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## **Regeneration Culture & Environment Overview and Scrutiny Committee**

**24 March 2026**

### **Revenue Budget Monitoring – Round 3 2025/26**

Report from: Phil Watts, Chief Operating Officer (S151 Officer)

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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 5-7 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
<b>Budget Requirement</b>	<b>9,948</b>	<b>491,654</b>	<b>507,246</b>	<b>15,592</b>
<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	(131,362)	(131,362)	0
Other School Grants	0	(4,466)	(4,466)	0
Adult Social Care Grants	0	(35,251)	(35,251)	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
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
<b>Total Available Funding</b>	<b>0</b>	<b>(491,654)</b>	<b>(491,654)</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>9,948</b>	<b>0</b>	<b>15,592</b>	<b>15,592</b>

## 5. Regeneration, Culture and Environment

5.1. The Directorate forecast is an underspend of £3.294million which is an improvement of £2.351million from the position reported at round 2. Details of the forecasts in each service area are set out in the tables below.

Culture & Community	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Sport and Leisure	(881)	3,859	2,660	(1,199)
Culture	54	3,813	3,748	(65)
Greenspaces	26	6,142	6,114	(27)
Planning	(472)	2,929	2,445	(484)
South Thames Gateway Partnership	29	281	310	29
Strategic Housing	962	12,513	13,235	722
Libraries & Community Hubs	198	5,574	5,743	170
Culture & Community Support	57	90	118	27
<b>Total</b>	<b>(27)</b>	<b>35,201</b>	<b>34,373</b>	<b>(828)</b>

The Culture & Community division forecast is a net underspend of £828,000, an improvement of £801,000 from the position reported at round 2.

There is a projected underspend of £1.199million on Sport and Leisure largely due to additional income and underspends on staffing.

There is a £484,000 forecast underspend on the Planning service due to additional planning fee income, vacancies across the service and due to the receipt of central government funding to help Councils deliver the Local Plan. However, as we move from Reg 19 to submission stage, we will need to appoint various staff (Local Plan Officer/Council and specialist consultants) to guide us through the Examination in Public (EIP).

There is a £722,000 pressure on Strategic Housing, which is an improvement of £240,000 from round 2. As previously reported, this is largely around Temporary Accommodation (TA). The demand for nightly paid TA has remained around 500 placements, while there have been positive outcomes with move-on including 33 TA households move into settled fully managed private sector accommodation via One Medway Lettings. The acquisition programme is progressing, however due to the nature of this work, there has been slippage in handover, this has primarily been seen with the Pullman House acquisitions with a further delay being advised at the beginning of January 2026. Chatham Waterside has completed, and

occupation commenced December 2025. The service is engaged with a review of temporary accommodation nightly placements, costs and providers that is being led by Kent Housing Group, with the aim to reduce the current nightly rates across Kent and Medway.

There is a £170,000 pressure on Libraries & community Hubs, this is mainly due to additional staffing and security costs across a number of libraries.

Director's Office	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Director's Office	(22)	811	791	(20)
<b>Total</b>	<b>(22)</b>	<b>811</b>	<b>791</b>	<b>(20)</b>

The Director's Office is forecast to underspend by £20,000 due to vacancy savings.

Front Line Services	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Front Line Services Support	(149)	925	747	(178)
Highways	(205)	6,951	6,539	(412)
Parking Services	477	(7,781)	(7,940)	(159)
Environmental Services	(122)	33,052	32,890	(162)
Integrated Transport	(7)	7,917	7,824	(94)
Regulatory Services	(162)	3,493	3,304	(189)
<b>Total</b>	<b>(168)</b>	<b>44,556</b>	<b>43,363</b>	<b>(1,193)</b>

The Front Line Services division is forecast to underspend by £1.193million, an improvement of £1.025million from the position reported at round 2.

Front Line Services Support is forecast to underspend by £178,000 due to a number of vacant posts across the service.

Highways is reporting a £412,000 underspend, largely due to reduced electricity costs for street lighting and Medway Tunnel, there is also additional income from capital schemes and some staffing underspends. These underspends are partially offset by an overspend on highways preliminary works costs.

Parking Services is forecasting an underspend of £159,000. There are additional costs associated with the operation of enforcement relating to legal fees, postage, DVLA costs, camera maintenance and support, and clip reviews to identify offences that progress to the PCN stage. There is higher than budgeted income from Penalty Charge Notices (PCNs) issued in respect of the Safer, Healthier Streets programme. In addition, there is also additional off street and on street parking income in excess of budgeted levels.

The Environmental Services forecast is an underspend of £162,000, there is a staffing underspend due to recruitment lag in appointing to vacant posts and there has been a reduction in the waste services forecast largely due to reduced volumes of organic waste.

The integrated Transport forecast is an underspend of £94,000, there is a pressure on the salaries/consultancy budgets due to unsuccessful attempts to recruit to the Principal Transport Planner post resulting in the use of a transport consultant to carry out this statutory function. However, this is offset by other staffing savings and additional income.

Regulatory services are forecasting an underspend of £189,000, income from the crematorium and registration services are in excess of budgeted levels although there are some additional costs of providing services. The annual budgeted contribution to the crematorium reserve will not be made in 2025/26

<b>Regeneration</b>	<b>2025/26 R2 Variance £000's</b>	<b>2025/26 R3 Budget £000's</b>	<b>2025/26 R3 Forecast £000's</b>	<b>2025/26 R3 Variance £000's</b>
Medway Norse	0	0	0	0
Property & Capital Projects	(245)	1,932	1,475	(457)
Regeneration Delivery	(76)	1,255	1,166	(89)
Valuation & Asset Management	(543)	(1,448)	(2,124)	(676)
Economic Development	(90)	1,074	877	(197)
Skills & Employability	270	724	929	206
<b>Total</b>	<b>(685)</b>	<b>3,537</b>	<b>2,324</b>	<b>(1,212)</b>

The Regeneration division forecast is an underspend of £1.212million which is an improvement of £527,000 on the position reported at round 2.

The Property & Capital Projects forecast is an underspend of £457,000 which in the main is due to reduced cost of utilities costs at Gun Wharf along with some small underspends on staff budgets.

There is a forecast underspend on the Asset & Property Management budget of £543,000. Current projections for the operation of the Pentagon shows a £804,000 underspend against budget. Elsewhere across the service there are some historical income targets which are not projected to be achievable.

There is a forecast underspend of £197,000 on Economic Development due to underspends on staffing budgets and increased income from Innovation Centre Medway (ICM).

There is a forecast pressure of £206,000 in Skill & Employability, there is a reduction in income from the Department for Education which has been offset by over delivery of our 24/25 academic year contract, there is however a loss on the completion of the Multiply programme and an increased level of tutor costs.

<b>Medway Norse Profit Share</b>	<b>2025/26 R2 Variance £000's</b>	<b>2025/26 R3 Budget £000's</b>	<b>2025/26 R3 Forecast £000's</b>	<b>2025/26 R3 Variance £000's</b>
Medway Norse Profit Share	(41)	(269)	(310)	(41)
<b>Total</b>	<b>(41)</b>	<b>(269)</b>	<b>(310)</b>	<b>(41)</b>

The Medway Norse profit share is currently forecast to be £41,000 above the budgeted amount.

## 6. Housing Revenue Account

<b>Housing Revenue Account</b>	<b>2025/26 R2 Variance £000's</b>	<b>2025/26 R3 Budget £000's</b>	<b>2025/26 R3 Forecast £000's</b>	<b>2025/26 R3 Variance £000's</b>
Housing Revenue Account	(204)	(0)	(394)	(394)
<b>Total</b>	<b>(204)</b>	<b>(0)</b>	<b>(394)</b>	<b>(394)</b>

The forecast outturn for the Housing Revenue Account (HRA) is an underspend of £394,000 compared with a £204,000 underspend forecast at round 2. Pressures forecast against communal cleaning and play area maintenance have been offset by larger savings forecast against salary costs due to vacant posts and utilities on homes for independent living.

## 7. 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
<b>Total</b>	<b>0</b>	<b>3,988</b>	<b>3,988</b>	<b>0</b>

All additional government support grants are currently forecast to be fully spent.

## 8. Conclusions

- 8.1. 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.

## 9. 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

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
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
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

## 10. Financial implications

- 10.1. 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.
- 10.2. 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.
- 10.3. 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
- 10.4. 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
- 10.5. 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.

## 11. Legal implications

- 11.1. 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.
- 11.2. 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."
- 11.3. 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.
- 11.4. 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.

11.5. 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

11.6. 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.

11.7. 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.

#### Lead officer contact

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#### Appendices

None

#### Background papers

None