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Health and Adult Social Care Overview and Scrutiny Committee

4 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 4, with sections 5 and 6 providing the detail for each service area.

1. Recommendations

- 1.1. The Committee notes 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 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, 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.

Adult Social Care	2025/26 R1 Variance £000's	2025/26 R2 Budget £000's	2025/26 R2 Forecast £000's	2025/26 R2 Variance £000's
AD ASC	709	1,553	2,315	763
Service Provision	6,772	85,367	95,445	10,078
Business Operations & Provider Services	(954)	6,485	5,537	(948)
Specialist Services, Safeguarding and PSW	623	5,476	5,397	(79)
Transformation & Improvement	(83)	2,403	2,322	(82)
Locality Services - Staffing	(1,555)	11,560	10,283	(1,277)
ASC Partnership Commissioning	526	657	858	201
Total	6,038	113,502	122,157	8,656

The Adult Social Care forecast is an overall pressure of £8.656million, which is a worsening of £2.618million from the position reported at round 1.

The service has seen success in some areas of staff recruitment since the last round of monitoring. The number of locums in the service has reduced from 59 to 44, and it is expected that this will reduce further as recruitment to substantive posts continues. Staffing overall is forecasting an underspend in excess of £1million in the locality teams, with staffing underspends also being forecast across other teams in the division. This is an indicator of the high level of vacancies that have been (or continue to be) held across the division as the rightsizing continues to bed in.

The ongoing net cost of placements continues to be the biggest area of pressure, with a net increase of 97 packages in this round. The gross costs are showing an increase of 9% on the 2024/25 outturn position, being driven by unbudgeted increases in average weekly costs, alongside increases in client numbers in high-cost Mental Health and Learning Disability placements. This includes people who are being discharged from mental health wards, who were previously supported and funded by other Local Authorities but have now become the responsibility of Medway Council to support and fund their care as per the Worcester Judgement.

Work continues at pace to deliver the savings agreed in the FIT plan. As at the end of August, £1.363million cashable savings have been delivered, and are included in this forecast, with a further £684,000 cost avoidance identified and validated. A further 2 locums, funded using vacant post budgets, are being recruited to maximise the opportunity for delivery of targeted review cashable savings for the remainder of this financial year.

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.

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)

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.

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.

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	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	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