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Council

16 July 2026

Amendments to the Revenue Budget and Capital Programme

Portfolio Holders:	Councillor Vince Maple, Leader of the Council Councillor Louwella Prenter, Portfolio Holder for Housing and Homelessness
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Summary

This report sets out a number of proposed amendments to the Revenue Budget and Capital Programme.

1. Recommendations

1.1. The Council is asked to agree the addition of £3.743million to the revenue budget from general reserves to fund the final overspend, as set out in Section 6 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.

1.2. The Council is asked to agree the addition of £7million of anticipated capital receipts to the revenue budget, as set out in section 7 of the report, to be allocated across the 2026/27 and 2027/28 financial years, in order to fund the Council's contribution towards the county-wide Programme Management Office and the Council's own LGR project team and associated workstreams.

1.3. The Council is asked to agree the addition of £1.8m to the Council's revenue budget, as set out in section 8 of the report, to progress planning applications in respect of MDC's phase 2 development sites, whilst also noting the flexibility to apply the funding to alternative sites that may be added to the programme, as set out in Exempt Appendix 1 to the original Cabinet report. This budget is to be funded from capital receipts under flexibilities granted by the Government.

1.4. The Council is asked to agree to the following removals from the Capital Programme for schemes that have underspent, as set out in Section 5 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 Council is asked to agree to the following removals from the Capital Programme for schemes that could be funded by revenue Section 106 developer contributions, as set out in section 5 of this report:

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

2. Budget and policy framework

2.1. According to the Council's Constitution, additions to the revenue budget are a matter for Full Council. It is for the Cabinet to ensure that expenditure does not exceed the budget allocated.

2.2. 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.

2.3. 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.

2.4. It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council but it remains the responsibility of Council to approve schemes for inclusion in the capital programme.

2.5. 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.

2.6. The MDC Business Plan was approved on 24 June 2025 by the Cabinet Sub Committee (Medway Development Company Ltd Shareholder Board). Cabinet has delegated powers to this Sub Committee to oversee the company which has, subject to review by the Chief Operating Officer, endorsed this proposal at its meeting of 18 March 2026 (decision 02/2026), prior to consideration by Cabinet and then Full Council.

3. Background

3.1. This report is a composite of three reports previously considered by the Cabinet:

- Capital and Revenue Outturn and Annual Debt Write Off Report 2025/26, considered on 2 June 2026 – summarised in sections 4 to 6 of this report.
- Resources to Support Local Government Reorganisation, considered by the Cabinet on 2 June 2026 – summarised in section 7 of this report.
- Medway Development Company (MDC) Phase 2 Sites, considered by the Cabinet on 30 June 2026 – summarised in section 8 of this report

3.2. The reports as originally considered by the Cabinet are attached as appendices 1 to 3 of this report.

4. Capital and Revenue Outturn

4.1. On 2 June 2026, the Cabinet received the Capital and Revenue Outturn and Annual Debt Write Off Report 2025/26 and recommended the amendments set out in this report for approval by Council. In addition, this report was considered and noted by the Business Support and Digital Overview and Scrutiny Committee on 18 June 2026.

4.2. The outturn for 2025/26 reported to Cabinet on 2 June 2026 represented a net overspend of £9.819million. This is an improvement of £5.773million compared to the position reported at Round 3 budget monitoring, but is 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.

5. Capital Outturn

5.1. 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)**

5.2. 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.

5.3. 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.

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

5.5. 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.

5.6. 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 August 2026.

6. Reserves

6.1. 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.

6.2. 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.

6.3. 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 £3.743million of the available reserves; taking the balance to £10.012million.

7. Local Government Reorganisation

7.1. Local Government Reorganisation (LGR) is the biggest shake up of Local Government in England in almost 50 years and presents a once in generation opportunity to transform local government and improve services for residents. The report seeks to ensure that Medway Council has sufficient and appropriate resource to progress LGR and the associated disaggregation and aggregation work. As well as sufficient capacity and expertise to meet the demands made by the county-wide PMO, whilst at the same time continuing to deliver excellent services for the people of Medway.

7.2. However, significant work will be required to support the work of the PMO across the region. Delivery of Local Government Reorganisation across Kent and Medway will be led by the county-wide Programme Management Office (PMO) established and overseen by the Kent Local Authority Chief Executives' group. However, the PMO is expected to make significant demands on the officers of Medway Council and the thirteen other local authorities representing Kent and Medway. None of the authorities have the latent capacity in house to meet this demand.

7.3. In Medway, the Council's ambition is not solely to achieve statutory 'safe and legal' implementation arrangements, but to deliver 'safe and legal plus' through a transition and delivery process that enables at-scale-transformation, and service redesign to improve resident outcomes and deliver impact. For example - it presents new opportunities to deliver greater strategic integration across a new geography, innovation and investment in digital systems and AI, improved long-term infrastructure and regeneration planning, and opportunities to build more resilient and efficient operating models.

7.4. Realising these opportunities will require dedicated programme and transformation capacity in addition to maintaining the high standards of service delivery that our residents have come to rightly expect.

7.5. On 5 February 2025, the Secretary of State for Housing, Communities and Local Government issued a statutory invitation under the Local Government and Public Involvement in Heath Act 2007 to Kent and Medway Councils to submit proposals for Local Government Reorganisation. On 28 November 2025 five proposals were submitted to Government. Following a statutory public consultation on all options in March 2026, the final Ministerial decision is expected before the parliamentary summer recess 2026. The new unitary arrangements for Kent and Medway are scheduled to go live in April 2028 (Vesting Day).

7.6. To date there has been strong collaboration from all fourteen local authorities representing Kent and Medway, including the fourteen Leaders and fourteen Chief Executives. The Kent Local Authority Chief Executives Group has committed to continue this collaborative working and has established a county-wide Programme Management Office to lead the delivery of the LGR. However, the Council will also need additional capacity to support the work of the PMO.

7.7. In order to ensure that Medway Council can adequately support the work of the PMO, whilst continuing to deliver excellent services to the residents of Medway, it is estimated that the following additional resources would be required:

Internal resources in 2026/27	£3.0 million
Internal resources in 2027/28	£3.0 million
Contribution towards the county-wide PMO	£1.0 million
TOTAL CAPITAL RECEIPTS REQUIRED	**£7.0 million**

7.8. It is important to reiterate that the intention is for this work to be funded from capital receipts as key transformation activity to ensure not only a safe and legal LGR transition but one that delivers high impact transformation.

8. Medway Development Company (MDC) Phase 2 Sites

8.1. Medway Development Company (MDC), working in partnership with the Council, has secured £34.5m in grant funding to support the delivery of brownfield sites. Grant funding is essential to enable early works such as demolition, remediation and infrastructure, without which schemes would be unviable. Securing planning permissions strengthens grant applications and is critical to bringing Phase 2 sites forward for development.

8.2. MDC focuses its activities on brownfield development sites where grant funding is required to achieve viability. Grant-funded activities typically include demolition, groundwork and the coordination of utilities to enable development to proceed.

8.3. Funders expect schemes to be well progressed and capable of delivery. Obtaining planning permission therefore strengthens grant applications and demonstrates readiness. Without grant intervention, the schemes would not proceed.

8.4. The viability of each site has been assessed, and the financial returns detailed in the Business Case at Exempt Appendix 1 to the original Cabinet report.

8.5. Following the planning approval, MDC will bid for grant funding for each site to unlock delivery. Upon securing grant, final Business Cases will then be submitted to the Cabinet Sub Committee (Medway Development Company Ltd Shareholder Board) for approval to proceed to construction.

8.6. The Exempt Appendix 1 to the original Council report provides a full Business Case for each site including early-stage feasibility designs.

8.7. Progress will be monitored by the Cabinet Sub Committee (Medway Development Company Ltd Shareholder Board) against agreed Key Performance Indicators, reported on a quarterly basis.

8.8. All financial decisions are approved by the MDC Board prior to final endorsement by the Cabinet Sub Committee (Medway Development Company Ltd Shareholder Board).

9. Risk management

9.1. Risks are set out in the Cabinet reports attached at appendices 1 to 3.

10. Financial and legal implications

10.1. These are as set out in the Cabinet reports attached at appendices 1 to 3.

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Appendices

Appendix 1 - Capital and Revenue Outturn and Annual Debt Write Off Report 2025/26, Cabinet Report 2 June 2026

Appendix 2 - Resources to Support Local Government Reorganisation, Cabinet Report 2 June 2026

Appendix 3 - Medway Development Company (MDC) Phase 2 Sites, Cabinet Report 30 June 2026

Note: Exempt appendices to this report are attached separately under the Exclusion of the Press and Public agenda item.

Background papers

None