Medway Council
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# Children and Young People Overview and Scrutiny Committee

## 12 August 2026

## Revenue Budget Monitoring – Round 1 2026/27

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## Summary

This report presents the results of the second round of the Council's revenue budget monitoring process for 2026/27. The Council's summary position is presented in section 4, with section 5 providing the details for each service area.

## 1. Recommendations

1.1. The Committee is asked to note the results of the second round of revenue budget monitoring for 2026/27.

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

## 2. Budget and policy framework

2.1. 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, chapter 3 of the Council's Constitution.

## 3. Background

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

3.2. This report presents the results of the first round of revenue budget monitoring based on returns submitted by individual budget managers. In preparing these forecasts, budget managers have taken account of last year's outturn, items of growth or savings agreed as part of the budget build, actual income and expenditure for the year to date, and most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.

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

## 4. Summary Revenue Budget Forecast Position 2026/27Ro

4.1. The Round 1 the forecast outturn for 2026/27 represents a pressure of **£42.831m**, with **£16.107m** 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.

| **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. Children and Adults

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

5.2. 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.

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

5.4. £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.

5.5. 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.

5.6. 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**

5.7. 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**

5.8. 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.

5.9. 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.

5.10. 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.

**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** | | | |

## 6. Conclusions

6.1. 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.

## 7. 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 |

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|---|---|---|---|
| Reputational damage | The challenging financial position of the Council, driven by increased demand for statutory services beyond available funding, could be misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators. | Clear communications with all interested parties on the cause of the financial position, robust and timely budget monitoring and decisive management action. | B2 |
| 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.<br>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<br>B Likely<br>C Unlikely<br>D Rare | 1 Critical<br>2 Major<br>3 Moderate<br>4 Minor |

## 8. Financial implications

8.1. 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 £10.0m. The Council would not therefore be in a position to fund an overspend on the scale of that currently projected.

8.2. 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.

8.3. 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.

## 9. Legal implications

9.1. 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.

9.2. 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."

9.3. 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.

9.4. The Cabinet and officers may only spend within allocated budgets. If the budget is likely to be exceeded, the Council is required to consider if it wishes revise to the revenue budget or require mitigating action to be taken.

9.5. 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

9.6. Officers are mandated to deliver services within agreed performance standards and agreed policies. Subject to the scheme delegation officers do not have authority to vary policies or performance standards.

9.7. If the council is not minded to agree a supplementary revenue estimate, then the Cabinet is required to operate with the approved estimate. If that necessitates revisions of policies or service standards, then unless those matters are delegated to officers, it is matter for Cabinet to determine those matters.

## Lead officer contact

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## Appendices

None

## Background papers

None