Cabinet

4 August 2026

Revenue Budget Monitoring – Round 1 2026/27

Portfolio Holder: Councillor Vince Maple, Leader of the Council

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

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Summary

This report sets out the first round of the Council's 2026/27 revenue budget monitoring following engagement with Budget Holders. The report details the Council's overall forecast position based on actuals up to the 31 May 2026 and highlights major forecast variances to budget.

1. Recommendations

1.1. The Cabinet is asked to note the first round of the Council's 2026/27 revenue budget monitoring.

1.2. The Cabinet is asked to instruct the Corporate Management Team to implement urgent actions to bring expenditure back within the budget agreed by Full Council.

2. Suggested reasons for decisions

2.1. Full Council is responsible for agreeing a balanced budget in advance of each financial year. Cabinet is responsible for ensuring that income and expenditure remain within the approved budget, including instructing corrective action to prevent any forecast overspend from materialising.

3. Budget and policy framework

3.1. The Cabinet is responsible for ensuring that income and expenditure remain within the budget approved by Council. Budget virements are subject to the financial limits contained in part 5 of chapter 3 of the Council's Constitution.

3.2. This report has been circulated separately to the main agenda to enable more time for officers to work on their forecasts and provide better accuracy. The next scheduled Cabinet meeting takes place on 25 August, however the Cabinet is asked to accept this report as urgent to enable consideration of the matter at the earliest opportunity as timeliness of reporting is important to ensure effective financial management and so that the Cabinet may instruct the Corporate Management Team to implement urgent actions to bring expenditure back within the budget agreed by Full Council without delay.

4. Background

4.1. At its meeting on 25 February 2026 the Council approved the 2026/27 budget requirement of £523.752m.

4.2. This report presents the results of the first-round of 2026/27 revenue budget monitoring, summarising reports that have been considered by directorate management teams 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.

4.3. The Round 1 forecast is based on returns completed at the end of Month 2 (May 2026).

5. 2026/27 Revenue Budget Summary

5.1. At Round 1 the forecast outturn for 2026/27 represents a pressure of **£42.831m**, with **£16.107m** of proposed management actions. ASC savings of £5.900m were identified as part of the 2026/27 FIT plan which has not yet been included in the forecasts; however, if this management action is delivered it will reduce the overspend to **£26.724m**. This represents an overspend of 5.1% against the approved budget.

Table 1 – Revenue Forecast – 2026/27 Round 1

Directorate	**2025/26 R1 Budget £000's**	**2025/26 R1 Forecast £000's**	**Proposed Management Action**	**2025/26 R1 Variance £000's**
Budget requirement:				
Children and Adult Services	397,806	432,827	(11,030)	23,991
Regeneration, Culture and Environment	83,604	90,127	(3,427)	3,095
Business Support Department	9,799	7,108	(1,650)	(4,341)
Business Support Centralised Services:				
Interest & Financing	24,710	28,872		4,162
Corporate Management	3,754	3,570		(185)
Additional Government Support Grant Expenditure	4,027	4,027		0
Budget Requirement	**523,700**	**566,531**	**(16,107)**	**26,724**

5.2. The variance is primarily due to the following reasons summarised below and explained in more detail in the body of the report:

5.3. There is a forecast overspend of £18.695m in adults, after management action, which continues to experience an increase in demand and increased average weekly costs resulting in the forecast overspend on the 2026/27 budget.

5.4. There is a forecast overspend of £5.228m, after management action, in Children's primarily related to placements and client support packages which have seen an increase in placement numbers and costs. Inadequate staffing budgets also continue to contribute to the service overspend.

5.5. Regeneration, Culture and Environment is reporting an overspend of £3.095m at Round 1, after management action, with the most significant variance in Homelessness and Temporary Accommodation which is reporting £2.673m pressure. The increasing demand and cost of Temporary Accommodation (TA) remains a significant pressure facing the Council with the number of households in TA rising along with increased cost of supply.

5.6. The Interest and Financing budget is forecast to overspend by £4.162m primarily because of higher than budgeted interest rates.

6. Children and Adults

6.1. The Directorate is forecasting a pressure of £35.021m before management action, which is 6.6% of the approved budget.

Adults Overview

6.2. The forecast outturn for 2026/27 is £18.695m after anticipated savings or management action are applied. The table below shows the Round 1 forecast.

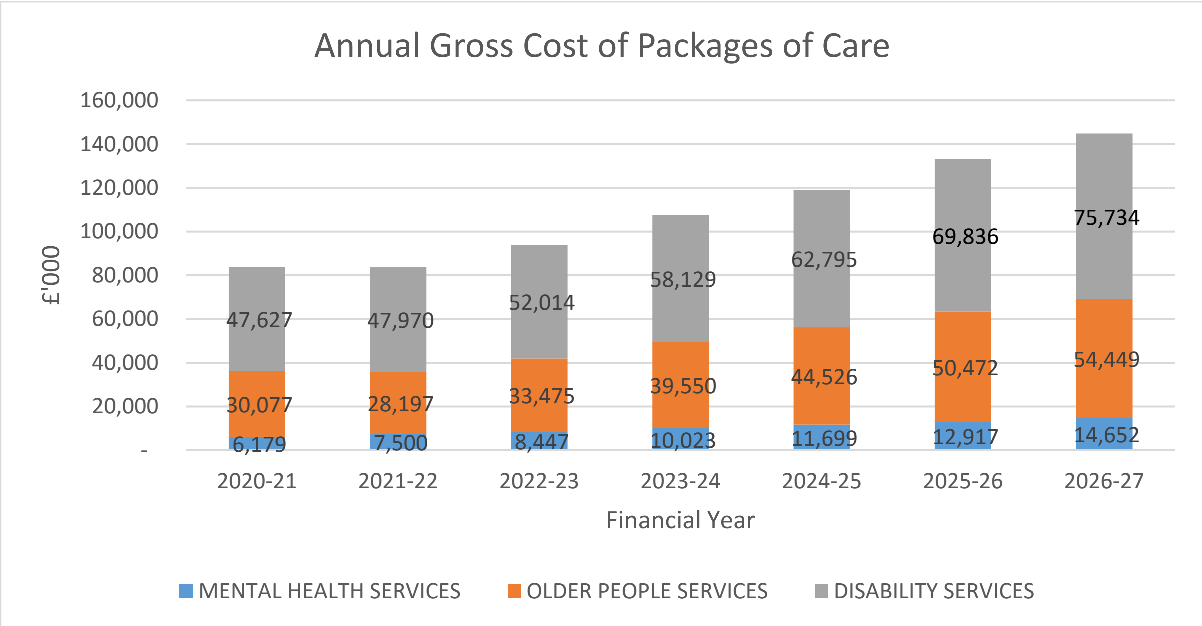
Table 2 – Adults 2026/27 Round 1 Forecast

ADULTS DIRECTORATE	2026/27 M2 Budget £000's	2026/27 M2 Forecast £000's	Proposed Management Action	2026/27 M2 Variance £000's
Adult Social Care	121,423	147,807	(7,700)	18,684
Public Health	21,541	21,541		0
Partnership Commissioning & Additional Government Grants	4,391	4,402		11
TOTAL	**141,287**	**167,682**	**(7,700)**	**18,695**

6.3. **Management action** of £1.800m has been implemented in Adult Social Care. The adjustment reflects the new availability of mainstream housing options to Adult Social Care, enabling a number of individuals who previously would have moved into supported living or residential care placements to live in the community with appropriate levels of care and support. The revised forecast assumes that the housing solutions will be delivered as planned and will contribute to containing future care cost pressures. This is in addition to expected delivery of the £5.900m FIT plan saving.

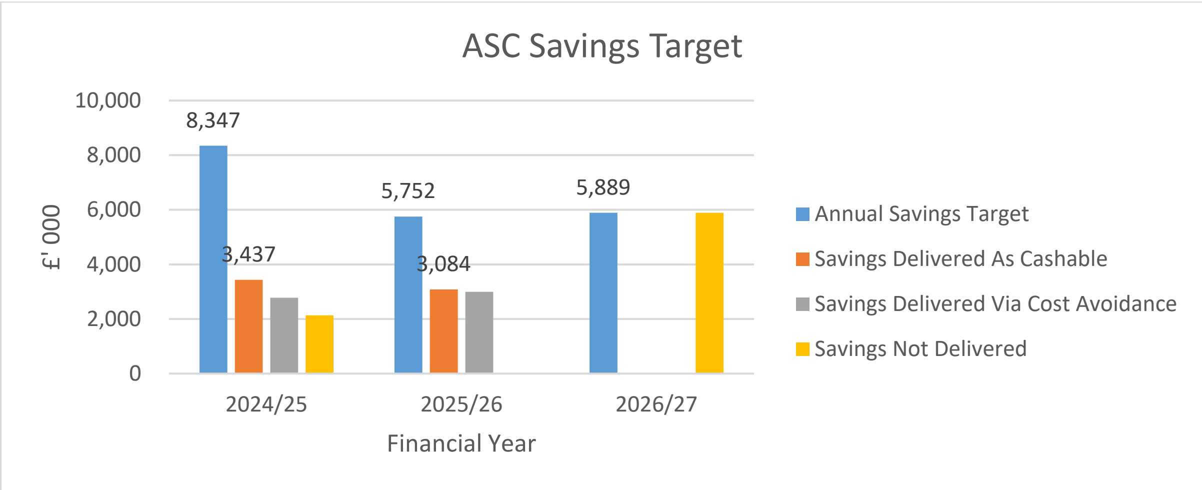
6.4. Early indications show that the pressures experienced in 2025/26 are set to continue, giving rise to a significant overspend again this year. Previously the majority of the overspend was attributed to continued pressures for the cost-of-service provision, both in terms of demand, and average weekly costs, outstripping the funding awarded through the Medium-Term Financial Outlook (MTFO) for anticipated demography and price uplifts. Analysis of the last 3 financial years show that the average increase in total package costs have risen around 12% year on year. The total gross cost of packages of care in 2025/26 was £133.200m.

Chart 1 – Annual Gross Cost of Packages of Care



6.5. The Financial Improvement and Transformation (FIT) Plan has agreed a target of £5.900m of cashable savings to be delivered by the division in year, which once delivered may reduce the anticipated overspend to approximately £20.0m. The chart below tracks savings achieved against the FIT Plan target for the two previous financial years. Undelivered savings targets from 2024/25 and 2025/26 were rolled forward in setting the 2026/27 budget.

Chart 2 – Adult Social Care Saving Target



6.6. Further analysis of turnover of placements, the rise in demand, and the creep in average weekly costs will be carefully monitored and reported throughout the year. It is proposed that increased analytical review within Adults with the Finance team working closely with Public Health colleagues will improve the robustness of predicting future demand, incorporating health data, population changes, housing and planning information. This analysis will better support budget discussions for the 2027/28 MTFO.

6.7. A separate targeted piece of work is underway to review the Adult Social Care budget, improve the quality of future forecasting and ensure future budgets are realistic. The intention is for this workstream to support the delivery of the £5.900m FIT plan savings in 2026/27.

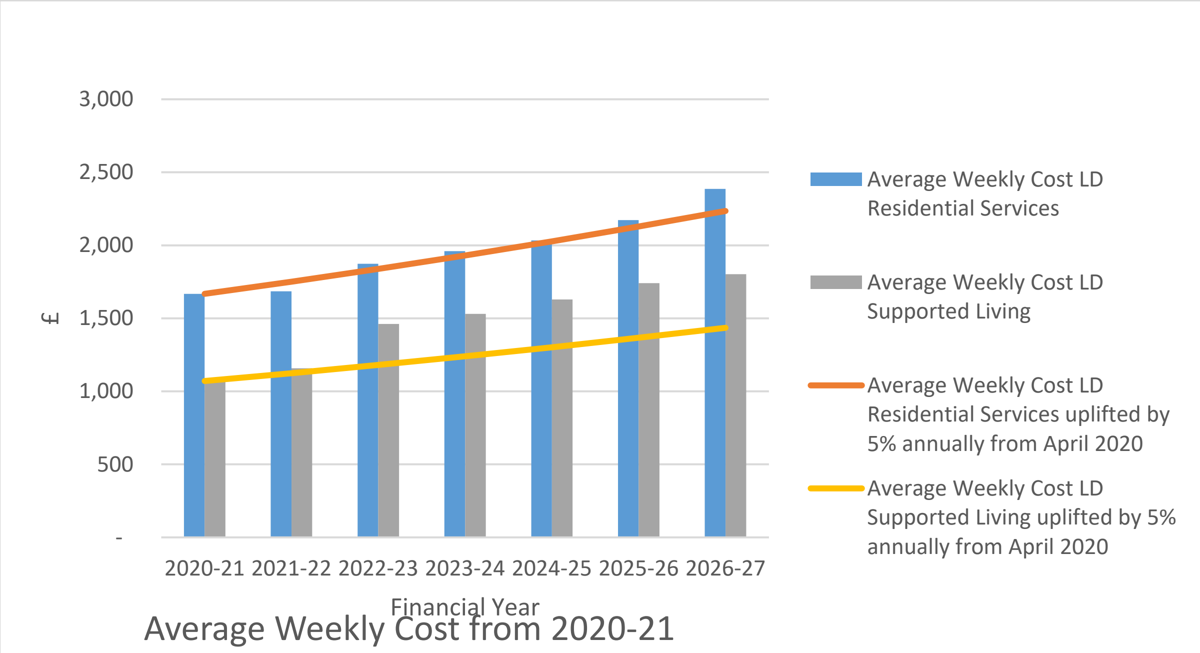
Disability Services

6.8. The Disability Service Provision is forecast to overspend by £11.975m before any agreed management action.

6.9. Over half of the total net budget for disability services is allocated and forecast on Learning Disability (LD) Residential and Supported Living services. At the end of 2025/26 there were 380 ongoing clients in these two service streams, and we are expecting this to grow by 6% to 404 by the end of 2026/27 based on historic trends of growth in client numbers.

6.10. Historically, these are the areas where we have seen the highest average weekly costs, and the greatest area of targeted review activity to try and ensure providers are delivering the service we have commissioned, that the client progress and outcomes are reviewed in a timely manner, and that packages of care are appropriate to client need. This scrutiny will continue again this year, with a dedicated savings target of £1.100m required to be delivered. The average weekly cost of LD residential services for 2026/27 is currently £2,386 the average weekly cost of LD supported living is £1,802. The chart below shows a comparison of these two rates from April 2020.

Chart 3 – Average Weekly Costs from 2020/21



Mental Health

6.11. Mental Health service provision is forecasting an overspend of £2.037m against the 2026/27 budget of £12.083m. Total forecast expenditure is forecast as £14.652m, compared to £12.916m in 2025/26, representing a 13.4% increase.

6.12. Mental Health services have seen considerable growth over the past 5 years, with gross outturn just above £6.0m in 2020/21. Growth in client numbers, increased demand for general mental health support, and increase in case complexity, coupled with a reduction in joint funding have all contributed to significant pressure on this area of the budget.

6.13. The forecast this round includes a 16% increase in service provision from last year, with an anticipation that average weekly costs will remain comparable to those last year as work is undertaken to step down some more complex new placements after an initial period of settling in. Service knowledge has been paramount to the forecast in this area with 4 or 5 clients already identified for hospital discharge over the coming months, and these are included within the forecast.

6.14. Focus within this area of the service has been elevated to improve service user outcomes whilst also maximising savings, with new housing stock being sourced collaboratively to move existing service users out of high cost supported living placements where clients are not being adequately supported to achieve their best outcomes. The average weekly cost of existing supported living placements is £1,420 per week, with the highest weekly cost currently £6,776 per week. There are currently 8 service users in supported living with a weekly cost above £3,500 costing £1.788m for the year included in this round of forecast.

Older Person Service

6.15. Older Persons service provision is forecasting an overspend of £11.866m against the 2026/27 budget of £20.256m. Total forecast expenditure is forecast as £54.449m, compared to £50.472m in 2025/26, representing a 7.8% increase.

6.16. The principal areas of overspend are Residential Care (£4.100m), Nursing Care (£3.300m) and Homecare (£4.0m). Year on year analysis has seen the gross costs of services for older people increase by an average of 12%, but this forecast assumes this will begin to plateau as annual price uplifts in previous years have been heavily weighted to older persons residential and nursing services to bring our contract rates closer to the rates quoted in the Fair Cost of Care exercise. Year on year analysis has also begun to show a slow reduction in the annual increase in client contributions, even though pensions increases have seen significant rises in the last few years. Further work is needed to identify the reasons behind this, and to determine if this trend is to continue to place further pressure on the Older Persons service budget.

6.17. Work is underway across the Kent and Medway Health and Social Care system to reduce avoidable hospital admissions. The aim is to support people in their own home with an appropriate package of care, rather than be admitted to hospital, which will not only help alleviate pressures on Acute Trusts but also deliver better outcomes for residents. Capacity and demand modelling is currently being undertaken. At this stage, however, it is not yet possible to determine whether these changes will create any additional pressure on the Adult Social Care budget for Medway.

7. Public Health

7.1. Public Health is forecasting break-even position at Round 1. Details of the forecasts in each service area are set out in the table below.

Table 3 – Public Health 2026/27 Round 1 Forecast

PUBLIC HEALTH	2026/27 M2 Budget £000's	2026/27 M2 Forecast £000's	2026/27 M2 Variance £000's
Child Health	6,350	6,312	(38)
Health Improvement Programmes	4,925	4,632	(293)
Public Health Management	3,046	3,612	566
Stop Smoking Services	1,520	1,396	(124)
Substance Misuse	3,917	3,820	(96)
Supporting Healthy Weight	1,784	1,769	(15)
Total	**21,541**	**21,541**	**(0)**

7.2. Plans are being formulated to fully spend the grant available in 2026/27 to achieve the optimum outcome for the prevention agenda, and to improve the public health of the community of Medway.

8. Children

8.1. The Children's Services forecast is an overspend of £5.228m, this is after proposed management actions of £2.800m. Details of the significant forecast variances are set out below.

8.2. In summary there are three area of expenditure that are driving this forecast overspend. They are:

8.3. Reported £1.068m overspend on staffing across the division, principally due to the number of the employees in post being awarded higher than the budgeted midpoint salaries including the number of posts attracting the partly unbudgeted market premium allowances and retention payments. This is to ensure that Medway remains competitive with other Local Authorities and prevent permanent vacancies from being filled with interim practitioners. **Management Action** - ongoing work to support permanent recruitment and retention.

8.4. Forecast overspend of £929,000 due to the increasing reliance on the use of external expert assessments during the legal process of bring children and young people into care. These expert consultants and assessments cost an average of £4,000 per assessment. **Management Action** – potential invest to save to lower number of external assessments.

8.5. The most significant variance is a reported £4.055m project overspend on placements and client related support including provider services. This overspend includes a management action saving target of £2.800m. **Further**

Management Action - Ongoing robust management oversight to reduce overspend.

Children's Legal

8.6. There is a £929,000 forecast overspend on expert legal assessment such as independent social worker, drug and Alcohol testing, paternity testing and other consultants and expert assessments. For comparison the service is forecasting to spend £1.350m this year compared to the £569,000 and £619,000 in the previous two financial years.

Client Support Packages and Placements

8.7. Across Client Support Packages and Placements there is a reported overspend of £4.055m. Pressures have been seen against No Recourse to Public Funds and Section 17 at £197,000 and £618,000 for floating support on Children and Young People SEND. The 2026/27 budget has forecast the Kinship pilot would be effective from 1 April 2026; the go live was delayed which has resulted in fewer eligible Special Guardian Orders (SGO) being applied to the grant. A £2.100m management action has been agreed to ensure that all those eligible SGO's are applied against the Kinship Grant.

8.8. Furthermore, the service is currently forecasting 50 external residential placements compared to the budgeted 42 places at an average cost of £7,781 a week. The forecast also includes a £1.250m allowance for 8 new external residential placements between now and March 2026. There have been 7 new residential placements agreed between April and June. Five of the 50 placements are costing over £10,000 per week, two of which are over £15,000 a week. The residential review panels have been scheduled for July.

8.9. A breakdown of the number of Children and Young People in supported accommodation, Independent Foster Agency (IFA) and residential care along with a three-year trend is shown below in Table 4.

8.10. **Table 4 - No of Children and Young People and average weekly unit costs - 3 Year trend**

Supported Accommodation - Weekly Unit Costs	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
£0 - £1,500	20	26	28	77%	79%	85%
£1,501 - £3,000	3	6	3	12%	18%	9%
£3,001 - £6,000	2	1	2	8%	3%	6%
£6,001 - £9,000	1	0	0	4%	0%	0%
£9,001 - £12,000	0	0	0	0%	0%	0%
£12,001 - £15,000	0	0	0	0%	0%	0%
£15,001 -£18,000	0	0	0	0%	0%	0%
Total	**26**	**33**	**33**			

IFA - Weekly units cost	2024	2025	2026	2024	2025	2026
£0 - £1,500	155	172	143	72%	68%	55%
£1,501 - £3,000	60	81	115	28%	32%	44%
£3,001 - £6,000	1	1	2	0%	0%	1%
£6,001 - £9,000	0	0	0	0%	0%	0%
£9,001 - £12,000	0	0	0	0%	0%	0%
£12,001 - £15,000	0	0	0	0%	0%	0%
£15,001 -£18,000	0	0	0	0%	0%	0%
Total	**216**	**254**	**260**			
Residential - Weekly units cost	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
£1,501 - £3,000	0	2	1	0%	4%	2%
£3,001 - £6,000	20	23	21	56%	48%	42%
£6,001 - £9,000	11	16	21	31%	33%	42%
£9,001 - £12,000	3	4	4	8%	8%	8%
£12,001 - £15,000	1	2	1	3%	4%	2%
£15,001 -£18,000	1	1	2	3%	2%	4%
Total	**36**	**48**	**50**			

9. Regeneration, Culture and Environment (RCE)

9.1. The RCE forecast for Round 1 represents an overspend of £6.523m before management actions. The table below shows the summary position.

Table 5 – RCE 2026/27 Round 1 Forecast

Regeneration, Culture and Environment	2025/26 M2 Budget £000's	2025/26 M2 Forecast £000's	2025/26 M2 Variance £000's
Culture & Community	35,571	38,798	3,227
Director's Office	394	389	(5)
Front Line Services	43,536	46,229	2,693
Regeneration	4,384	5,192	808
Medway Norse Profit Share	(280)	(480)	(200)
TOTAL	**83,605**	**90,128**	**6,523**

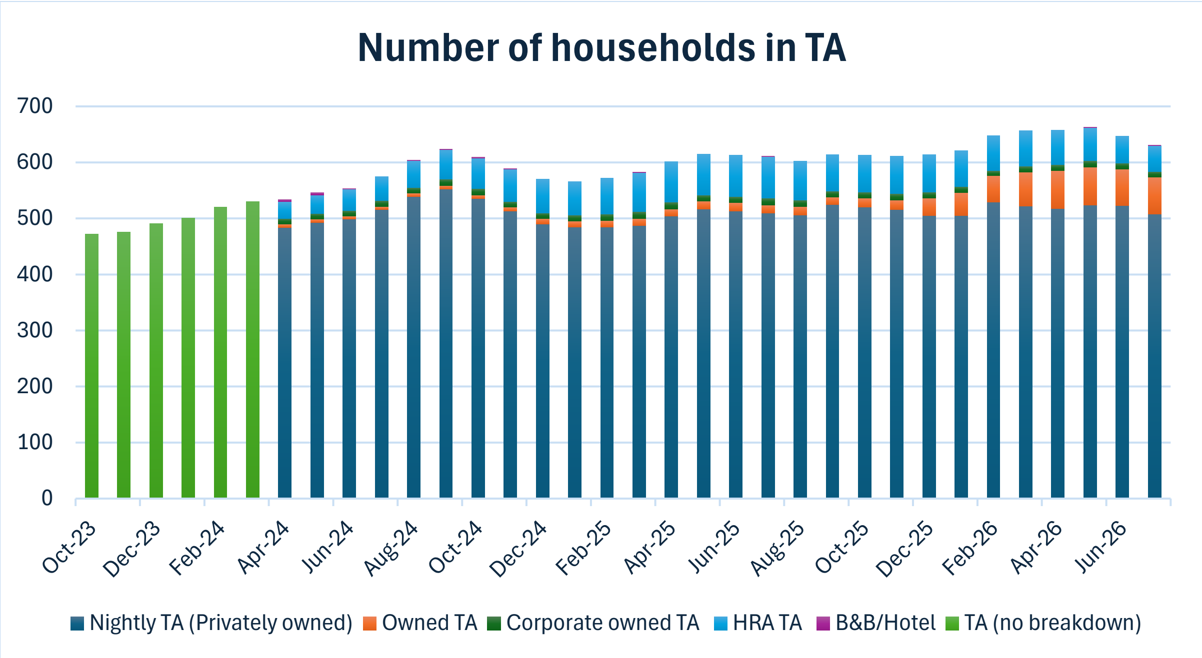
9.2. **Management actions** have been proposed for the RCE directorate of £3.427m which include increased forecast leisure income of £500,000, additional adult education funding (subject to government award), additional savings on staffing costs and a mitigating action to reduce the overspend on the FM cleaning contract.

9.3. Regeneration, Culture and Environment DMT is comfortable that the **management actions** totalling £3.427m can be delivered although they come with risks to service delivery which will be managed through DMT. These management actions do not fully offset the R1 projected budget pressure for the directorate (£6.500m) as there are no further actions that can be identified without directly reducing or adversely changing service provision. Any further actions to mitigate budget pressures are likely to significantly impact residents as these would be reducing, suspending, or cutting non statutory services in year and/or proactively reducing staff. It should also be noted that R1 monitoring of the Parking Account is always a challenge. The process of issuing and collecting fines spans several months from start to finish and so later in the year tends to provide a more accurate projection.

Culture and Community

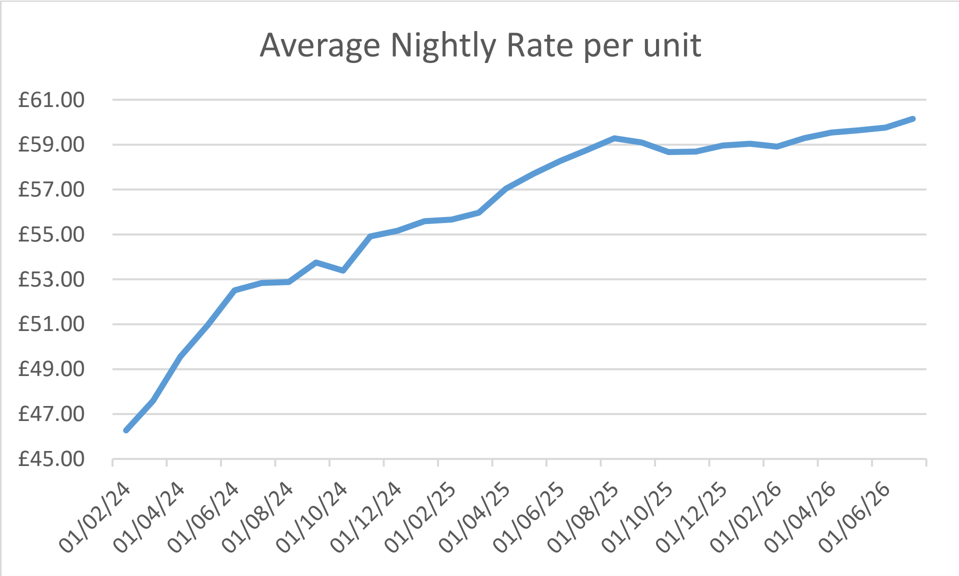
9.4. Culture and Community is reporting a pressure of £3.227m against a budget of £29.021m representing 11.12% of the approved budget. The most significant areas of pressure relate to Homelessness and Temporary Accommodation, reporting a pressure of £2.673m. This is made up of a £500,000 pressure on TA prevention measures including rent in advance and landlord incentive schemes. A further £600,000 pressure on TA owned properties due to lost rental income for buildings that have had delayed occupation dates, as well as an unbudgeted lease cost that was not originally expected when the budget was set. A further £1.500m pressure on nightly (privately owned) TA due to high numbers of households in TA and an assumed growth on TA need. The chart below shows the make-up and increase in TA numbers since 2023.

Chart 4 – The number of Households in Temporary Accommodation



9.5. The nightly TA numbers remain higher than in October 2023 when they were at a low of 472 and are currently reported at 631 at the end of June 2026. Alongside this the average nightly rate for private nightly TA has increased from £46 to £60 (30%) during the past eighteen months.

9.6. **Chart 5 – Average Nightly Rate for Private Nightly TA**



9.7. Further pressure of £260,000 has also been reported against the delivery of the Sweeps and Christmas markets, however, it is anticipated that savings identified in the theatre service will offset this pressure. Planning has also noted a pressure of £330,000 linked partially to the cost of staging public enquires and specialist planning advice.

9.8. The number of planning applications is currently lower than in previous years and therefore creates a risk that planning income target may be optimistic. This will continue to be reviewed but could result in a further pressure being reported in future returns.

Front Line Services

9.9. Front Line Services is forecasting a £2.693m pressure at Round 1, primarily linked to Safer Healthier Streets Programme. The service is reporting a £1.976m pressure as it faces challenges in recovering PCN income, driven primarily by lower-than-expected recovery rates and volatility in monthly income patterns.

9.10. To date the income generated in 2026/27 is less than the profiled income forecast used at budget setting. Across all enforcement areas recovery is lagging, this aligns with national trends, particularly in the early months of this financial year. At this early stage of the financial year, the overall position represents a prudent forecast based on limited data. The position will be kept under close review, with the potential for improvement as recovery activity progresses and income patterns stabilise.

9.11. The service is also reporting a number of other pressures notably in Waste Disposal (£140,000) related to above budgeted contract inflation pressure; Household Waste Recycling Centre (£411,000) pressure related to saving target, following a detailed assessment which identified that the proposal cannot be implemented within the required timeframe for 2026/27 due to operational, governance, and infrastructure requirements.

Regeneration

9.12. Regeneration is forecasting an overall pressure of £763,000, the most significant of this is a £561,000 pressure against the Facilities Management Contract Cleaning. The pressure relates to a large one off set up cost to replace equipment and materials which had been removed from site and incomplete data received from the previous provider to establish an appropriate budget. Management action has been proposed to fully mitigate this pressure.

10. Business Support Directorate

10.1. The Business Support Directorate (BCD) is forecasting a £1.285m overspend at Round 1. The most significant variance at this stage is in the BSD and Interest and Financing.

Table 6 – BSD 2026/27 Round 1 Forecast

BSD	2026/27 M2 Budget £000s	2026/27 M2 Forecast £000s	2026/27 M2 Variance £000s
Business Support Department	31,323	28,631	(2,692)
Additional Government Support:	4,027	4,027	0
Interest & Financing	24,710	28,872	4,162
Corporate Management	4,396	4,211	(185)
Total	**64,456**	**65,741**	**1,285**

10.2. **Management actions** of £1.650m have been put forward by BSD, this includes £150,000 in Communications and a further £1.500m across the directorate. Whilst Business Support is already forecasting an underspend, the Business Support Management Team has discussed the management action that could be taken within the department in order to offset the overspend against the Interest and Financing budget. DMT is confident that through strict management of vacancies, reviewing and reducing non-essential spend and continuing to drive greater efficiency through the Medway 2.0 programme, forecast expenditure could be reduced by a further £1.500m.

Business Support Department

10.3. Benefit Payments is reporting a £1.100m favourable position against Benefit Payments. The caseload is now stable following managed migration to universal credit and there is a positive upturn on Non HRA (temporary accommodation) subsidy because we are seeing increased subsidy following the use of the owned TA accommodation. This is because we are not restricted to 2011 LHA rates for the reclaim and can claim the full cost of the rent for these properties. Due to the increases in rent, overall, the reclaim from the collection fund has not reduced however the subsidy has.

Interest and Financing

10.4. The Interest and Financing budget is forecast to overspend by £4.162m at Round 1 monitoring, there are various factors that could influence this position as the year progresses such as interest rates, and the need to borrow, both as a result of refinancing loans that are redeemed and continued capital expenditure.

10.5. The Interest and Financing budget ended the 2025/26 financial year with a £23.960m outturn resulting in an overspend of £5.853m, as a result of stubbornly high interest rates. The 2026/27 budget for Interest and Financing was set at £24.710m reflecting our assumption that PWLB interest rates would have reduced to around 4.0%. Global events affecting the economy mean that no longer looks likely and with average interest rates estimated to be just below 5% during 2026/27, this will result in a pressure on the Councils interest payable budget of just under £4.900m. It is projected that the majority of the £150m redeemable will need to be refinanced and added to this will be a further £69m as a result of estimated capital expenditure funded from borrowing in the current financial year.

10.6. A significant element of the interest payable by the Council relates to the loans taken to fund MDC Ltd., however the interest payable on these loans is more than offset by interest received from the company and a favourable variance is forecast against interest earned. It is projected that this part of the interest and financing budget will achieve excess income against the approved budget of just under £440,000.

10.7. The budget for the Minimum Revenue Provision (MRP), a statutory amount set aside to repay debt, will be lower than anticipated as the time the 2026/27 budget was set, mainly due to lower than estimated capital spend in 2025/26 funded by borrowing. This has been calculated to produce an underspend of £240,000 for 2026/27.

10.8. There are fees payable to both the Debt Management Office and brokers the Council works with to obtain competitive borrowing from other Local Authorities. It is estimated that these costs, together with the reduced cost of our Treasury Management Advisory contract will produce an underspend of just over £50,000 within the Treasury Costs area.

11. Council Tax Collection

11.1. As at May 2026 the council tax collection rate is 17.30%, which is 0.35% lower than the same month last year.

11.2. The business rate collection rate to date is 21.95%, which is 1.94% higher than the than the same month last year.

Table 7 – Council Tax and Business Rate Collection Rate

Collection Rates	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
Council Tax	19.18%	18.48%	18.93%	17.75%	17.86%	17.70%	17.65%	17.30%
Business Rates	24.35%	20.32%	22.56%	25.80%	18.45%	19.69%	20.01%	21.95%

11.3. Collection rates have not returned to pre-pandemic levels, impacted by the cost of living crisis, world events and rising inflation.

12. Conclusions

12.1. The first round of revenue budget monitoring for 2026/27 forecasts a significant overspend of £26.7m, after management action. The Finance Team will continue to work with services throughout the Council to mitigate pressures, develop management actions and ensure that forecasting is as accurate as possible.

13. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The Council overspends against the agreed budget	Overspends against the revenue budget would need to be met from the Council's limited reserves; or through the consideration of further Exceptional Financial Support is overspends are greater than reserve balances.	The revenue monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending against the agreed budget.	A1
Impact on service delivery	An overspend that cannot be funded from reserves could result in difficult decisions having to be taken over service delivery.	Ensuring investment is prioritised to statutory services and key priorities, reviewing and reducing non-essential spend and maximising income.	B2
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	Clear communications with all interested parties on the cause of the financial position, robust and timely budget monitoring and decisive management action.	B2

Risk	Description	Action to avoid or mitigate risk	Risk rating
	trust and confidence of residents, partners and regulators.		
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 and decisive action to mitigate them.	A2
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.	B2

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	1 Critical 2 Major 3 Moderate 4 Minor

14. Financial Implications

14.1. The first round of revenue budget monitoring for 2026/27 identifies a signification forecast pressure to the revenue budget of £26.7m. The Council's general reserves currently stand at just over £10.0million. The Council would not therefore be in a position to fund an overspend on the scale of that currently projected.

14.2. Should the 2026/27 budget monitoring continue to forecast an overspend against the agreed budget at a level greater than the level of reserves held, then it may be necessary to seek further government support through the Exceptional Financial Support scheme.

14.3. It will now be necessary for the Council's senior managers and elected Members to implement urgent actions to bring expenditure back within the budget agreed by Full Council.

15. Legal Implications

15.1. 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.

15.2. 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."

15.3. 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.

15.4. 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.

15.5. 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.

15.6. 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.

15.7. 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 the Cabinet to determine those matters.

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Appendices

None

Background papers

None