

Cabinet

2 June 2026

Capital and Revenue Outturn and Annual Debt Write Off Report 2025/26

Portfolio Holder: Councillor Vince Maple, Leader of the Council
Report from: Phil Watts, Chief Operating Officer (Section 151 Officer)
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Summary

This report details the final revenue and capital outturn position for the financial year ended 31 March 2026. These figures will form part of the Council's Statement of Accounts, which will be presented to the Audit Committee following the completion of the External Audit. The report also presents a summary of debts written off during the 2025/26 financial year in line with the constitutional requirement to submit a report to Cabinet on an annual basis setting out details of all debt written off.

1. Recommendations

- 1.1. The Cabinet is asked to note the 2025/26 revenue and capital outturn position as summarised in Section 5 of the report, and the Council's reserves position as summarised in Section 14 of the report.
- 1.2. The Cabinet is asked to note the declassification of £919,000 of earmarked reserves and transfer of these to general reserves, carried out under Director's delegations.
- 1.3. The Cabinet is asked to agree to recommend that Council agree the addition of £3.743million to the revenue budget from general reserves to fund the final overspend, as set out in Section 14 of this report. This includes the £2.825million agreed by the Council in February 2026 and preserves the Council's general reserve balance at £10.012million, just above the minimum level set by the Section 151 Officer.
- 1.4. The Cabinet is asked to agree to recommend that Council agrees to the following removals from the Capital Programme for schemes that have underspent as set out in Section 12 of this report:
 - £160,000 for Greenacre Academy;
 - £133,000 for Hundred of Hoo 6th Form;
 - £63,000 for Leigh Academy Canopy;
 - £20,000 for Strood Academy;
 - £226,000 for Victory Academy;

- £65,000 for Dane Court;
- £2,000 for Luton Primary (Nursery);
- £3,000 for ICT Infrastructure;
- £168,000 for Waste Fleet Replacement.

1.5. The Cabinet is asked to agree to recommend that Council agree to the following removals from the Capital Programme for schemes that could be funded by revenue Section 106 developer contributions:

- £400 for Rainham Play;
- £400 for Jackson Fields & Victoria Gardens;
- £10,000 Luton Millennium Green.

1.6. The Cabinet is asked to note the debts written off against provisions as set out in section 15 of the report.

2. Suggested reasons for decisions

2.1. Full Council is responsible for agreeing a balanced budget in advance of each financial year. The Cabinet is responsible for ensuring that income and expenditure remain within the approved budget.

2.2. The transfer of reserves from earmarked to general reserves will enable the Council's general reserve balance to return to a position above the minimum level of £10million set by the Section 151 Officer, even after the overspend on the 2025/26 outturn has been funded.

3. Budget and policy framework

3.1. The Cabinet is the body charged with the executive management of the Council's budget and it is therefore important for the final outturn to be reported to Cabinet.

3.2. The report sets out requests for additions to the capital programme and movements between reserves (virements).

3.3. The Budget virement limits are set out in the Financial Rules in the Council's Constitution and are as follows:

- for revenue, virements up to £500,000 can be approved by the Chief Executive and Directors, virements between £500,000 and £1million can be approved by the Cabinet while those in excess of £1million are a matter for Council.
- for capital, virements up to £1million can be approved by the Chief Executive and Directors, virements between £1million and £2million can be approved by the Cabinet while those in excess of £2million are a matter for Council.

3.4. The Constitution also requires a report to be submitted to Cabinet on an annual basis setting out details of all debt written off, which this report fulfils.

3.5. The Financial Rules in the Council's Constitution also set out limits for approval to write off irrecoverable debts, as follows:

- directors have delegated authority to write off debts relating to the services in their responsibility of up to £25,000.
- the Director of Children and Adults and Deputy Chief Executive has delegated authority to write off Adult Social Care client debt of unlimited value within the approved provision held within the accounts of the Council.
- the Chief Operating Officer has delegated authority to write off Council Tax and Business Rates of unlimited value within the approved provision held within the accounts of the Council, and to write off other debts to the Council up to £100,000 in consultation with the Director responsible for services to which the debt relates.

4. Background

4.1. At its meeting on 27 February 2025, Full Council set a total revenue budget requirement of £496.441million for 2025/26. Since then, a number of changes to grant funding have been confirmed, primarily the Household Support Fund and in relation to various schools funding allocations. The net impact of these amendments takes the final revenue budget outturn requirement to a total of £503.150million. The outturn position is summarised in the table at 5.1 and detailed in sections 6-11 of this report.

4.2. The capital programme for 2025/26 and beyond was also agreed by Full Council on 25 February 2025, at £229.077million. Additions and removals made during the year resulted in a final capital outturn budget of £340.140million. The final capital outturn position is summarised in section 12 of this report.

4.3. Details of all debts written off in 2025/26 are provided at section 15 of this report in line with the constitutional requirement for this information to be provided to the Cabinet on an annual basis.

5. Revenue Outturn Summary 2025/26

5.1. The outturn for 2025/26 represents a net overspend of £9.819million, an improvement of £5.773million compared to the position reported at Round 3, subject to the Council agreeing the use of £3.743million from general reserves. It should be noted that the principal cause of this is the £14.695million overspend against Adult Social Care, mirroring the challenge confronted by almost all upper tier authorities across the country.

Directorate	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
<i>Budget requirement:</i>				
Children and Adult Services	15,251	384,838	401,411	16,574
Regeneration, Culture and Environment	(3,294)	97,986	93,286	(4,700)
Business Support Department	(1,255)	10,215	6,525	(3,690)
Business Support Centralised Services:				
Central Accounts	0	(16,897)	(16,897)	0
Interest & Financing	4,985	18,107	23,960	5,853
Corporate Management	(95)	4,391	3,523	(867)
Additional Government Support Grant Expenditure	0	4,511	4,510	(0)
Budget Requirement	15,592	503,150	516,319	13,169
<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)	(12,788)	404
New Homes Bonus	0	(1,311)	(1,311)	0
Dedicated Schools Grant	0	(142,332)	(142,332)	0
Other School Grants	0	(4,292)	(4,292)	0
Adult Social Care Grants	0	(35,251)	(35,251)	0
CSC Grants	0	(3,956)	(3,956)	0
Public Health Grant	0	(20,487)	(20,487)	0
Extended Producer Responsibility	0	(4,873)	(4,873)	0
Housing Related Grants	0	(4,862)	(4,862)	0
Use of Reserves	0	(50)	(3,793)	(3,743)
Additional Govt Support Ringfenced Grant Income	0	(7,036)	(7,047)	(11)
Exceptional Financial support	0	(18,184)	(18,184)	0
Total Available Funding	0	(503,150)	(506,500)	(3,350)
Net Forecast Variance	15,592	0	9,819	9,819

6. Children and Adults

- 6.1. The Directorate outturn represents a net overspend of £16.574million, a worsening of £1.322million compared to the position reported at Round 3. Further details of the outturn in each service area within the Directorate is set out in the tables below.

Adult Social Care	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
AD ASC	804	1,833	1,672	(162)
Service Provision	14,779	85,367	106,611	21,244
Business Operations & Provider Services	(922)	6,462	5,486	(976)
Specialist Services, Safeguarding and PSW	(120)	5,516	4,900	(616)
Transformation & Improvement	(1,066)	2,403	18	(2,386)
Locality Services - Staffing	(1,332)	10,765	9,777	(988)

Adult Social Care	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
ASC Partnership Commissioning	(101)	1,192	(230)	(1,422)
Total	12,042	113,539	128,234	14,695

The Adult Social Care Outturn represents a net overspend of £14.695million, a worsening of £2.653million compared to the position reported at Round 3.

Delivery against all savings targets associated with the Financial Improvement and Transformation (FIT) Plan have been incorporated into the final outturn position. Just over £3.08million of direct cashable savings have been achieved by the service this year, along with a further £2.9million cost avoidance where demand management activity has prevented further pressures within the division. The reported position at Round 3 included an assumption that the savings target of £5.7million for 2025/26, in addition to £2.9m savings carried over from 2024/25 would be delivered in a cashable manner.

A worsening forecast for service provision of £6.46million incorporates the residual savings not delivered in a cashable manner mentioned above. Lower than forecast client income for Older Persons Residential and Nursing Care also contributed £1.1million to this worsening picture.

To mitigate the worsening picture where possible, £1.34million of flexible capital receipts has been utilised to fund transformation costs incurred by the service throughout 2025/26. £235k of earmarked reserves that are no longer required for their original purpose have also been released into the outturn position, in addition to reducing the anticipated bad debt provision by £889k. Further reductions were seen in the forecast for staffing, Winter Pressures and additional projects agreed to be funded through the BCF pooled budget arrangement. Some projects were completed utilising existing resources, resulting in no additional costs.

At the point of building the budget for 2025/26 185,308 weeks of service provision were expected to be delivered to an ongoing cohort of 3,556 clients. Across the financial year 196,820 weeks of service provision have been provided, with a remaining cohort of 3,628 ongoing clients continuing into 2026/27. This is an increase in service delivery of 6.2%. We have also seen increases in the average weekly cost of around 7% in areas of residential, nursing and supported living packages, contributing to the overspend seen in the service provision.

Children's Services	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Head Of Safeguarding & Quality Assurance	294	3,533	3,554	21
Children's Care Improvement	432	366	1,156	790
Children's Social Work Team	(654)	7,786	8,464	678
Business Support	(191)	2,135	1,890	(245)
Family SOL, Youth, MASH & ADOL	456	10,666	10,692	26
Children's Legal	84	3,222	3,243	21
Children's Social Care Management	(454)	1,343	(549)	(1,892)
Client Support Packages	2,306	4,840	6,968	2,127
Corporate Parenting	230	5,905	6,397	492
Placements	(531)	36,298	35,423	(875)
Provider Services	684	8,796	9,414	618
Children's Commissioning	95	714	925	211
Total	2,750	85,604	87,576	1,972

Children's Services	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
<p>Children's Services is reporting a £1.972million overspend; an improved forecast of £778,000 since round 3. There was a £1.775million overspend on placements and client support packages, which improved by £100,000 compared to the Round 3 forecast due to increased scrutiny of costs during the panel process and the review panels held during January and February. There were also overspends relating to equipment and materials, expert assessments and independent social worker costs (mainly within providers services) which have a combined overspend of £165,000, which improved by £115,000 since round 3. There was a small overspend of £43,000 on staffing, which improved by £554,000 since round 3 due to a variety of reasons.</p>				

Directorate Management Team	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Directorate Management Team	38	1,371	912	(459)
Total	38	1,371	912	(459)
<p>Underspent by £459,000; an improvement of £497,000 from the position reported at Round 3. The budget includes an allowance for the completion of the MedPay reviews and cross-directorate virements, however a significant proportion of the cross-directorate virements were not carried out in the 2025/26 financial year. The People Directorate contribution to Child Friendly Medway was £35,000.</p>				

Education	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Special Educational Needs & Disabilities Transport	(875)	14,019	12,461	(1,558)
Education Management Team	17	865	900	34
SEND & Inclusion - Client & Providers	0	47,874	47,874	(0)
Early Years	0	46,745	46,745	0
SEND & Inclusion - Council Services	1,504	3,799	5,733	1,933
Medway Virtual School	(39)	886	987	101
Education, Planning & Access	(43)	3,692	3,806	115
School Effectiveness & Attendance	(130)	581	415	(166)
Total	434	118,461	118,921	460
<p>Education overspent by £460,000. The main areas of overspend for the general fund were £1.767million on staffing of which £198,000 related to Educational Psychology and a further £1.569million within the SEND team. Agency staff were used by both services to cover vacancies, and additional posts were recruited to above the budgeted establishments. This overspend worsened by £429,000 from the Round 3 position mainly because agency contracts expected to be terminated in January were retained until the end of the financial year. There were other smaller overspends, such as legal tribunal costs, which when combined totalled a £250,000 overspend. These overspends were offset by an underspend on Special Educational Needs transport of £1.558million, which improved by £683,000 from the Round 3 position mainly due to fewer new pupils requiring transport during January to March than anticipated.</p> <p>The Dedicated Schools Grant funded services overspent by £2.866million, which was transferred into the DSG reserve at the end of the financial year.</p>				

As at 31st March 2025 the DSG reserve was reporting a £16.398million deficit; this has increased to £19.364million by March 2026 after the in-year overspend of £2.866million was transferred into the reserve. This was slightly higher by £1000,000 then projected in round 3.

Public Health	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Public Health Management	(88)	2,632	2,871	239
Health Improvement Programmes	143	4,516	4,437	(78)
Stop Smoking Services	30	970	840	(131)
Supporting Healthy Weight	(9)	1,806	1,754	(52)
Substance Misuse	(128)	2,350	2,249	(101)
Child Health	52	5,747	5,869	122
Total	0	18,020	18,020	0

Public Health Services have remained within budget this year. Funding has been targeted in specific areas of activity surrounding Child Health and Sexual Health improvement programmes this year. Underspends in Stop Smoking Services and Substance Misuse have assisted with a further contribution to be made towards the general PH reserve of £902,598. This increase to reserves will be used to help fund some important work to address health inequalities such as increasing vaccination uptakes, delivering and analysing the resident health survey and Marmot Place.

Partnership Commissioning & Additional Government Grants	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Partnership Commissioning and C&A Intelligence	(51)	1,760	1,665	(95)
Start 4 Life Funding	0	1,327	1,327	0
Holiday Activity Fund	0	1,198	1,198	0
Health Determinants Research Collaboration	0	0	0	0
Total	(51)	4,285	4,191	(95)

The Intelligence Team undertook a reorganisation that went live in April 2025. This created a number of new posts that remained vacant for several months, giving rise to the underspend. All posts are now filled, and therefore this level of underspend is not expected to recur in 2026/27.

This has been the fourth year of the Family Hubs and Start for life Programme. Funding for 2025/26 has been used to consolidate the services commissioned and delivered under Start for Life as well as start the preparation for Best Start in Life / Health Babies which will see the programme continue. The submitted delivery plan has been successfully achieved with only minor in year adjustments. The brought forward underspend has been reduced significantly as previously committed activities have now been delivered.

2025/26 has seen the Holiday, Activities and Food program to remain within budget this year. One of the main priorities this year has been to gather insights from users to ensure ongoing provision meets demand, and to ensure that the price per child reflects the real cost to providers participating in the scheme. Funding has now been secured to continue the scheme for a further 3 years, and a small contingency of £47,727 has been transferred to reserves in 2025/26 should any of the providers require top-ups resulting from an increase in numbers for their activities, or experience difficulties remaining within the cost ratio. We are awaiting confirmation from the funding body (DFE) in respect of whether they will request repayment of this small underspend in 2026/27.

Over the last year the HDRC has been working towards its strategic goal of creating a culture in Medway Council of routinely using and undertaking research to improve the health and

wellbeing of the population and to reduce health inequalities. This includes developing funding bids for research projects and developing the skills of Council staff by delivering training and providing ongoing advice and support. Due to some staffing challenges and turnover of personnel, the HDRC has increased the amount of money paid to the University of Kent (our HDRC partner organisation), meaning there has been a drawdown of £67,339 in 2025/26 from the earmarked HDRC grant reserve accumulated in 2024/25.

Schools Retained Funding & Grants	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Finance Provisions	0	2,992	3,264	272
Hr Provisions	38	740	644	(97)
School Grants	0	39,824	39,649	(175)
Total	38	43,557	43,557	0

Schools Retained Funding & Grants broke even, which is an improved position of £38,000 compared to the Round 3 forecast.

7. Regeneration, Culture and Environment

7.1. The 2025/26 Final Outturn showed a saving against budget of £4,700,000 which is an improvement of £1,406,000 on the position reported at round 3.

Culture & Community	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Sport and Leisure	(1,199)	5,542	4,436	(1,106)
Culture	(65)	4,322	3,935	(387)
Greenspaces	(27)	6,556	6,465	(91)
Planning	(484)	2,929	2,025	(904)
South Thames Gateway Partnership	29	281	310	29
Strategic Housing	722	12,550	13,328	778
Libraries & Community Hubs	170	5,770	5,721	(49)
Culture & Community Support	27	90	179	89
Total	(828)	38,040	36,398	(1,642)

Culture & Community is showing a £1,642,000 saving against budget which is an improvement of £814,000 on the position reported at round 3. This was predominately due to additional savings being realised in Libraries of £218,000 where there was a raft of small savings from the position previously reported over a range of subjective codes. The most significant of these being staffing £30,000, books £30,000, security £19,000, subscriptions £40,000, equipment £34,000 and business rates £38,000. There were further savings in Planning of £420,000 – Local Plan £100,000, staffing £53,000, public enquiry expenses £70,000 and Empty Homes developer contributions £150,000.

Director's Office	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Director's Office	(20)	811	376	(435)
Total	(20)	811	376	(435)

The Director's Office is showing a £434,000 saving against budget which was an improvement of £415,000 on the position reported at round 3. This was predominately due to the MedPay allocation not being applied across the Directorate (£310,000) which was resolved in the 26/27 budget build, and the contribution into the Bad debt provision not being made (£93,000).

Front Line Services	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Front Line Services Support	(178)	925	669	(256)
Highways	(412)	14,915	14,838	(78)
Parking Services	(159)	(7,524)	(7,297)	228
Environmental Services	(162)	33,704	32,816	(888)
Integrated Transport	(94)	8,072	7,996	(75)
Regulatory Services	(189)	3,763	3,041	(721)
Total	(1,193)	53,854	52,063	(1,791)

Front Line Services is showing a £1,791,000 saving against budget which is an improvement of £598,000 on the position reported at round 3. There were numerous movements across the division but the headline figures contributing to the outturn position were a further savings on the staffing budgets of £218,000, utility savings of £198,000 and the delay in implementing the Waste strategy of £200,000 (identified earlier in the year as a possible saving opportunity).

Regeneration	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Medway Norse	0	0	30	30
Property & Capital Projects	(457)	2,250	1,152	(1,098)
Regeneration Delivery	(89)	2,096	2,019	(77)
Valuation & Asset Management	(676)	(755)	(397)	359
Economic Development	(197)	1,146	890	(256)
Skills & Employability	206	813	1,094	281
Total	(1,212)	5,550	4,788	(761)

Regeneration is showing a £761,000 saving against budget which as a reduction of £451,000 on the position reported at round 3. This was predominately due to a pressure being realised in respect of the management of the Pentagon of £1,034 (Additional Service Charge costs £813,000, NNDR £170,000 and a reduction in Unit Rentals of 243,000) and an increase of £90,000 in the cost of providing the Adult Education service which was identified as part of the month 10 forecasts. This has been partly mitigated by taking the decision not to make a revenue contribution to the BRMF in 25/26 (£455,000) and a reduction in the Gun Wharf operational costs of £201,000 (This has been delivered across a raft of subjective headings but a reduction in the cost of electricity consumption is the most significant driver).

Medway Norse Profit Share	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Medway Norse Profit Share	(41)	(269)	(340)	(71)
Total	(41)	(269)	(340)	(71)

The Medway Norse rebate was £71,000 higher than budgeted, an improvement of £30,000 from the position reported at Round 3 and is based on information received from Medway NORSE.

8. Housing Revenue Account

Housing Revenue Account	R3 Forecast Over / (Under) £000s	Final Budget 2024/25 £000s	Final Outturn 2024/25 £000s	Final Outturn Over / (Under) £000s
Housing Revenue Account	(394)	0	5,501	5,501
Total	(394)	0	5,501	5,501

The Housing Revenue Account (HRA) ended the year with a deficit of £5,500,694. The outturn figure includes an additional £5million revenue contribution to capital not reflected in the R3 forecast, drawn down from the HRA Revenue reserve, to reduce the use of borrowing for the 2025/26 capital programme. The use of reserves to reduce borrowing was included in the HRA budget build and modelled in the HRA business plan. The HRA reserve remains higher than the recommended good practice guideline and the minimum reserve balance. The remaining deficit position was from additional spend on maintenance in excess of the budget set and a pressure against rental income.

9. Business Support and Central Services

9.1. The Business Support Services outturn is an underspend of £3.690million which is an improvement of £2.435million compared to Round 3, while the Centralised Services outturn is an overspend of £4.986million, £96,000 worse than Round 3. The details of the outturn in each service area are set out in the tables below.

Communications & Marketing	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Communications and Marketing	(251)	323	3	(320)
Total	(251)	323	3	(320)

Communications and Marketing is showing a saving against budget of £320,000 an improvement of £69,000 on the position reported at round 3. This is predominately due to further staff savings of £33,000 due to the recruitment lag in filling posts introduced as part of the right-sizing initiative in the 2025/26 budget build, with the remainder from a raft of smaller savings across a range of subjective codes.

Divisional Management Team	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Divisional Management Team	(7)	0	(28)	(28)
Total	(7)	0	(28)	(28)

The Corporate Management outturn represents an underspend of £28,000; an improvement of £21,000 compared to round 3 projection.

Finance and Business Improvement	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Internal Audit and Counter Fraud	(127)	0	(125)	(125)
FBI Divisional Management Team	(15)	0	(33)	(33)

Finance and Business Improvement	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
FBI - Finance	(20)	4,358	3,896	(462)
FBI - Information	(481)	1,893	219	(1,674)
FBI - Organisational Culture	(286)	(108)	(725)	(617)
Policy and Partnerships Unit	(126)	450	308	(142)
Total	(1,054)	6,593	3,540	(3,053)

Finance and Business Improvement is showing a saving against budget of £3,053,000 which is an improvement of £1,999,000 on the position reported at round 3. This was predominately due to the use of £797,000 of Flexible Capital Receipts across Digital & Business Change to reduce the cost of these services. A reduction in the drawdown from the ICT Reserve and a reduction in the various contract payments has resulted in an improved position of £424,000. Further Savings on the Benefits Cost Centre of £388,000, once the final yearly claim had been finalised, and Workforce Development of £324,000 (lower than anticipated corporate training expenditure).

Legal & Governance	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Democratic Services	(5)	743	730	(13)
Members & Elections	(43)	2,631	2,410	(221)
Category Management	(1)	0	(13)	(13)
Legal, Land Charges & Licensing	106	(75)	(117)	(42)
Total	57	3,299	3,010	(289)

Legal & Governance is showing a saving against budget of £289,000 which is an improvement of £346,000 on the position reported at round 3. This was predominantly due to savings on staffing costs (contracted & locums) of £50,000, central legal costs £92,000, additional HRA BU charge not previously allowed for £138,000 and the drawdown to the election reserve was withheld in 2025/26 £150,000, which have been partly offset by the awarded court cost income not being applied to the account in 2025/26.

Centralised Services	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Central Accounts	0	(16,897)	(16,897)	0
Interest & Financing	4,985	18,107	23,960	5,853
Levies	(56)	1,996	1,792	(204)
Corporate Management	(39)	2,394	1,731	(663)
Total	4,890	5,601	10,587	4,986

The collective outturn on Centralised Services is an overspend of £4.986million and this overspend is entirely due to the Interest and Financing budget.

In setting the budget for 2025/26, our interest rate assumptions are based upon forecasts provided by our treasury advisors and those reported to Audit Committee in October 2024 projected average five-year rates of around 4.0%.

Syr PWLB Rate	NOW	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Link Group	4.80%	4.50%	4.30%	4.10%	4.00%	3.90%	3.90%	3.90%	3.90%	3.90%	3.80%
Capital Economics	4.80%	4.70%	4.60%	4.40%	4.30%	4.10%	4.10%	4.00%	4.00%	4.00%	-

Unfortunately, the PWLB rates did not follow a similar trajectory to the Bank of England rate or our treasury advisor's projections and by round 2 it had become apparent that the Interest

and Financing budget was heading for a significant overspend. Action was quickly taken to identify mitigating savings, however the reporting timetable meant that this wasn't actually reflected in the monitoring until round 3. For the latter half of the year the trajectory for PWLB rates has been upwards, worsening the position by a further £900,000 at outturn. The current five-year rate is circa 5.6%. During 2025/26 total borrowing has increased by circa £130m, which is around £50m more than budgeted for, due in the main to capital expenditure, Exceptional Financial Support and capital loans to a subsidiary. In addition to this a further £250m of loans had to be refinanced, all at rates in the region of 0.5% to 1% higher than had been expected (see table above).

Corporate Management and Levies are showing a saving against budget of £867,000 which represents an improvement of £772,000 on the position reported at round 3. This includes a pressure of £460,000 on the MedPay allocation funding which was due to be vired from C&A in 2025/26, but which was deferred until the 2026/27 budget build. This pressure has been more than offset by savings of £186,000 on the SLA with Kent County Council for the delivery of the Coroners service and a saving of £1,014,000 on the Medway 2.0 budget following a drawdown from flexible capital receipts to fund this service.

10. Additional Government Support

Additional Government Support Expenditure	2025/26 R3 Variance £000's	2025/26 Final Budget £000's	2025/26 Final Outturn £000's	2025/26 Final Over / (Under) £000's
Household Support Grant	0	3,988	3,987	(0)
Afghan Relocation Support	0	0	0	0
Homes for Ukraine	0	523	523	0
Total	0	4,511	4,510	(0)
All additional government support grants were spent to budget.				

11. Funding

11.1. There is a £404,000 shortfall of income compared to the budget This is due to the budgeted surplus on the national Business Rates Levy Account for 2025/26 not being received. In addition there is a small surplus of grant income through the Homes for Ukraine scheme relating to previous years' payments.

11.2. In order to fund the Outturn position for 2024/25 the Council must use a total of £9.819million of additional EFS; taking the total EFS required in 2025/26 to £28.003million. This is within the amount of support agreed in-principle for 2025/26, of £28.169million.

12. Capital Outturn

12.1. The capital programme year end position is shown in the table below. A carry forward budget of £242.678million is committed on existing schemes and will be added to the new schemes agreed by Council on 25 February 2026. The outturn represents an underspend against the 2024/25 agreed budget of £850,000.

Directorate	2025/26 Budget	2025/26 Outturn	2026/27 Forecast	2027/28 Forecast	2028/29+ Forecast	Outturn/ Forecast Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Children and Adults	117,616	12,957	51,669	40,547	11,775	(668)
Regeneration, Culture and Environment	162,160	63,676	74,117	12,796	11,393	(179)
Housing Revenue Account	60,225	19,780	29,760	10,686	0	0
Business Support Department	138	107	27	0	0	(3)
Total	340,140	96,521	155,573	64,029	23,168	(850)

12.2. The outturn on the Children and Adults programme represents an underspend of £668,000, arising from the Basic Needs Secondary and SEND programmes. Within Basic Needs Secondary, Greenacre Academy Science Block delivered an underspend of £160,000, Hundred of Hoo 6th Form Block delivered an underspend of £133,000 and Leigh Academy Canopy delivered an underspend of £63,000. Within the SEND programme, Strood Academy delivered an underspend of £20,000, Victory Academy delivered an underspend of £226,000 and Dane Court delivered an underspend of £65,000. There was also a small underspend of £2,000 on the Luton Primary (Nursery) scheme. On all these schemes underspends were achieved due to constant value engineering and robust budget monitoring throughout the project. The remaining budget for these schemes will not be carried forward into 2026/27 and will be removed from the Capital Programme. As the schemes are all funded by Department for Education grant, the unused grant will be available for use on future schemes.

12.3. The outturn on the Regeneration, Culture and Environment programme is an underspend of £179,000 against the 2025/26 approved budget. This is primarily due to an underspend of £168,000 on the Waste Fleet Replacement scheme due to the vehicles being secured at a competitive price. This budget is funded by prudential borrowing, and it is proposed that the unused budget be removed from the Capital Programme and not carried forward into 2026/27. There are also small remaining budgets of £10,000 on Luton Millennium Green and under £500 each on the Jackson Fields & Victoria Gardens and the Rainham Play schemes. As these remaining budgets are funded by s106 developer contributions it is proposed that any small remaining works be carried out from revenue budgets and can continue to be funded by the s106 developer contributions. The remaining budgets will therefore not be carried forward into the Capital Programme for 2026/27 onwards.

12.4. The outturn on the Housing Revenue Account programme is to budget.

12.5. The outturn on the Business Support programme is a small underspend of £3,000 delivered by the ICT Infrastructure scheme. As this scheme is now

complete, it is proposed that this small remaining budget, funded by prudential borrowing, will now be removed from the Capital Programme.

- 12.6. All unused approved budgets for continuing schemes will be carried forward to the new financial year where funding streams allow with an update reported to the Cabinet with the first round of budget monitoring in July 2026.

13. Flexible Use of Capital Receipts

- 13.1. As part of agreeing the Flexible Use of Capital Receipts Strategy in February 2026 Full Council approved the use of £2.783million of capital receipts to fund transformational activity in Adult Social Care and Business Support in 2025/26. The use of this funding is reflected in the outturn position.

14. Reserves

- 14.1. As at March 2025 the Council had non-earmarked general fund reserves of £10.061million available to it; just above the minimum level of £10million set by the Section 151 Officer. A review of the Council's earmarked reserves was carried out as part of the work to address the overspend projected in 2025/26 and to close the budget gap projected for 2026/27. That work has identified £2.825million in earmarked reserves that are no longer required for their original purpose. In February 2026 alongside the budget, Council agreed that these sums be declassified to increase general reserves to a projected £12.886million.
- 14.2. A further review of earmarked reserves and provisions has identified a series of balances which no longer need to be held for the purpose they were created, totalling £919,000. These have been declassified and transferred to general reserves under Director's delegation. Following this exercise, the Council's general reserves balance stands at £13.805million
- 14.3. In order to bring the Outturn position for 2025/26 within the amount of EFS agreed in principle for 2025/26, the Council will use a total of £3.793million of the available reserves; taking the balance to £10.012million.

15. Irrecoverable Debt written off in 2025/26

15.1. The Constitution also requires a report to be submitted to Cabinet on an annual basis setting out details of all debt written off, and therefore details are provided below.

Debt Written Off 2023/24 to 2025/26

Debt Category	2023/24		2024/25		2025/26	
	Raised	Written Off	Raised	Written Off	Raised	Written Off
	£000's	£000's	£000's	£000's	£000's	£000's
Council Tax 1	181,835	1,448	194,634	1,406	207,148	2,438
Business Rates 1	93,493	1,120	102,494	738	109,123	2,053
Housing Benefit Overpayments 1	1,993	321	2,091	69	1,365	704
Housing 1 and 3	15,963	47	17,119	63	17,359	106
Temporary Accommodation	3,013	9	4,227	42	6,391	0
Penalty Charge Notices 2	4,601	198	6,756	176	9,400	448
Sundry Debt 4	28,059	14	42,395	36	30,579	39
Adult Social Care 4	21,596	4	24,813	0	26,366	11
Total	350,553	3,161	394,529	2,530	407,731	5,799

Notes

1) Amounts written off each year are cumulative, including amounts raised in previous years. (2025/26 increase in write offs: Ctax due to progress in dealing with 'absconded debtor backlog', Business Rates due to high value insolvency write offs).

2) PCNs are 'cancelled' rather than written off but included here for transparency. (Excludes Moving Traffic Enforcement Warning Notices and School Streets Warning Notices). 2025/26 data have increased due to additional Safer Healthier Streets schemes including Moving Traffic and School Street PCN's.

3) Housing raised is housing rents debt, less void rents.

4) Sundry Debt and ASC write offs are in year only.

16. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Longer-term financial resilience	Closing the 2025/26 accounts requires the use of additional EFS and the available general reserves are just above the minimum level of £10million set by the S151 officer. This impacts the Council's financial resilience as it is less able to withstand budgetary pressures.	More robust monitoring of the Council's 2026/27 revenue budget, particularly against the more volatile, demand-led services such as social care and housing.	BII
Inherent budget pressures	The 2025/26 outturn reflects pressure against a range of services that are likely to be ongoing into 2026/27; in	It is already clear that management action will be required in 2026/27 to contain expenditure within	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	some cases these have not been adequately addressed in the 2026/27 revenue budget.	the overall revenue budget. Work has already commenced to rebase the assumptions underpinning the medium term financial projections, at the commencement of the budget-setting process for 2027/28.	
Interest rate risk	Global events, not least conflict in the Middle East, has impacted the UK economy, both in terms of inflation and interest rates. Interest rates now appear unlikely to reduce in line with the projections provided by our treasury advisors.	Work has already commenced to understand the impact of stubbornly high interest rates on the cost of refinancing short term debt and any new borrowing forecast. A review of the capital programme will need to be undertaken, to assess affordability.	BII

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

17. Financial implications

- 17.1. The 2025/26 budget set in February 2025 included the use of £50,000 of general reserves and was balanced through a request for Exceptional Financial Support, in form of an in-principle capitalisation direction from the Secretary of State worth up to £18.184million of borrowing to fund the cost of services for the year.
- 17.2. As set out in section 11 of this report, the 2025/26 Outturn position requires a further £9.819million of Exceptional Financial Support, taking the total borrowing required under the capitalisation direction to £28.003million. This is within the final amount agreed in-principle for 2025/26, of £28.169million
- 17.3. The Council's general reserve balance as at 31 March 2026 amounts to £10.012million; just above the minimum level of £10million set by the Section 151 Officer.

18. Legal and constitutional implications

- 18.1. 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.
- 18.2. 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."
- 18.3. 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.*
- 18.4. 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 to revise the revenue budget or require mitigating action to be taken.
- 18.5. 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.*
- 18.6. Officers are mandated to deliver services within agreed performance standards and agreed policies. Subject to the scheme of delegation, officers do not have authority to vary policies or performance standards.
- 18.7. 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.

18.8. Chapter 3, Part 5, section 5.4 of the Council's Constitution sets out the financial limits in place with respect to writing off irrecoverable debts, with Directors having authority to write off debts relating to the services which are their responsibility of up to £5,000. The Chief Operating Officer has authority to write off debts as follows:

- Council Tax – within the approved provision held within the accounts;
- Business Rates – within the approved provision held within the accounts;
- Other debts of the Council – up to £25,000 in consultation with the director responsible for services to which the debt relates.

The rules also require a report to be submitted to Cabinet on an annual basis setting out details of all debt written off. Requests for debt to be written off beyond the delegated authority set out above are a matter for the Cabinet.

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Appendices

None

Background papers

None