

Children and Young People Overview and Scrutiny Committee

2 December 2025

Revenue Budget Monitoring – Round 2 2025/26

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Summary

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

1. Recommendations

- 1.1. The Committee is asked to note the results of the second round of revenue budget monitoring for 2025/26 and in particular the risk to interest and financing projections.
- 1.2. The Committee is asked to note 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, 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 2 budget requirement to a total of £499.865million.
- 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 £9.948million an improvement of £1million from the position reported at round 1.

| Directorate | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|---|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
| <i>Budget requirement:</i> | | | | |
| Children and Adult Services | 10,582 | 379,930 | 391,952 | 12,022 |
| Regeneration, Culture and Environment | 723 | 83,836 | 82,894 | (943) |
| Business Support Department | (373) | 9,613 | 8,558 | (1,055) |
| Business Support Centralised Services: | | | | |
| Central Accounts | 0 | 0 | 0 | 0 |
| Interest & Financing | 0 | 18,107 | 18,107 | 0 |
| Corporate Management | 16 | 4,391 | 4,315 | (76) |
| Additional Government Support Grant Expenditure | 0 | 3,988 | 3,988 | 0 |
| Budget Requirement | 10,948 | 499,865 | 509,813 | 9,948 |
| <i>Funded by:</i> | | | | |
| Council Tax | 0 | (170,516) | (170,516) | 0 |
| Retained Business Rates & Baseline Need Funding | 0 | (76,806) | (76,806) | 0 |
| Government Grants - Non Ringfenced | 0 | (13,192) | (13,192) | 0 |
| New Homes Bonus | 0 | (1,311) | (1,311) | 0 |
| Dedicated Schools Grant | 0 | (139,614) | (139,614) | 0 |
| Other School Grants | 0 | (4,466) | (4,466) | 0 |
| Adult Social Care Grants | 0 | (35,251) | (35,251) | 0 |
| CSC Grants | 0 | (3,828) | (3,828) | 0 |
| Public Health Grant | 0 | (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 Govt Support Ringfenced Grant Income | 0 | (6,563) | (6,563) | 0 |
| Exceptional Financial support | 0 | (18,184) | (18,184) | 0 |
| Total Available Funding | 0 | (499,865) | (499,865) | 0 |
| Net Forecast Variance | 10,948 | 0 | 9,948 | 9,948 |

5. Children and Adults

- 5.1. The Directorate forecast is a pressure of £12.022million a worsening of £1.440million from the position reported at round 1, with details of the forecasts in each service area in the Directorate set out in the tables below.

| Children's Services | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|--|-------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|
| Head Of Safeguarding & Quality Assurance | 590 | 3,529 | 4,125 | 595 |
| Childrens Care Improvement | 325 | 238 | 841 | 603 |
| Childrens Social Work Team | 684 | 7,786 | 7,040 | (747) |
| Business Support | (92) | 2,135 | 1,997 | (138) |
| Family SOL, Youth, MASH & ADOL | 740 | 10,559 | 11,201 | 642 |
| Childrens Legal | 46 | 3,222 | 3,268 | 46 |
| Childrens Social Care Management | (457) | 417 | 64 | (353) |
| Client Support Packages | 1,145 | 4,840 | 6,293 | 1,453 |
| Corporate Parenting | 328 | 5,812 | 6,025 | 213 |
| Placements | (986) | 36,298 | 35,702 | (596) |
| Provider Services | 859 | 8,507 | 9,130 | 623 |
| Childrens Commissioning | 28 | 714 | 781 | 67 |
| Total | 3,210 | 84,058 | 86,465 | 2,407 |

The Children's Services is forecasting an overspend of £2.407million, which is an improvement of £803,000 from the round 1 forecast

There is a net overspend on staffing cover across the service of c£1million. This is driven by a combination of three key factors;

- market premia payments not being budgeted in 2025/26 on the assumption that the MedPay review would have corrected pay and largely negated the requirement for market premia payments. This will need to be corrected through the use of the MedPay allowance currently held in the directorate management team.
- a significant proportion of staff are being paid at the top of their respective pay bands, while the budget has been built on the guided distribution, and
- agency cover for vacant posts.

There is a £900,000 forecast overspend on client support packages to stabilize placements and to help stop children coming into care which is resulting in an underspend on placement costs.

In provider services there are also overspends relating to equipment and materials, on Expert assessments and independent social worker costs.

| Directorate Management Team | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|-----------------------------|-------------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Directorate Management Team | 22 | 2,651 | 2,699 | 48 |
| Total | 22 | 2,651 | 2,699 | 48 |

The People Directorate contribution to Child-Friendly Medway is £35,000. Work continues to identify additional funding sources. There are also projected overspends on staff recruitment expenses and training although these overspends are offset by an underspend on staffing.

| Education | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|--|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Special Educational Needs & Disabilities Transport | (36) | 14,009 | 13,659 | (350) |
| Education Management Team | 5 | 865 | 874 | 9 |
| SEND & Inclusion - Client & Providers | 0 | 46,850 | 46,850 | 0 |
| Early Years | 0 | 43,994 | 43,994 | 0 |
| SEND & Inclusion - Council Services | 1,349 | 3,799 | 5,184 | 1,384 |
| Medway Virtual School | 0 | 847 | 847 | 0 |
| Education, Planning & Access | 21 | 3,701 | 3,678 | (23) |
| School Effectiveness & Attendance | (99) | 581 | 473 | (107) |
| Total | 1,240 | 114,647 | 115,560 | 913 |

The Education division is forecasting is an overspend of £913,000 which is an improvement of £327,000 from round 1.

The main areas of projected overspend for the general fund are an overspend on the SEN Team due to the extension of the Assessment team agency staff between July and January 2026. There is also an overspend in the Educational Psychology Team due to the cost of additional agency staff required to process assessments being required above the capacity within the team. Since May the Volume of EHC needs assessment requests has doubled. This is a national issue triggered as a reaction to the expected SEND reforms. The increasing demand is also causing a reduction in predicted traded income for the in house Education psychology team, due to the capacity of the team to deliver the traded work.

SEN Transport is currently forecasting to underspend by £350,000 which is an improvement of £314,000 from the position reported at round 1.

As of 31st March 2025, the DSG reserve was reporting a £16.398million deficit; this is forecast to increase to £19.346million by March 2026 when the projected in year overspend of £2.948million is transferred into the reserve. Work is being undertaken to increase the savings delivery in line with the plan. The statutory override which allows Local Authorities to keep the DSG reserve separate was expected to end on 31 March 2026 but has been extended to 31 March 2028.

| Public Health | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|-------------------------------|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Public Health Management | 503 | 2,492 | 2,265 | (227) |
| Health Improvement Programmes | 7 | 4,516 | 4,646 | 130 |
| Stop Smoking Services | (105) | 970 | 1,075 | 104 |
| Supporting Healthy Weight | (61) | 1,806 | 1,847 | 41 |
| Substance Misuse | (93) | 2,350 | 2,307 | (43) |
| Child Health | (252) | 5,747 | 5,742 | (5) |
| Total | 0 | 17,880 | 17,880 | 0 |

Planning is continuing to fully spend the grant available in 2025/26 to achieve the optimum outcome for the prevention agenda, and to improve the public health of the community of Medway. Public Health held general reserves of £656,000 at the beginning of this financial year, with a further £892,000 held in earmarked reserves. The current activity forecast at round 2 suggests that a further contribution of £211,000 may be made to the Public Health general reserve at the end of this financial year. The Public Health grant is ringfenced and any Public Health expenditure does not draw on the general reserves of the Authority, so it is good practice to build up an appropriate level of grant reserve funding to manage risks, fund unforeseen pressures, and provide flexibility for future planning.

| Partnership Commissioning & Additional Government Grants | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|---|----------------------------------|--------------------------------|-------------------------------------|----------------------------------|
| Partnership Commissioning and C&A Intelligence | 57 | 1,760 | 1,758 | (1) |
| Start 4 Life Funding | 0 | 1,415 | 1,415 | 0 |
| Holiday Activity Fund | 0 | 1,161 | 1,161 | 0 |
| Health Determinants Research Collaboration | 0 | 0 | 0 | 0 |
| Total | 57 | 4,335 | 4,334 | (1) |
| <p>It has recently been confirmed that funding for the Holiday Activity Fund will continue for a further 3 years. We are also anticipating a continuation of funding for Start 4 Life schemes, which will be known in the future as Best Start in Life (BSIL), but we are awaiting details on value and duration beyond March 2026.</p> <p>Round 2 shows a reduction to the forecast previously reported for partnership Commissioning and C&A intelligence and is mainly due to slippage in recruiting into staff vacancies.</p> | | | | |

| Schools Retained Funding & Grants | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|--|----------------------------------|--------------------------------|-------------------------------------|----------------------------------|
| Finance Provisions | 0 | 1,021 | 1,021 | 0 |
| Hr Provisions | 0 | 740 | 740 | 0 |
| School Grants | 14 | 41,094 | 41,094 | 0 |
| Total | 14 | 42,856 | 42,856 | 0 |
| <p>Schools Retained Funding & Grants is forecasting to budget. Most of these services are funded by the DSG or ring-fenced grants with any under or overspend on these services being transferred into the DSG reserve at the end of the year.</p> | | | | |

6. Additional Government Support

| Additional Government Support Expenditure | 2025/26 R1 Variance £000's | 2025/26 R2 Budget £000's | 2025/26 R2 Forecast £000's | 2025/26 R2 Variance £000's |
|--|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Household Support Grant | 0 | 3,988 | 3,988 | 0 |
| Afghan Relocation Support | 0 | 0 | 0 | 0 |
| Homes for Ukraine | 0 | 0 | 0 | 0 |
| Total | 0 | 3,988 | 3,988 | 0 |
| All additional government support grants are currently forecast to be fully spent. | | | | |

7. Conclusions

- 7.1. The second round of revenue budget monitoring for 2025/26 projects an overspend of £9.948million.

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 either an extension of the capitalisation direction or 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. | BII |
| Likelihood | | Impact: | |
| A Very likely B Likely C Unlikely D Rare | | I Catastrophic II Major III Moderate IV Minor | |

9. Financial implications

- 9.1. The second round of revenue budget monitoring for 2025/26 projects an overspend of £9.948million. As reported to the Cabinet in June in the Capital and Revenue Budget Outturn for 2024/25, the Council's general reserve currently stands at £10.011million. An overspend on the scale of that currently projected would all but wipe out the general reserve.
- 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