



## Cabinet

**18 November 2025**

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

Portfolio Holder: Councillor Vince Maple, Leader of the Council

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

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#### **Summary**

This report sets out the Draft Capital and Revenue Budgets for 2026/27. In accordance with the Constitution, Cabinet is required to develop 'initial budget proposals' approximately three months before finalising the budget and setting Council Tax levels at the end of February 2026. The Draft Budget is based on the principles set out in the Medium Term Financial Outlook 2025-2030 (MTFO) considered by the Cabinet on 26 August 2025.

#### **1. Recommendations**

- 1.1. The Cabinet is asked to instruct officers to continue to work with Portfolio Holders in formulating robust proposals to reduce the budget deficit for 2026/27 and to liaise with the Ministry of Housing, Communities and Local Government to secure support through the Exceptional Financial Support scheme, should it be necessary.
- 1.2. The Cabinet is asked to refer the Draft Capital and Revenue Budgets 2026/27 to Overview and Scrutiny Committees, inviting them to offer comments on the proposals.

#### **2. Suggested reasons for decision(s)**

- 2.1. It is the responsibility of Cabinet to develop initial budget proposals for consideration by overview and scrutiny committees. These Draft Budget proposals are the first stage of the budget consultation process leading to further consideration by Cabinet on 10 February 2026 and formal Council Tax setting by Council on 26 February 2026.
- 2.2. The timetable for consideration by overview and scrutiny is as follows:

Children and Young People	2 December 2025
Health and Adult Social Care	4 December 2025
Regeneration, Culture and Environment	11 December 2025
Business Support and Digital	29 January 2026
Cabinet	10 February 2026
Council	26 February 2026

### 3. Budget and policy framework

- 3.1. The budget and policy framework rules contained in the Constitution specify that Cabinet should produce the initial budget proposals. These should be produced and submitted to overview and scrutiny committees three months before the Council meeting that is scheduled to determine the budget and Council Tax. The overview and scrutiny committees have a period of six weeks to consider these initial proposals. Any proposals for change will be referred back to Cabinet for consideration.
- 3.2. According to the Constitution, Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is Cabinet's responsibility to present a budget to Council, with a Council meeting on 26 February 2026. The adoption of the budget and the setting of Council Tax are matters reserved for Council. Under section 31A of the Local Government Finance Act 1992, the Council has a duty to set a budget before 11 March 2026.

### 4. Budget monitoring 2025/26

- 4.1. At its meeting on 27 February 2025, the Council set a total budget requirement of £496.441million for 2025/26, which included funding of £18.184million through a capitalisation direction agreed in principle with the then government through the Exceptional Financial Support (EFS) scheme. Since then, additional grant funding has been announced, primarily the Household Support Fund. The net impact of this amendment takes the round 2 budget requirement to a total of £499.865million.
- 4.2. The round 2 Revenue Budget Monitoring Report, considered elsewhere on this agenda, forecasts a net overspend on services of £9.948million. More work will be needed to reduce the forecast overspend and consequent call on the Council's limited reserves, including a reduction on all expenditure that is not essential to the delivery of statutory services or to meet existing contractual obligations.

### 5. Our Medium Term Financial Outlook

- 5.1. Our initial projections for the cost of services in 2026/27 and beyond were set out in the Medium Term Financial Outlook (MTFO) reported to the Cabinet on 26 August 2025 and amounted to an increase in the budget requirement of £44.987million.

- 5.2. Recognising the financial challenges facing local government, the Government has outlined plans to reform funding, introducing multi-year settlements, reducing the number of grants and conditions and making significant changes to the way funding is distributed between councils based on an updated assessment of needs. The Government published its Spending Review (SR) on 11 June 2025, setting out departmental budgets for revenue spending for the three years 2026/27 to 2028/29, and launched a consultation on funding reforms; the Fair Funding Review 2.0. The SR represents only modest additional resources and it is not possible to determine with any confidence the future funding streams the Council can expect.
- 5.3. The MTFO therefore retained the income projections published alongside the 2025/26 budget in February 2025 as reflecting the Council's best estimate at that stage, representing total income growth of £33.279million compared to the 2025/26 approved budget. Two other scenarios; one more optimistic and one more pessimistic were provided, although the more optimistic scenario now seems unlikely.
- 5.4. The Chancellor of the Exchequer will announce the Autumn Budget on 26 November 2025, shortly after the November meeting of Medway's Cabinet. Medway Council's actual funding allocations will not be confirmed until the publication of the Local Government Finance Settlement, with the Provisional Settlement expected before Christmas. Therefore, this Draft Budget includes updated funding projections only where we have more confidence as to the likely impact, primarily around local taxation. The updated savings and income generation proposals and updated funding projections together reduce the projected gap to £25.897million. Officers will continue to work with Portfolio Holders to formulate further savings and income proposals through the normal budget setting process, with the aim to mitigate the projected gap and balance the budget for 2026/27. Together with the diversity impact assessments, the agreed savings, additional income proposals and final EFS requirement will be included within the budget recommendations to be considered by Cabinet on 10 February 2026.

## 6. Draft Budget summary 2026/27

6.1. The Council's Draft Budget 2026/27 is summarised in table 1 below and represents a total budget requirement of £541.602million, and a projected gap of £25.897million. This represents a net increase to the budget requirement of £40.942million compared to 2025/26.

**Table 1: Draft Budget Summary 2026/27**

Directorate	2026/27 Adjusted base budget excluding recharges £000	2026/27 Projected pressures/ additional resources £000	2026/27 Budget Requirement £000
<b>Children and Adult Services</b>	<b>364,368</b>	<b>26,729</b>	<b>391,097</b>
Adult Social Care	106,829	15,419	122,248
Directorate Management Team	2,419	47	2,466
Children's Services	76,872	(336)	76,535
Education	112,994	7,688	120,682
Partnership Commissioning & Additional Government Grants	4,181	0	4,181
Public Health	17,446	1,756	19,202
School Retained Funding and Grants	43,626	0	43,626
Pay Award	0	2,155	2,155
<b>Regeneration, Culture &amp; Environment</b>	<b>74,788</b>	<b>8,616</b>	<b>83,405</b>
Culture and Community	24,885	3,190	28,075
Directors Office	710	100	810
Front Line Services	40,083	2,640	42,723
Regeneration	9,379	1,627	11,006
Norse profit Share	(269)	0	(269)
Pay award	0	1,059	1,059
<b>Business Support Department</b>	<b>31,389</b>	<b>1,924</b>	<b>33,314</b>
Communications	1,807	215	2,022
Directorate Management Team	800	0	800
Finance and Business Improvement	22,004	501	22,504
Legal and Governance	6,778	371	7,149
Pay award	0	838	838
<b>Interest &amp; Financing</b>	<b>21,195</b>	<b>3,515</b>	<b>24,710</b>
<b>Corporate Management</b>	<b>4,931</b>	<b>157</b>	<b>5,089</b>
<b>Additional Government Support Expenditure</b>	<b>3,988</b>	<b>0</b>	<b>3,988</b>
<b>Budget Requirement</b>	<b>500,659</b>	<b>40,942</b>	<b>541,602</b>
Council Tax	(170,516)	(8,418)	(178,934)
Retained Business Rates	(55,086)	(1,102)	(56,187)
Business Rates Related Grants	(21,721)	6,268	(15,453)
Government Grants - Non Ringfenced	(13,192)	(18,528)	(31,721)
New Homes Bonus	(1,311)	1,311	0

Directorate	2026/27 Adjusted base budget excluding recharges £000	2026/27 Projected pressures/ additional resources £000	2026/27 Budget Requirement £000
Education Related Grants	(144,874)	(4,341)	(149,215)
Children Social Care Related Grants	(3,828)	(33)	(3,861)
Adult Social Care Related Grants	(35,251)	(8,693)	(43,944)
Public Health Grant	(20,347)	0	(20,347)
Housing Related Grants	(4,862)	0	(4,862)
Extended Producer Responsibility	(4,873)	257	(4,616)
Additional Government Support	(6,563)	0	(6,563)
Exceptional Financial Support	(18,184)	18,184	0
Use of Reserves	(50)	50	0
<b>Estimated Available Funding</b>	<b>(500,659)</b>	<b>(15,045)</b>	<b>(515,704)</b>
<b>Budget Gap - General Fund</b>	<b>0</b>	<b>25,897</b>	<b>25,897</b>

## 7. Corporate projections

7.1. This Draft Budget includes a series of projections that impact across the Council at the same level as projected in the MTFO. Expenditure is allocated to services proportionately as detailed in sections 8-12 of this report:

7.1.1. **Staff pay:** the last two years have seen significant additional investment in staff pay, with 5% cost of living increases for all staff in 2024/25 and 2025/26 along with funding to deliver the MedPay review across all services. the Draft Budget reflects a 3% uplift for 2026/27, subject to negotiation with the unions, with a projected cost of £4.052million. The Draft Budget also reflects the estimated impact of an exercise to realign Adult Social Care staffing budgets to reflect workforce requirements, adding £2.079million to the projections at section 8.2 and included in table 1.

## 8. Children and Adults Directorate

8.1. The Directorate Draft Budget requirement for 2026/27 of £391.097million represents a net increase of £26.729million compared to the adjusted base budget for 2025/26, including £4.234million for staff pay as set out at section 7.1.1 of this report. The pressures, savings and additional income reflected in this Draft Budget for the Directorate are detailed in table 2 below with commentary provided from section 8.2.

**Table 2: Children and Adults Directorate Draft Budget assumptions**

Draft Budget Assumptions	2026/27 Budget Pressures £000	2026/27 Savings / Income £000	2026/27 Budget Allocation £000
<b>Adjusted base budget</b>			<b>364,367</b>
<b>Adult Social Care:</b>			
Children & Adults IT Applications - Support and uplifts	25		25
PH Substitution funding		(568)	(568)
Cost of Current Service pressure	7,596		7,596
Demographic growth estimated at 3%	3,137		3,137
Price Uplift @ 5% per annum	6,504		6,504
Increase in Adult Social Care Bad Debt Provision	500		500
Adult Social Care Transformation & CQC Improvements	679		679
Removal of non-recurrent funding allocated for service transformation initiatives		(2,200)	(2,200)
Realign ASC staffing budgets to reflect workforce requirements	3,365		3,365
Targeted reviews (including Continuing Health Care)		(1,000)	(1,000)
Brokerage - Placement Negotiations		(200)	(200)
Direct Payment Reclaims		(200)	(200)
Complex Care (LDA & MH – increasing least restrictive care)		(510)	(510)
Commissioning		(250)	(250)
MIST		(500)	(500)
Assistive Technology		(350)	(350)
Localities (Care Act eligibility reviews)		(459)	(459)
Front Door (increased reablement)		(150)	(150)
<b>Total Adult Social Care</b>	<b>21,806</b>	<b>(6,387)</b>	<b>15,419</b>
<b>Directorate Management Team:</b>			
Assistant Project Manager (Director's Office)	47		47
<b>Total Directorate Management Team</b>	<b>47</b>	<b>0</b>	<b>47</b>
<b>Children's Services:</b>			
Demographic Growth	1,199		1,199
Price uplift on placement costs	1,798		1,798
Contribution to Corporate Bad Debt Provision	100		100
Increase placement sufficiency	802		802
PH Substitution funding		(1,136)	(1,136)
Management of Placements		(2,500)	(2,500)
In-House Fostering Increase		(300)	(300)
Supported Accommodation Reviews		(300)	(300)
<b>Total Children's Services</b>	<b>3,900</b>	<b>(4,236)</b>	<b>(336)</b>
<b>Education:</b>			
Vacant site costs	5		5
Cost of current service, provision for growth and inflationary uplifts on mainstream transport	345		345
Inflationary uplifts on SEND contracts	6		6
Cost of current service, provision for growth and inflationary uplifts on SEND transport	1,528		1,528
Saving projected arising from the introduction of Artificial Intelligence to support the compilation of Education, Health and Social Care Plans		(140)	(140)

Draft Budget Assumptions	2026/27 Budget Pressures £000	2026/27 Savings / Income £000	2026/27 Budget Allocation £000
Information Advice Guidance & Post 16 - staffing and engagement work due to significant increase in NEETs	222		222
Increased staffing capacity to meet statutory assessment timeframes.	1,195		1,195
Children's Wellbeing and Schools Bill additional staffing to meet new statutory duties	186		186
Updated DSG and School Grants allocations	4,341		4,341
<b>Total Education</b>	<b>7,828</b>	<b>(140)</b>	<b>7,688</b>
<b>Public Health:</b>			
Realignment of expenditure to maximise delivery through the Public Health Grant	1,756		1,756
<b>Total Public Health</b>	<b>1,756</b>	<b>0</b>	<b>1,756</b>
<b>Children and Adults staff pay and pensions increases:</b>			
Allowance for Cost of Living award at 3%	2,155		2,155
<b>Total Children and Adults staff pay and pensions increases</b>	<b>2,155</b>	<b>0</b>	<b>2,155</b>
<b>Total Children and Adults Directorate</b>	<b>37,492</b>	<b>(10,763)</b>	<b>26,729</b>
<b>Children and Adults Directorate 2026/27 Budget Requirement</b>			<b>391,097</b>

## 8.2. Adult Social Care budget requirement

8.2.1. Adult Social Care costs are projected to increase by a net £15.419 million in 2026/27. The primary drivers are the cost of placements in excess of the current year budget (referred to as the cost of current service pressure) of £7.596million and uplifts of £6.504million (broadly 5% a year across the medium term) to progress towards the fair cost of care and to reflect inflation and support the increased national minimum wage pay to carers by providers. The Council is legally obliged to provide care for all eligible individuals regardless of payment status. Demographic growth projected at 3% adds £3.137million to 2026/27. The service remains committed to reduce bad debt and work with clients and their families to reduce outstanding debts, however a £500,000 contribution to the provision for bad debt is included in 2026/27 to reflect care charges unlikely to be recovered. An exercise to realign expenditure to maximise delivery through the Public Health Grant reduces the expenditure budget here by £568,000.

8.2.2. An additional allocation of £1.990million has been designated to support key service transformation priorities. This funding will address areas for improvement highlighted by the Care Quality Commission (CQC), manage the impact of agency staffing costs, and cover increased annual support and maintenance requirements across all Children and Adults IT systems. It also includes investment in the implementation of the Magic Notes AI tool, aimed at enhancing operational efficiency and service delivery. A £2.200 million investment has already driven substantial transformation, delivering measurable improvements across key service areas, and this MTFO reflects the removal of this funding for 2026/27. The positive outcomes achieved in 2024/25, including significant savings and cost avoidance are being

sustained into the current year and beyond. The projected increase reflects the continued deployment of dedicated resources to lead and embed ongoing CQC Improvement and Transformation initiatives. Current savings targets remain on track, underpinned by steady progress against the Finance and Improvement Plan. National pressures like rising demand, workforce challenges, and financial strain are mirrored locally, making budget sustainability more complex. Despite these ongoing challenges, the service remains focused on innovation, cost management, and delivering high-quality support for residents. Savings projected for 2026/27 total £3.619million.

### **8.3. Directorate Management Team**

- 8.3.1. Additional resource to provide project management capacity to the directorate is projected to cost an additional £47,000.

### **8.4. Children's Services budget requirement**

- 8.4.1. Expenditure projections relating to Children's Social Care represent a budget requirement reduction of £336,000 in 2026/27. As with Adult Social Care and as in previous years, there remains pressure which is primarily driven by demographic growth estimated at a further 50 placements each year over the medium term compared to the current budget, adding £1.199million in 2026/27. An allowance for price uplifts at reflecting inflation and pay uplifts by providers at broadly 3.6% adds £1.798million in 2026/27. The projections include £568,000 running costs for the new specialist 5-bed care home being developed at Aut Even, and investment of £234,000 in 2026/27 to recruit more Internal Foster Carers. It will be necessary to increase the contribution to the bad debt provision by a further £100,000. Savings projected for 2026/27 total £3.619million and focus on the management of placements, an increase in the number of internal fostering placements and reviews of supported accommodation placements. Finally, an exercise to realign expenditure to maximise delivery through the Public Health Grant reduces the expenditure budget here by £1.136million.

### **8.5. Education budget requirement**

- 8.5.1. The impact on the Council's general fund of delivering Education services is projected to increase by a total of £3.347million in 2026/27, primarily driven by growth in pupil numbers and demand for EHCPs. For transport, lower provision costs were achieved as part of the FIT plan work in the last financial year, and the proportion of pupils with EHCPs receiving SEND transport is targeted to reduce by 5%, with both these mitigations the increase in transport costs has been reduced to £1.528million for SEND transport and £345,000 for mainstream transport for 2026/27.
- 8.5.2. Due to the doubling of requests for needs assessments, it is necessary to invest in additional staffing in order to meet statutory SEND assessment timeframes, projected to cost £1.195million. The new statutory duties arising from the Children's Wellbeing and Schools bill are expected to increase costs by £186,000. The projections also include investment of £222,000 in

the Information, Advice and Guidance and Post-16 services, to fund staffing and engagement work in response to the doubling of the numbers of young people not in education, employment or training (NEETs). Finally, the service is exploring further use of AI to support the compilation of Education Health and Care Plans (EHCPs) and are projecting this will save £140,000 in 2026/27.

8.5.3. Schools related expenditure is projected to increase by £4.341million, reflecting the extent to which we anticipate ring-fenced funding for these services will increase in 2026/27, as set out in section 15.7.

#### 8.6. **Partnership Commissioning budget requirement**

8.6.1. Partnership Commissioning is projected to deliver within the 2025/26 budget envelope, excluding staff pay uplifts.

#### 8.7. **Public Health budget requirement**

8.7.1. Public Health is projected to deliver within the 2025/26 grant allocation and reflects the impact of an exercise to realign expenditure to maximise delivery through the Public Health Grant, which will see direct expenditure in Public Health services increase as budgets in Adult Social Care and Children's Services reduce, as set out above.

### 9. Regeneration, Culture and Environment Directorate

9.1. The Directorate Draft Budget requirement for 2026/27 of £83.405million represents a net increase of £8.616million compared to the adjusted base budget for 2025/26, including an allocation of £1.059million for staff pay as set out in section 7.1.1. The pressures, savings and additional income reflected in this Draft Budget for the Directorate are detailed in table 3 below with commentary provided at section 9.2.

**Table 3: Regeneration, Culture and Environment Directorate Draft Budget assumptions**

Draft Budget Assumptions	2026/27 Budget Pressures £000	2026/27 Savings / Income £000	2026/27 Budget Allocation £000
<b>Adjusted base budget</b>			<b>74,788</b>
<b>Culture and Community:</b>			
Inflationary uplifts on contracts	274		274
Net saving from Planning service		(80)	(80)
Additional income from leisure facilities		(692)	(692)
Library front line staff	200		200
STG Partner contributions	134		134
Temporary Accommodation Pressure	3,088		3,088
Visitor Economy investment	70		70
Rochester Castle 900	100		100
Additional sports officers	96		96
<b>Total Culture and Community</b>	<b>3,962</b>	<b>(772)</b>	<b>3,190</b>

Draft Budget Assumptions	2026/27 Budget Pressures £000	2026/27 Savings / Income £000	2026/27 Budget Allocation £000
<b>Director's Office:</b>			
Increase in bad debt provision	100		100
<b>Total Director's Office</b>	<b>100</b>	<b>0</b>	<b>100</b>
<b>Front Line Services:</b>			
Inflationary uplifts on contracts including waste and highways	1,487		1,487
Maintenance of Highways and Footways	175		175
Costs associated with the delivery and enforcement of the Safer, Healthier Streets programme	2,106		2,106
Additional Highways & parking income		(1,248)	(1,248)
Concessionary Travel, Medway Youth Pass	110		110
Simpler recycling - additional costs	10		10
<b>Total Front Line Services</b>	<b>3,887</b>	<b>(1,248)</b>	<b>2,640</b>
<b>Regeneration:</b>			
Property income lost due to capital sales	1,242		1,242
Medway Norse savings from internalising FM contracts		(606)	(606)
Reductions in the grant funding for Medway Adult Education and Multiply	245		245
Chatham and Gillingham Safe & Clean High Streets Initiative	271		271
Gillingham Regeneration Enablement Fund	75		75
Rainham Reimagined Enablement Fund	75		75
Town Centre Forum Development	5		5
Market Strategy implementation	17		17
Develop Chatham Taskforce	57		57
VAM Range 8 additional staff costs	79		79
River Strategy Delivery resource (request from Cllr Curry)	167		167
<b>Total Regeneration</b>	<b>2,233</b>	<b>(606)</b>	<b>1,627</b>
<b>Regeneration, Culture and Environment staff pay and pensions increases:</b>			
Allowance for Cost of Living award at 3%	1,059		1,059
<b>Total Regeneration, Culture and Environment Directorate staff pay and pensions increases</b>	<b>1,059</b>		<b>1,059</b>
<b>Total Regeneration, Culture and Environment Directorate</b>	<b>11,542</b>	<b>(2,925)</b>	<b>8,616</b>
<b>Regeneration, Culture and Environment Directorate 2026/27 Budget Requirement</b>			<b>83,405</b>

## 9.2. Culture and Community budget requirement

9.2.1. Expenditure projections relating to Culture and Community services represent a budget requirement increase of £3.190million in 2026/27. The projections include the funding of a £3.088million pressure relating to the provision of Temporary Accommodation. The investment of £200,000 in permanent staffing to enable the Libraries service to continue ensure the safe continuous delivery of services. Investment of £100,000 in 2026/27 and 2027/28 would enable the Council to celebrate Rochester Castle reaching its 900<sup>th</sup> year in 2027. The impact of inflationary increases on contacts in this

area along with the increased contribution to the STG Building Control Partnership collectively add £408,000. The addition of £96,000 staffing is projected to deliver additional income from the Council's sports and leisure facilities of £692,000 in 2026/27. The addition of £70,000 is required to support the visitor economy, however the significant progress made towards the delivery of the Local plan enables the Planning service to reduce expenditure delivering a net saving of £80,000 in 2026/27.

### **9.3. Directors Office budget requirement**

- 9.3.1. The Directors Office budget requirement is projected to increase by £100,000, representing an increased provision for bad debt.

### **9.4. Front Line Services budget requirement**

- 9.4.1. The cost of Front Line Services is projected to increase by £2.640million in 2026/27. As the Division accounts for a significant proportion of the Council's external contract spend on waste and highways, the primary pressure relates to a provision for inflationary uplifts across these contracts totalling £1.487million in 2026/27. Projections for inflation and utilities for future years 7 included are based those of the Office of Budgetary Responsibility. The projections include investment of £175,000 into the maintenance of highways and footways required to keep the network operating smoothly. Costs associated with the delivery and enforcement of the Safer, Healthier Streets programme, including technical support and increased administration costs result in a pressure of £2.106million, however the schemes, alongside Highways and Parking are projected to deliver £1.248million in additional income in 2026/27. The costs of providing Concessionary travel including the Medway youth Pass adds £110,000.

### **9.5. Regeneration budget requirement**

- 9.5.1. The Regeneration projections add a total of £1.627million to the budget requirement in 2026/27. As the assets declared surplus through the property rationalisation programme are sold, the loss of rental income manifests as a pressure here, projected at £1.242million. There is however an assumption in that expenditure on Interest & Financing will fall by the same amount as borrowing is reduced offsetting this. The projections reflect the investment of £500,000 in a package of support for High Streets, including funding a Chatham and Gillingham Safe & Clean High Streets Initiative, seed-funding for regeneration enablement funds for Gillingham and Rainham, markets improvements and support for town centre forums. Reductions in the grant funding for Medway Adult Education and Multiply create a pressure of £245,000 in 2026/27. It is anticipated that the review of Facilities Management arrangements, including re-procuring elements of this work would deliver a saving of £606,000. Additional staffing in the Valuations and Asset Management team is projected to add an additional £79,000. Finally, the resource required to deliver a river strategy is projected to cost £167,000.

## 10. Business Support Department

10.1. The Business Support Department Draft Budget requirement for 2026/27 of £33.314million represents a net increase of £1.924million, including an allocation of £838,000 for staff pay as set out in section 7.1.1. The pressures, savings and additional income reflected in this Draft Budget are detailed in table 4 below with commentary provided at section 10.2.

**Table 4: Business Support Draft Budget assumptions**

Draft Budget Assumptions	2026/27 Budget Pressures £000	2026/27 Savings / Income £000	2026/27 Budget Allocation £000
<b>Adjusted base budget</b>			<b>31,389</b>
<b>Communications:</b>			
Full year impact of Additional permanent resource to meet growing service demand for marketing support to help services meet objectives and income targets	155		155
Child Friendly Medway - Additional investment	60		60
<b>Total Communications</b>	<b>215</b>	<b>0</b>	<b>215</b>
<b>Finance and Business Improvement:</b>			
Internal Audit & Counter Fraud - Increase budgeted income to levels actually achieved		(65)	(65)
Benefits subsidy projection - move to UC	350		350
Macmillan team costs if funding ends/reduces	365		365
SHIP - continue after funding ends - staff cost	37		37
Increased Postage costs	80		80
Inflationary uplifts on the corporate ICT software and hardware licenses	198		198
Realignment of income budgets for Customer and Business Support	56		56
Realignment of Income budgets in HR and Organisational Culture		(32)	(32)
Medway 2.0 - Report it service pattern		(94)	(94)
Medway 2.0 - Medway Council Tax online - reduction in scanning and indexing team		(20)	(20)
Medway 2.0 - Efficiencies from delivery of Revs and Bens and CABS teams		(39)	(39)
Medway 2.0 - Rainham Contact Point		(11)	(11)
Medway 2.0 - Efficiencies through Wellbeing AI agent/HR advice agent		(39)	(39)
Medway 2.0 - Purchase to Pay - AI and automation		(34)	(34)
Medway 2.0 - Implementation of a modern data infrastructure for Medway Council		(56)	(56)
Medway 2.0 - Overall efficiencies from call reduction and administration reduction		(116)	(116)
Existing eligible spend funded through the Crisis Resilience Fund		(80)	(80)
<b>Total Finance and Business Improvement</b>	<b>1,086</b>	<b>(585)</b>	<b>501</b>
<b>Legal and Governance:</b>			
Members Allowances uplift	65		65
Upgrade to Legal services case management system	65		65
ICT Licensing costs and uplifts	25		25
Children's Legal BSD Counsel/Process Servers - increase to reflect current cost	256		256

Draft Budget Assumptions	2026/27 Budget Pressures £000	2026/27 Savings / Income £000	2026/27 Budget Allocation £000
Savings on Centralised Legal Budgets		(40)	(40)
<b>Total Legal and Governance</b>	<b>411</b>	<b>(40)</b>	<b>371</b>
<b>Business Support Department staff pay and pensions increases:</b>			
Allowance for Cost of Living award at 3%	838		838
<b>Total Business Support Department staff pay and pensions increases</b>	<b>838</b>	<b>0</b>	<b>838</b>
<b>Total Business Support Department</b>	<b>2,549</b>	<b>(625)</b>	<b>1,924</b>
<b>Business Support Department 2026/27 Budget Requirement</b>			<b>33,314</b>

## 10.2. Communications budget requirement

10.2.1. The 2025/26 budget included investment in additional staffing in Communications to enable the service to meet growing demands and support income generation across the Council. The projections for 2026/27 reflect the full year impact of that investment, adding £155,000 to the budget requirement for next year. The projections also include an additional £60,000 investment in the delivery of Child Friendly Medway programmes.

## 10.3. Finance and Business Improvement budget requirement

10.3.1. The Finance and Business Improvement projections represent growth in the budget requirement of £501,000 for 2026/27. The correction of income budgets in Internal Audit and Counter Fraud results in a saving of £65,000. By March 2026 the Government aims to have completed the migration of working age claimants of Housing Benefit, administered by local authorities, to Universal Credit which is administered by the Department for Work and Pensions. This leaves local authorities administering Housing Benefit for pensioners, specified accommodation and temporary accommodation cases only, claim types which are not fully subsidised by the Government. In 2025/26 the budgeted level of Council funded benefits paid was £911,419, which is projected to rise by £350,000 in 2026/27. Having delivered specialist financial welfare support for Medway residents with a cancer diagnosis in partnership with Macmillan for many years, in 2024 at Macmillan's request the Council expanded to serve North and West Kent residents. Macmillan are currently consulting on the future of directly funded services and Medway's funding is not confirmed beyond June 2026, so would add a pressure of £365,000 if the national scheme ends. The Council is currently operating in a pilot for the Supported Housing Improvement Programme, which aims to help improve and uphold standards of supported housing for vulnerable people. Continuing this work beyond the end of the period for which the Government has confirmed funding is projected to cost £37,000. Increased postage costs are predicted to add £80,000.

10.3.2. Inflationary uplifts on the corporate ICT software and hardware licensing managed here add £198,000 in 2026/27. Income pressures in the Customer and Business Support add a further £56,000. Finally, the correction of a

series of income budgets in HR and Organisational Culture results in a net saving of £32,000.

10.3.3. There are number of service improvements being implemented as part of the Medway 2.0 programme which will lead to savings totalling £408,000. In addition, a further £80,000 will be saved through the funding of eligible spend on existing contracts through the Crisis and Resilience Fund.

#### 10.4. Legal and Governance budget requirement

10.4.1. The cost of Legal, Contracts and Governance is projected to increase by £371,000 in 2026/27. The primary driver is a £256,000 pressure on the cost of supporting Children's Services legal proceedings. The cost of a required upgrade to the Legal Services case management system is estimated at £65,000. The interface with His Majesty's Land Registry and other ICT licensing costs along with inflationary uplifts on practising certificates collectively add £25,000. Members Allowances are uplifted annually in line with the median hourly rate increase for staff, and this is projected to add £65,000 to the budget for 2026/27. These pressures are partially mitigated by savings on £40,000 across Legal Services supplies and services budgets.

### 11. Corporate Management

11.1. Corporate Management includes the budgets in respect of bank charges, external audit fees and organisational membership/subscription fees. The Corporate Management Draft Budget requirement for 2026/27 of £5.089million represents a net increase of £157,000. The pressures reflected in this Draft Budget are detailed in table 5 below with commentary provided from section 11.2.

**Table 5: Corporate Management Draft Budget assumptions**

Draft Budget Assumptions	2026/27 Budget Pressures £000	2026/27 Savings / Income £000	2026/27 Budget Allocation £000
<b>Adjusted base budget</b>			<b>4,931</b>
<b>Corporate Management:</b>			
Projected inflationary uplifts to Levies	100		100
Treasury expenses – increase over life of new contract	7		7
Core Audit fee increase projected based on approved Public Sector Audit Appointments uplift	50		50
<b>Total Corporate Management</b>	<b>157</b>		<b>157</b>
<b>Corporate Management 2026/27 Budget Requirement</b>			<b>5,089</b>

11.2. Medway Council is required to contribute to other public bodies for the delivery of statutory functions, including to Kent County Council for the Kent and Medway Coroners Service, to the relevant Internal Drainage Boards and to the Environment Agency in respect of flood and coastal protection. Though no specific increases have been communicated by the levying authorities to date, levy amounts increased by 5.5% from 2023/24 to

2024/25. This draft budget projects that the cost to Medway of these levies will increase by a further 5% adding a total of £100,000 to the Council's budget requirement for 2026/27.

- 11.3. Corporate Management includes the budgets in respect of bank charges, external audit fees and organisational membership/subscription fees, and collectively these are projected to add £57,000 to the budget requirement for 2026/27.

## 12. Interest and Financing

- 12.1. The Council's Interest and Financing Budget represents the net cost of the treasury activities required to fund the Council's capital programme and to ensure an adequate cash flow to support the delivery of all services. The primary driver of change to this budget is the extent of borrowing required (including any new capital schemes not funded by grant etc.) and the cost at which that borrowing can be financed.
- 12.2. As the MTFO was prepared before the development of the Capital Strategy, it reflected the assumption that the budget for Interest and Financing for 2026/27 would remain as at the adjusted base budget for 2025/26, with one additional adjustment. As noted in section 9.5.1, as the Council's property rationalisation programme progresses, a loss of £1.242million of income in the Regeneration budget will be mitigated by a projected reduction in the cost of borrowing supporting the agreed in 2024.
- 12.3. On 29 July the Cabinet agreed to recommend to Council the addition of a total of up to £44million to the Council's capital programme for the development of a Medway Council owned and operated care home at Innovation Park Medway (IPM) South. Full Council was due to consider the recommendations at their meeting on 16 October 2025, however this meeting was adjourned and will reconvene on 13 November 2025. If approved, this scheme would add £2.7million a year to the budget requirement for Interest and Financing and an estimate of the impact in 2026/27 has been incorporated into the Draft Budget.
- 12.4. On 23 September the Cabinet considered the Capital Strategy, which articulated capital aspirations and requirements that would need to be funded by borrowing if they were approved totalling in excess of £75million. At this stage, with the exception of Care for Medway, the Draft Budget does not incorporate the impact of financing any other proposals.
- 12.5. Around 64% of the Council's existing capital programme of £229.722million is funded through borrowing and interest rates continue to be higher than previously projected resulting in a budget pressure. The Council also previously borrowed from other local authorities, however the EFS agreed has resulted in a perception of higher risk, resulting in elevated rates compared to the PWLB. In addition to the impact of the underlying bank rate remaining high, PWLB rates remain elevated as yields from Government

Bonds have increased, where hedge fund investment demanding higher returns have replaced pension funds that are no longer investing in bonds.

- 12.6. The Council also borrows to ensure the maintenance of an adequate day to day cashflow. Historically the Council has had sufficient cash balances that a portion of the borrowing requirement could be financed internally, reducing external borrowing costs. The Council no longer has available cash balances as the level of debtors has grown in comparison to creditors, and as it has been forced to bear the cost of funding the deficit on the High Needs Block of the Dedicated Schools Grant while the statutory override and Safety Valve programme have worked to mitigate it.
- 12.7. The Council is the primary funder for the activities of the Medway Development Company (MDC), supporting the regeneration and delivery of housing in Medway. The Council borrows to fund MDCs schemes via onward loans. In previous years, the majority of the loans to MDC were short term to support the development of properties for sale and MDC were charged rates reflecting the level of risk to the Council. As the rates on the loans to MDC were significantly higher than the rates payable by the Council on the loans taken to finance them, the budget here included an on-lending benefit. As MDC strategy has shifted to include the development of properties for long term rental, new loans have been secured against the existing assets and have been agreed at lower rates to ensure the viability of the schemes while still complying with the Subsidy Control requirements (formerly known as State Aid). This has however reduced the level of income projected in the Draft Budget.
- 12.8. In addition to borrowing to fund the activities of the Council and MDC, the Draft Budget also reflects the need to borrow from the Public Works Loans Board (PWLB) to the value of the capitalisation directions the Ministry of Homes, Communities and Local Government (MHCLG) have agreed in principle for Medway. At this stage, in order to fund the budget gap projected in this MTFO, it would be necessary to request an additional £24.409million EFS for 2026/27 and the Draft Budget reflects the inclusion of borrowing to support this.
- 12.9. Where authorities borrow to finance capital spend, we are required under regulations to set aside money each year from the revenue account to make sure we can afford to repay the principal of the debt, known as the Minimum Revenue Provision (MRP). MRP is calculated on an annuity basis, over the useful life of the assets created through the capital investment, and as a result the amount we have to put aside each year for loans taken out in the past increases over the asset life, resulting in an increasing budget requirement year on year for MRP.
- 12.10. The Draft Budget requirement for Interest and Financing is therefore £24.710million; this represents an increase of £3.515million compared to the adjusted base budget for 2025/26.

## 13. Additional Government Support Expenditure

13.1. The Draft Budget assumes the Household Support fund will be replaced by the Crisis and Resilience Fund although we expect funding will continue at the same level in 2026/27 and will not represent a budget pressure.

## 14. The Government's Autumn Budget 2025

14.1. Recognising the financial challenges facing local government, the Government has outlined plans to reform funding, introducing multi-year settlements, reducing the number of grants and conditions and making significant changes to the way funding is distributed between councils based on an updated assessment of needs. The Government published its Spending Review (SR) on 11 June 2025, setting out departmental budgets for revenue spending for the three years 2026/27 to 2028/29, and launched a consultation on funding reforms; the Fair Funding Review 2.0. The SR represents only modest additional resources and it is not possible to determine with any confidence the future funding streams the Council can expect.

14.2. The Government has announced that the Autumn Budget will take place on 26 November 2025 and MHCLG has indicated that the Provisional Settlement will be in line with usual timing (shortly before Christmas). MHCLG have also stated that their Policy Statement, which had been anticipated in late September/early October will now be in late October or early November, and will be accompanied by a comprehensive response to the Fair Funding 2.0 consultation.

## 15. Income projections reflected in the Draft Budget 2026/27

15.1. Table 6 below summarises our current projections for the Council's income for 2026/27, which suggests the Council could budget for a total income of £515.704million in 2026/27. Details of each of the funding projections are set out from section 15.2 of this report.

**Table 6: Income Projections**

Draft Budget Assumptions	2026/27 Adjusted base budget	2026/27 Projected pressures/ additional resources	2026/27 Budget Requirement
Council Tax	(170,516)	(8,418)	(179,934)
Retained Business Rates	(55,086)	(1,102)	(56,187)
Business Rates Related Grants	(21,721)	6,268	(15,453)
Government Grants - Non Ringfenced	(13,192)	(18,528)	(31,721)
New Homes Bonus	(1,311)	1,311	0
Education Related Grants	(144,874)	(4,341)	(149,215)
Children Social Care Related Grants	(3,828)	(33)	(3,861)
Adult Social Care Related Grants	(35,251)	(8,693)	(43,944)
Public Health Grant	(20,347)	0	(20,347)

Draft Budget Assumptions	2026/27 Adjusted base budget	2026/27 Projected pressures/ additional resources	2026/27 Budget Requirement
Housing Related Grants	(4,862)	0	(4,862)
Extended Producer Responsibility	(4,873)	257	(4,616)
Additional Government Support	(6,563)	0	(6,563)
<b>Estimated Available Funding</b>	<b>(482,425)</b>	<b>(33,279)</b>	<b>(515,704)</b>

15.2. In the absence of any clarity as to the future funding streams the Council can expect, this MTFO therefore retains the income projections published alongside the 2025/26 budget in February 2025 and again in the MTFO in August 2025 as reflecting our best estimate at this stage, representing total income growth of £33.279million compared to the 2025/26 approved budget, however it should be noted that £18.184million of this growth will be needed to fund that element of the base budget met from EFS in 2025/26.

### 15.3. **Income from local taxation – the collection fund**

15.3.1. Income from Council Tax and Business Rates is held in a ringfenced collection fund account, from which authorities draw the level of income projected and budgeted for in each year irrespective of the actual income collected. Any shortfall on income collected compared to that budgeted level results in a collection fund deficit, which is recovered by reducing the amount of income the council can budget for in the following year. Where the level of income collected is higher than was originally projected and budgeted, the resultant surplus can be used to increase the amount of income the Council can budget for in the following year.

### 15.4. **Council Tax**

15.4.1. Council Tax – the SR 2025 confirmed that the referendum principles will remain for Medway as a core referendum threshold of up to 3% per year and as a local authority with social care responsibilities, the ability to set an Adult Social Care Precept of 2% per year without a referendum. The council tax base is projected to grow by 1% in line with actual growth averaged over the last three years. The Draft Budget also reflects that it will be necessary to contribute £1.000million each year to the provision for non-collection of debt. The total level of income projected from the Council Tax in 2026/27 is £179.934million.

### 15.5. **Business Rates and related grants**

15.5.1. Retained Business Rates and Business Rates Related Grants – the Draft budget reflects the uplift of the business rates multipliers by inflation at 2% (or that local authorities will be compensated if the multipliers were not inflated). The Draft Budget also reflects the assumptions of our funding advisors that a full reset of business rates baselines will result in less income

here but an increased level of non-ringfenced grants. The total level of income projected in 2026/27 is £71.641million.

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

- 15.6.1. **Non-ringfenced Government Grants** – the Draft Budget reflects the assumptions of our funding advisors that non-ringfenced grants will increase offsetting the reduction in business rates income. The total level of income projected in 2026/27 is £31.721million.
- 15.6.2. **New Homes Bonus** – the Draft Budget reflects the cessation of the New Homes Bonus, confirmed through SR 2025.
- 15.7. **Education Related Grants** – the Draft Budget reflects growth to these grants in line with indicative future grant allocations published by the Department for Education, however as these grants are ring-fenced, the Draft Budget also reflects additional expenditure equal to the increase in the Schools Retained Funding services budget requirement. The projected income from education related grants in 2026/27 is £149.215million.
- 15.8. **Additional Government Grants** – the Draft Budget assumes the continuation of the Holiday Activities and Food Scheme (funding MedwayGo) and the Start 4 Life scheme in their present form, alongside hypothecated expenditure to the value of the grants, of £2.576million. In SR 2025 the Government confirmed the funding currently delivering the Household Support Fund would be used to deliver a new Crisis and Resilience Fund (CRF), with broadly equivalent national allocations as in 2025/26. As such, the Draft Budget reflects an estimated income through the CRF as at the 2025/26 funding level, with equal expenditure reflected in the Additional Government Support Expenditure at section 11 above. The total level of income projected for CRF in 2026/27 is £3.988million. The total level of income projected in 2026/27 is £6.563million.
- 15.9. **Children's Social Care Related Grants** – the Draft Budget reflects the assumptions of our funding advisors that these grants will continue at broadly the same allocation as 2025/26. The total level of income projected in 2026/27 is £3.861million.
- 15.10. **Adult Social Care Related Grants** – the Draft Budget reflects the assumptions of our funding advisors that these grants will be distributed based on an updated Relative Needs Formula (RNF) for Adults. The total level of income projected in 2026/27 is £43.944million.
- 15.11. **Public Health Grant** – SR 2025 made no announcements relating to the Public Health grant, so the Draft Budget reflects the projection of our funding advisors that the grant will remain at the 2025/26 level for 2026/27. The total Public Health Grant for 2026/27 is projected to be £20.347million.
- 15.12. **Housing Related Grants** – the Draft Budget reflects the assumptions of our funding advisors that these grants will continue at broadly the same

allocation as 2025/26. The total level of income projected in 2026/27 is £4.862million.

15.13. **Extended Producer Responsibility for Packaging (EPR)** – the Draft Budget reflects the assumptions of our funding advisors that this grant will continue at broadly the same allocation as 2025/26. In June 2025 the Government confirmed the current year allocations as the budget was agreed incorporating the indicative allocations published to that date; Medway's final allocation for 2025/26 and therefore the total level of income projected in 2026/27 is £257,000 less than indicated, at £4.616million.

15.14. **Exceptional Financial Support (EFS)** - the Draft Budget projects a potential gap of £25.897million. It will be necessary for Members to agree proposals to mitigate this gap, or to seek further EFS from the Government in advance of the publication of the Proposed Budget to Cabinet in February 2025.

## 16. The Capital Programme

16.1. Tables 7 and 8 below summarise the current capital programme as reported in the Round 2 capital monitoring report (presented elsewhere on this agenda) which reflects planned capital expenditure over the medium term and incorporates everything we currently know about capital grant allocations for the period.

**Table 7: Round 2 Capital Monitoring Summary**

Directorate	Total Approved Cost £000	Total Expenditure to 31/03/25 £000	Remaining Budget £000	Forecast Spend 2025/26 £000	Forecast Spend in Future Years £000	Forecast (Under)/overspend £000
Children and Adults	42,918	23,295	19,622	17,298	2,382	57
Regeneration, Culture and Environment	342,985	190,458	152,528	86,938	65,590	0
Housing Revenue Account	101,201	43,768	57,433	27,222	30,211	0
Business Support Department	2,458	2,320	138	138	0	0
<b>Total</b>	<b>489,562</b>	<b>259,842</b>	<b>229,722</b>	<b>131,596</b>	<b>98,182</b>	<b>57</b>

**Table 8: Funding the Capital Budget**

Funding Source	Total £000	C&A £000	RCE £000	HRA £000	BSD £000
Capital Grants	52,008	18,123	33,885	0	0
Developer Contributions	5,536	481	5,055	0	0
Capital Receipts	2,223	0	2,088	0	135
RTB Receipts	1,000	0	0	1,000	0
Revenue / Reserves	26,832	0	304	26,528	0

Funding Source	Total £000	C&A £000	RCE £000	HRA £000	BSD £000
Borrowing	142,124	1,018	111,197	29,905	3
<b>Total</b>	<b>229,722</b>	<b>19,622</b>	<b>152,528</b>	<b>57,433</b>	<b>138</b>

16.2. The Capital Strategy 2026/27 was presented to the Cabinet on 23 September 2025. It articulates our best estimate of the capital investment we will need to make over the next decade to deliver the priorities set out in the Council Plan approved by Full Council in May 2024. The strategy articulates a long term package of investment stretching beyond 2030/31 to deliver school places (expected to be largely funded by grant from the Government) totalling £291-341million. Alongside this, the strategy articulates a further £74million required over the medium term, including Care for Medway, investment in heritage and leisure facilities, highways, parks and greenspaces and investment in corporate property and ICT infrastructure.

16.3. With the exception of Care for Medway, no decisions have been taken as to which if any of the proposals in the strategy will be incorporated into the capital programme from 2026/27 and beyond. As it is anticipated that these schemes would largely require funding through borrowing, any additions agreed could materially impact the budget requirement for Interest and Financing as set out in Section 12; with each additional £1million borrowed over 25 years projected to cost in the region of £80,000 per annum to finance.

## 17. General reserves

17.1. As at March 2025 the Council had £10.061million non-earmarked general fund reserves available to it. 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. This would result in a balance of £10.011million at 31 March 2026; just above the minimum level of £10million set by the Section 151 Officer.

17.2. A Reserves Strategy was agreed by the Cabinet alongside the Medium Term Financial Outlook in August 2025. The strategy sets out an aspiration to increase General Reserves to represent 5% of the net revenue budget (c£25.000million) to ensure a sufficient safety net to insulate the Council from financial shocks. The MTFO reflected this aspiration in the projections for future years, with the contribution of £5million a year from the revenue budget to build reserves to the level required for General Reserves to meet 5% of the net revenue budget for 2029/30.

17.3. As reported in the MTFO, the latest review of the Council's earmarked reserves concluded that the sum of £1.597million, which had been earmarked to offset projected shortfalls in business rates income as the Covid-19 grant schemes were wound up, is no longer needed as no shortfall materialised and instead the collection fund was in a surplus position at the end of the 2024/25 financial year. The Cabinet agreed to recommend to

Council that this sum be declassified from the Collection Fund Adjustment Reserve to increase General Reserves, taking the General Reserves balance to a projected £11.608million at 31 March 2026.

17.4. The Round 2 revenue budget monitoring report (presented elsewhere on this agenda) projects that the Council will overspend by £9.948million. Officers are again reviewing earmarked reserves balances for any further opportunities to boost the general reserve balance, alongside the work being carried out in services to bring expenditure back to within approved budgets.

## 18. Conclusions

18.1. This report sets out the outline proposals that will form the basis of the 2026/27 Capital and Revenue Budgets to be agreed by the Council in February 2026. There is a statutory requirement for local authorities to present a budget that balances to available resources.

18.2. As this report sets out, our current projections for income and expenditure for 2026/27 will require the identification of savings proposals, additional income and/or an EFS request totalling £25.897million in order to deliver a balanced budget. Officers and Members will continue to review opportunities to reduce costs and increase income in the period leading up to the Cabinet meeting on 10 February 2026. Overview and scrutiny committees have a vital part to play in this process, both to comment on the approaches outlined in this report and to propose new ones.

## 19. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Exceptional Financial Support not granted	The Council's 2025/26 budget was balanced on the basis of a ' minded to' decision from the Minister, subject to a series of conditions. There is therefore a risk that the EFS/capitalisation direction may not be granted, meaning the Council's budget for the current year would not be balanced, meaning	Close liaison with officers of the Ministry of Homes, Communities and Local Government including supporting the Assurance Review CIPFA have been commissioned by MHCLG to carry out.	CI

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
	the Section 151 Officer would be required to issue a Section 114 Notice.		
Statutory service costs	Further increases may arise in the number of people requiring support across services including Social Care, Housing and SEND, increasing complexity of need and increasing cost of provision than assumed in our projections.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	BII
Demographic Growth	Further demographic pressures may surface across social care above those assumed in our projections.	Close monitoring of demand for service to identify pressures early, robust budget monitoring.	BII
Inadequate funding	If the local government settlement does not provide sufficient funding, there is a risk to the future sustainability of the local authority sector.	The Council has submitted robust responses to the Government consultations for the Fair Funding Review 2.0. Officers and Members continue to work closely to identify savings.	All
<b>Likelihood</b>	<b>Impact:</b>		
A Very likely	I Catastrophic		
B Likely	II Major		
C Unlikely	III Moderate		
D Rare	IV Minor		

## 20. Consultation

20.1. Members are consulted on the development of the final budget as follows:

Initial budget proposals to Cabinet (this report)	18 November 2025
Reports to Overview and Scrutiny	November / December 2025
Budget proposals to Cabinet	10 February 2026
Budget proposals to Council	26 February 2026

20.2. Officers from Finance and Business Improvement will work with the Leader to agree any further consultation required.

## 21. Climate change implications

21.1. Any climate change implications of the decisions underpinning the budget will be set out alongside the Diversity Impact Assessment when Cabinet and Council consider the final budget proposals in February 2026.

## 22. Financial implications

22.1. Our current projections for income and expenditure for 2026/27 will require the identification of savings proposals, additional income and/or an EFS request totalling £25.897million in order to deliver a balanced budget. The Round 2 Revenue Budget Monitoring Report 2025/26 (presented elsewhere on this agenda) represents a forecast overspend of £9.948million. An overspend on the scale of that currently projected would all but wipe out the general reserve.

## 23. Legal implications

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

23.2. Section 18 of this report refers to the potential budget gap for the next financial year. When determining its budget, the Council must have regard to the advice provided by the Chief Operating Officer (its statutory S151 finance officer). The S151 officer is required to report on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves.

Lead officer contact

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Appendices

None

Background papers

[Capital Strategy 2026/27 report to Cabinet 23 September 2025](#)

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

[Capital and Revenue Budget 2025/26 Report to Full Council 28 February 2025](#)