18,184)	0
Total Available Funding	(445,810)	(500,659)	(500,659)	0
Net Forecast Variance	5,497	0	10,948	10,948

5. Business Support & Centralised Services

5.1. The Business Support Services forecast is an underspend of £373,000, while the Centralised Services forecast is an overspend of £16,000, bringing the overall forecast to an underspend of £357,000. The details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	2024/25 Outturn £000's	2025/26 R1 Budget £000's	2025/26 R1 Forecast £000's	2025/26 R1 Variance £000's
Communications & Marketing	330	323	324	1
Total	330	323	324	1

The service is forecasting a minor underspend of £1,000 due to a small forecast shortfall in budgeted income.

Divisional Management Team	2024/25 Outturn £000's	2025/26 R1 Budget £000's	2025/26 R1 Forecast £000's	2025/26 R1 Variance £000's
Divisional Management Team	39	0	(55)	(55)
Total	39	0	(55)	(55)

There is a reported underspend on staffing of £55,000 due to a vacant post and maternity leave.

Finance & Business Improvement	2024/25 Outturn £000's	2025/26 R1 Budget £000's	2025/26 R1 Forecast £000's	2025/26 R1 Variance £000's
Internal Audit & Counter Fraud	(30)	0	(133)	(133)
FBI Divisional Management Team	8	0	0	0
FBI - Finance	4,252	4,358	4,503	145
FBI - Information	952	1,298	956	(342)
FBI - Organisational Culture	282	(108)	(160)	(52)
Policy Unit	0	450	450	0
Total	5,464	5,998	5,617	(381)

The Finance & Business Improvement division forecast is an underspend of £381,000.

There is a reported underspend of £133,000 in Internal Audit & Counter Fraud which is a combination of savings on staffing due to vacancies and from additional income from the shared service arrangement with Gravesham.

The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is an overspend of £145,000. There is a forecast overspend of £351,000 on the Benefits and Financial Welfare service relating to the projected increase in the level of shortfall in benefits subsidy as the final stages of the migration to Universal Credit with the process expected to be complete by the end of 2025/26. This process is seeing all cases that are 100% funded by the benefits subsidy transferred to the DWP, leaving local authorities with only caseloads that do not attract full subsidy. This is offset by staffing underspends across accountancy, revenues and debt teams.

The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £342,000. There is a pressure on software budgets of £103,000. That overspend is offset by an underspend on Customer & Business Support (CABS) of £258,000 a combination of vacancies and due to the make-up of the team being below that of the MedPay guided distribution along with vacancy savings across a number of other teams.

The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £52,000. This is due to a mixture of income targets not being achieved offset by savings on staffing teams and additional income from agencies.

Legal & Governance	2024/25 Outturn £000's	2025/26 R1 Budget £000's	2025/26 R1 Forecast £000's	2025/26 R1 Variance £000's
Democratic Services	614	743	739	(4)
Members & Elections	2,119	2,404	2,384	(19)
Category Management	(75)	0	0	0
Legal, Land Charges & Licensing	197	(75)	10	85
Total	2,854	3,071	3,133	62

The divisional forecast is an overspend of £62,000.

There is a forecast overspend of £306,000 on Counsel/Process Servers. The service is engaging agency staff and third-party solicitors to reduce the need to use highly expensive Counsel for all but the most complex cases, and using email and internal staff to deliver legal documents to reduce the need to pay third party process servers for all cases except where there is a security risk to staff for serving.

In Legal there is a forecast £721,000 underspend on permanent staff as new posts agreed in the budget are not yet all in post, offset by an overspend of £517,000 on agency staffing to deliver the caseload.

Centralised Services	2024/25 Outturn £000's	2025/26 R1 Budget £000's	2025/26 R1 Forecast £000's	2025/26 R1 Variance £000's
Interest & Financing	16,583	18,107	18,107	0
Levies	1,833	1,996	1,977	(19)
Corporate Management	2,385	2,844	2,880	35
Total	20,801	22,948	22,964	16

Collectively, Centralised Services are forecast to overspend of £16,000.

The Corporate Management position is an overspend of £35,000 due to valuer fees and additional lump sum pension payments. An underspend of £19,000 on Levies arises as the budget included an allowance to reflect the rate increases however the Kent County Council Coroners Service rate had not been confirmed and is lower than the budgeted expected.

6. Additional Government Support

Additional Government Support Expenditure	2024/25 Outturn £000's	2025/26 R1 Budget £000's	2025/26 R1 Forecast £000's	2025/26 R1 Variance £000's
Household Support Grant	4,525	3,988	3,988	0
Afghan Relocation Support	0	0	0	0
Homes for Ukraine	739	0	0	0
Total	5,264	3,988	3,988	0

All additional government support grants are currently forecast to be fully spent.

7. Conclusions

- 7.1. The first round of revenue budget monitoring for 2025/26 projects an overspend of £10.948million.

8. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The Council overspends against the agreed budget	Overspends on budget would need to be met from the Council's limited reserves.	The revenue monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending against the agreed budget.	AI
Impact on service delivery	An overspend that cannot be funded from reserves could result in a diminution of the scale and quality of services that the Council is able to deliver.	Ensuring investment is prioritised to statutory services and key priorities, reviewing and reducing non-essential spend and maximising income.	All
Reputational damage	The challenging financial position of the Council, driven by increased demand for statutory services beyond available funding, could be misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators.	Clear communications with all interested parties on the cause of the financial position, lobbying the government for an improved funding settlement for local government, including implementation of the fair funding review.	BII
Demographic Growth	Further demographic pressures may surface across our social care services above those assumed in the budget.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All
Special Educational Needs and Disabilities	Further increases in the number of children requiring support, and in the complexity of needs may surface. Failure to deliver the recovery plan would risk the Council needing to use the £3million reserve created to fund any shortfall.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	All

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

9. Financial implications

- 9.1. The first round of revenue budget monitoring for 2025/26 projects an overspend of £10.948million. As reported to the Cabinet in June in the Capital and Revenue Budget Outturn for 2024/25, the Council's general reserves currently stand at £10.012million. The Council would not therefore be in a position to fund an overspend on the scale of that currently projected.
- 9.2. It will now be necessary for the Council's senior managers and elected Members to implement urgent actions to bring expenditure back within the budget agreed by Full Council or as a minimum to within that which can be funded from general reserves.

10. Legal implications

- 10.1. 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.
- 10.2. 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."
- 10.3. 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.
- 10.4. 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.
- 10.5. 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

10.6. 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.

10.7. 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.

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Appendices

None

Background papers

None