



Serving You

Health and Adult Social Care Overview and Scrutiny Committee

12 March 2026

Revenue Budget Monitoring – Round 3 2025/26

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Summary

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

1. Recommendations

- 1.1. The Committee notes the results of the third round of revenue budget monitoring for 2025/26.
- 1.2. The Committee notes that Cabinet instructed the Corporate Management Team to implement further urgent action to bring expenditure back within the budget agreed by Full Council.
- 1.3. The Committee notes that officers have submitted an Exceptional Financial Support request to the Government seeking a further £9.9million in respect of 2025/26, in addition to the £18.184million incorporated into the budget.
- 1.4. The Committee notes that Cabinet recommended that Full Council approves the use of £2.783million of Capital receipts under flexibilities to fund transformational activity in Adult Social Care and Business Support.
- 1.5. The Committee notes that Cabinet recommended that Council declassifies the following amounts currently held in earmarked reserves and transfers them to general reserves:
 - £1,597,513 held in the Collection Fund reserve;
 - £450,000 held in the severance reserve;
 - £750,000 held in the SELEP reserve;
 - £27,000 held in the unrepresented Cheques reserve.

2. Budget and policy framework

- 2.1. The Cabinet is responsible for ensuring that income and expenditure remain within the budget approved by Full 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, Full 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 and there have been changes to the levels of Education funding. The net impact of these amendments takes the round 3 budget requirement to a total of £491.654million.
- 3.2. This report presents the results of the third 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 £15.592million a worsening of £5.644million from the position reported at round 2. Subject to the approval of Full Council, the suggested use of capital receipts under flexibilities and the use of declassified earmarked reserves will reduce the forecast overspend to £9.985million, which is £37,000 higher than reported at round 2.

Directorate	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
<i>Budget requirement:</i>				
Children and Adult Services	12,022	371,719	386,970	15,251
Regeneration, Culture and Environment	(943)	83,836	80,542	(3,294)
Business Support Department	(1,055)	9,613	8,358	(1,255)
Business Support Centralised Services:				
Central Accounts	0	0	0	0
Interest & Financing	0	18,107	23,092	4,985
Corporate Management	(76)	4,391	4,296	(95)
Additional Government Support Grant Expenditure	0	3,988	3,988	0
Budget Requirement	9,948	491,654	507,246	15,592
<i>Funded by:</i>				
Council Tax	0	(170,516)	(170,516)	0

Directorate	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
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	(131,362)	(131,362)	0
Other School Grants	0	(4,466)	(4,466)	0
Adult Social Care Grants	0	(35,251)	(35,251)	0
CSC Grants	0	(3,956)	(3,956)	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	(6,476)	(6,476)	0
Exceptional Financial support	0	(18,184)	(18,184)	0
Total Available Funding	0	(491,654)	(491,654)	0
Net Forecast Variance	9,948	0	15,592	15,592

5. Children and Adults

- 5.1. The Directorate forecast is a pressure of £15.251million a worsening of £3.2300million from the position reported at round 2, with details of the forecasts in each service area in the Directorate set out in the tables below.

Adult Social Care	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
AD ASC	763	1,553	2,356	804
Service Provision	10,078	85,367	100,146	14,779
Business Operations & Provider Services	(948)	6,485	5,563	(922)
Specialist Services, Safeguarding and PSW	(79)	5,476	5,356	(120)
Transformation & Improvement	(82)	2,403	1,337	(1,066)
Locality Services - Staffing	(1,277)	11,560	10,228	(1,332)
ASC Partnership Commissioning	201	657	557	(101)
Total	8,656	113,502	125,543	12,042
<p>The Adult Social Care forecast is an overall pressure of £12.042million, which is a worsening of £3.687million from the position reported at round 2.</p> <p>The forecasts for non-placement areas of the division have remained fairly static since round 2, with fairly small movements in staffing fluctuating across.</p> <p>The ongoing net cost of placements continues to be the biggest area of pressure. Overall demand through the front door has increased year on year, with 10,933 requests for support for clients without an existing long-term package of care in 2023/24, increasing to 11,470 from</p>				

July 2024 to the end of June 2025. Of these requests, 7.1% resulted in a new long-term care package in 2023/24, reducing to 6.2% for the year to June 2025. Although demand continues to rise, management action and improved practice and scrutiny across the division are impacting the rate of new long-term packages of care overall. However, these rates still fall above the anticipated demographic growth predicted in 2025/26.

The gross placement costs are showing as £134million for 2025/26 in this round, which is an increase of 11.4% on the 2024/25 gross placement cost outturn position, being driven by unbudgeted increases in average weekly costs, alongside increases in client numbers, increases in complexity of placement, and increases in the rate of financially depleting service users whom the Local Authority are now responsible for funding. Increases to the placement budget were awarded for 2025/26 at the modelled rate of 4% for price uplifts, and 3% for demographic growth, but this was offset against delivery of £5.7million cashable savings. Forecasts submitted at earlier rounds of forecasting included aspects of expected growth equal to budgeted demographic funding, but this has been outstripped by the real rate of increase in client numbers, growing complexity of care and support needs, and the transfer of support from health to local government care without associated funding seen this year to date.

Focus continues to strive to deliver the savings agreed in the FIT plan. As at the end of November, £2.082million cashable savings have been delivered, and are included in this forecast, with a further £2.467million cost avoidance identified and validated. The current forecast does assume that the remainder of the savings will be delivered in a cashable manner before the end of this financial year. Any savings not delivered in a cashable manner may render a further pressure on the final outturn position.

Directorate Management Team	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Directorate Management Team	48	2,651	2,689	38
Total	48	2,651	2,689	38

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 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Public Health Management	(227)	2,492	2,404	(88)
Health Improvement Programmes	130	4,516	4,659	143
Stop Smoking Services	104	970	1,000	30
Supporting Healthy Weight	41	1,806	1,797	(9)
Substance Misuse	(43)	2,350	2,221	(128)
Child Health	(5)	5,747	5,799	52
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.

Partnership Commissioning & Additional Government Grants	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Partnership Commissioning and C&A Intelligence	(1)	1,760	1,708	(51)
Start 4 Life Funding	0	1,327	1,327	0
Holiday Activity Fund	0	1,161	1,161	0
Health Determinants Research Collaboration	0	0	0	0
Total	(1)	4,248	4,197	(51)

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 3 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.

Schools Retained Funding & Grants	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Finance Provisions	0	1,021	1,021	0
Hr Provisions	0	740	779	38
School Grants	0	33,366	33,366	0
Total	0	35,127	35,166	38

Schools Retained Funding & Grants is forecasting a small overspend. 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.

6. Additional Government Support

Additional Government Support Expenditure	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 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 round 3 forecast outturn for 2025/26 represents a pressure of £15.592million. Subject to the approval of full council, the suggested use of capital receipts under flexibilities and the use of declassified earmarked reserves will reduce the forecast overspend back down to £9.985million.

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 third round of revenue budget monitoring for 2025/26 projects an overspend of £15.592million. 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. The Council would not therefore be in a position to fund an overspend on the scale of that currently projected.
- 9.2. It will now be necessary for the Council's senior managers and elected Members to implement further 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.
- 9.3. Therefore, in order to protect the Council's general reserve Cabinet is asked to recommend that Full Council approves the use of £2.783million of capital receipts under flexibilities to fund transformational activity in Adult Social Care and Business Support. In addition, Cabinet is asked to recommend that Full Council declassifies the following amounts currently held in earmarked reserves and transfers them to general reserves:
- £1,597,513 held in the Collection Fund reserve
 - £450,000 held in the severance reserve
 - £750,000 held in the SELEP reserve
 - £27,000 held in the unrepresented Cheques reserve
- 9.4. Subject to the approval of full council, the suggested use of capital receipts under flexibilities and the use of declassified earmarked reserves will reduce the forecast overspend to £9.985million, which is £37,000 higher than reported at round 2
- 9.5. It may be necessary to seek further support from the government through the Exceptional Financial Support scheme in respect of 2025/26. When considering the Draft Capital and Revenue Budget 2026/27, reported in November, the Cabinet agreed 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. In December 2025 officers submitted an Exceptional Financial Support request to the government seeking a further £9.9million in respect of 2025/26, in addition to the £18.184million incorporated into the budget to fund the overspend projected at round 2 should that manifest at year end. The EFS request submitted in December 2025 also included support of £25.9million to fund the potential budget gap projected for 2026/27 at that stage. The outcome of these requests is expected to be confirmed by the government in February 2026.

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