

Report back from other Overview and Scrutiny Committee on Draft Capital and Revenue Budget Proposals 2026/27

2.8 Business Support and Digital Overview and Scrutiny Committee, 29 January 2026

Discussion:

The Head of Revenue Accounts introduced the report which had been presented to the Committee in November and been updated to reflect the comments of the other Overview and Scrutiny Committees which could be found at appendix 1 to the report. He added that the Local Government Finance settlement had been announced in December which was the first year of a multi-year settlement. The settlement was positive for Medway, however the benefits of the settlement would not be felt until years two and three of the settlement. In 2026/27 the Council would receive £8m less than was originally forecasted. The final settlements would be received by the Council shortly and incorporated into the report provided to Full Council.

The following issues were discussed:

Council Finances – The Chief Operating Officer was asked for his assessment of the Council's finances in light of the proposed £8m less income from central government than was forecast and the need for further Exceptional Financial Support (EFS) when it had been the aim of the administration for no further EFS to be sought. It was asked whether the positive forecasts previously provided had been unrealistic. The Chief Operating Officer stated that the budget gap had been reduced from £26m in November, however funding from central government was £8m lower than had been forecast.

The Chief Operating Officer explained that the forecast had been made with the help of advisors based on previous government announcements. The Chief Operating Officer stated that the modelling had correctly forecast a positive settlement for Medway, however the phasing of the settlement over the three-year period meant that there was a lower than anticipated level of funding in year one. When the Cabinet budget report was published in February, the three year projection would show increased funding to Medway to be received in years two and three of the settlement.

The Cabinet budget report, when published will highlight that, following significant work by Portfolio Holders and senior managers, the budget gap would be reduced to around £10.2m for the coming financial year. This gap would require an application for further EFS.

Current year budget Overspend – it was asked to what extent the overspend on the current year had impacted on the budget for the next financial next year. The Chief Operating Officer explained that there were two significant areas of overspend for the current financial year, being Treasury Management and Adult Social Care. Each year the budget was built on a set of assumptions, for Adult Social Care external factors such as the pressure on the NHS and its subsequent effect on adult

social care were greater than had been anticipated and that would impact next years budget. With regard to Treasury Management, whilst interest rates had fallen, the Public Works Loan Board (PWLB) rate had not fallen in line with predictions made by treasury advisors in November 2024. This had created a pressure in terms of higher interest rate costs and this pressure was expected to continue into the next financial year.

Capital Strategy – further information was requested regarding the Capital Strategy which included a number of schemes which were not reflected in the draft budget. The Head of Revenue Accounts stated further information would be published shortly in relation to the Capital Programme. Chief Operating Officer stated that the Capital Strategy outlined the Council’s aspirations to invest in its assets, however the Capital Programme only reflected these aspirations to the extent to which the Council could afford to undertake those schemes.

General Reserves – it was asked if the Council intended to grow its reserves in the next financial year. The Head of Revenue Accounts confirmed this assumption had been removed from the proposed budget and the medium-term financial outlook due to financial pressures the Council currently faced. The Chief Operating Officer added that increasing reserves remained an ambition however given the financial pressures it was not prudent to increase reserves at this time.

Further information was requested regarding how the budget gap for next year and the overspend for this year had been reduced. The Chief Operating Officer stated that the information was very detailed and advised Members to review the draft budget and monitoring reports which would be published as part of the Cabinet papers on Monday 2 February for further information.

Medway 2.0 in response to a question whether officers were confident the savings in budget identified in Medway 2.0 would be realised. The Chief Operating Officer stated that he was confident that the projected savings would be realised, and progress would be reported to this Committee during the year. In addition, Medway 2.0 featured within other savings made across the Council , but attributed to the relevant service departments.

Decision:

- a) The Committee is asked to note that Cabinet has instructed 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.
- b) The Committee submitted comments and comments from the other Overview and Scrutiny Committees to Cabinet.