

Business Support and Digital Overview and Scrutiny Committee

26 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
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

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
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
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5. Business Support & Centralised Services

- 5.1. The Business Support Services forecast is an underspend of £1.255million, while the Centralised Services forecast is an overspend of £4.890million, bringing the overall forecast to an overspend of £3.635million. This is an overall worsening of £4.766million from the position reported at round 2. The details of the forecasts in each service area are set out in the tables below.

Communications & Marketing	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Communications & Marketing	(251)	323	71	(251)
Total	(251)	323	71	(251)

The service is forecasting an underspend of £251,000 due to a number of posts that were built into the budget for 2025/26 not being recruited until Q3 of 2025/26.

Divisional 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
Divisional Management Team	(26)	0	(7)	(7)
Total	(26)	0	(7)	(7)

There is a reported underspend on staffing of £7,000 due to a vacant post and maternity leave.

Finance & Business Improvement	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Internal Audit & Counter Fraud	(122)	0	(127)	(127)
FBI Divisional Management Team	(1)	0	(15)	(15)
FBI - Finance	15	4,358	4,339	(20)
FBI - Information	(593)	1,298	817	(481)
FBI - Organisational Culture	(109)	(108)	(394)	(286)
Policy & Partnerships Unit	0	450	324	(126)
Total	(809)	5,998	4,944	(1,054)

The Finance & Business Improvement division forecast is an underspend of £1.054million an improvement of £118,000 from round 2.

Finance & Business Improvement	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
<p>There is a reported underspend of £127,000 in Internal Audit and Counter Fraud which is a combination of savings on staffing due to vacancies and from additional income from the shared service arrangement with Gravesham.</p> <p>The Finance forecast (which includes Accountancy, Revenues, Benefits and Debt) is an overspend of £20,000. There is a forecast overspend of £313,000 on the Benefits and Financial Welfare service relating to the projected increase in the level of shortfall in benefits subsidy as the final stages of the migration to Universal Credit with the process expected to be complete by the end of 2025/26. This process is seeing all cases that are 100% funded by the benefits subsidy transferred to the DWP, leaving local authorities with only caseloads that do not attract full subsidy. This is offset by staffing underspends across accountancy, revenues and debt teams.</p> <p>The Information forecast (which includes Technology, Customer Experience and Digital) is an underspend of £481,000. There is a pressure on software budgets of £155,000. That overspend is offset by staffing underspends in ICT of £297,000 and in Customer & Business Support (CABS) of £393,000 a combination of vacancies and due to the make-up of the team being below that of the MedPay guided distribution along with vacancy savings across a number of other teams. There is some additional income from the ICT equipment reserve above budgeted levels.</p> <p>The Organisational Culture forecast (which includes HR, Payroll and Council Plan service areas) is an underspend of £286,000. This is due to a mixture of income targets not being achieved offset by savings on staffing teams and additional income from agencies.</p>				

Legal & Governance	2025/26 R2 Variance £000's	2025/26 R3 Budget £000's	2025/26 R3 Forecast £000's	2025/26 R3 Variance £000's
Democratic Services	4	743	738	(5)
Members & Elections	(65)	2,625	2,582	(43)
Category Management	(28)	0	(1)	(1)
Legal, Land Charges & Licensing	121	(75)	31	106
Total	31	3,293	3,350	57
<p>The divisional forecast is an overspend of £57,000.</p> <p>There is a forecast overspend of £336,000 on Counsel/Process Servers. The service is engaging agency staff and third-party solicitors to reduce the need to use highly expensive Counsel for all but the most complex cases and using email and internal staff to deliver legal documents to reduce the need to pay third party process servers for all cases except where there is a security risk to staff for serving.</p> <p>In Legal there is a forecast £651,000 underspend on permanent staff as new posts agreed in the budget are not yet all in post, offset by an overspend of £499,000 on agency staffing to deliver the caseload.</p>				

Centralised 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
Interest & Financing	0	18,107	23,092	4,985
Levies	(42)	1,996	1,940	(56)
Corporate Management	(34)	2,394	2,356	(39)
Total	(76)	22,498	27,388	4,890
<p>Collectively, Centralised Services are forecasting an underspend of £4.890million a worsening of £4.966million from the position reported at round 2.</p>				

Centralised 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
<p>At round 2 a high risk around the interest and financing budget was raised, given that the anticipated reduction in PWLB interest rates forecast by our treasury advisors had failed to manifest. A more detailed review of the assumptions behind this forecast has been undertaken and inertia in the PWLB rates, despite reductions in the bank rate, mean that we are now reporting an overspend of £4.985million.</p> <p>The Council's Interest and Financing Budget represent the net cost of the treasury activities required to fund the Council's capital programme and to ensure an adequate cash flow to support the delivery of all services. The primary driver of change to this budget is the extent of borrowing required (including any new capital schemes not funded by grant etc.) and the cost at which that borrowing can be financed. Around 64% of the Council's existing capital programme of £229.722million is funded through borrowing and interest rates continue to be higher than previously projected resulting in a budget pressure. The Council also previously borrowed from other local authorities, however the EFS agreed has resulted in those perceiving a higher risk and therefore elevated rates compared to the PWLB. PWLB rates remain elevated as yields from Government Bonds have increased, where hedge fund investors, demanding higher returns, have replaced the pension funds that are no longer investing in bonds.</p> <p>The Council also borrows to ensure the maintenance of an adequate day to day cashflow. Historically the Council has had sufficient cash balances that a portion of the borrowing requirement could be financed internally, reducing external borrowing costs. The Council no longer has available cash balances as our working capital requirement has grown to fund the deficit on the High Needs Block of the Dedicated Schools Grant while the statutory override and Safety Valve programme takes effect.</p> <p>There is a forecast underspend of £56,000 on levies. Drainage levy is forecast to underspend by £17,000 due to notice coming in below budget. Coroners court is forecasting to underspend by £39,000 based on the latest forecast from KCC.</p> <p>The Corporate Management position is an underspend of £39,000, due to lower than budgeted additional lump sum pension costs.</p>				

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 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. In addition, Cabinet recommended 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. Full council, on 25 February 2026, approved the recommended use of capital receipts under flexibilities and the use of declassified earmarked reserves to 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 was 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 require 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