Medway COUNCIL
Serving You

Regeneration, Culture and Environment Overview & Scrutiny Committee

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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 notes the results of the first round of revenue budget monitoring for 2026/27.

1.2. The Committee notes 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. 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, 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 2026/27

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. Regeneration, Culture and Environment (RCE)

5.1. 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**

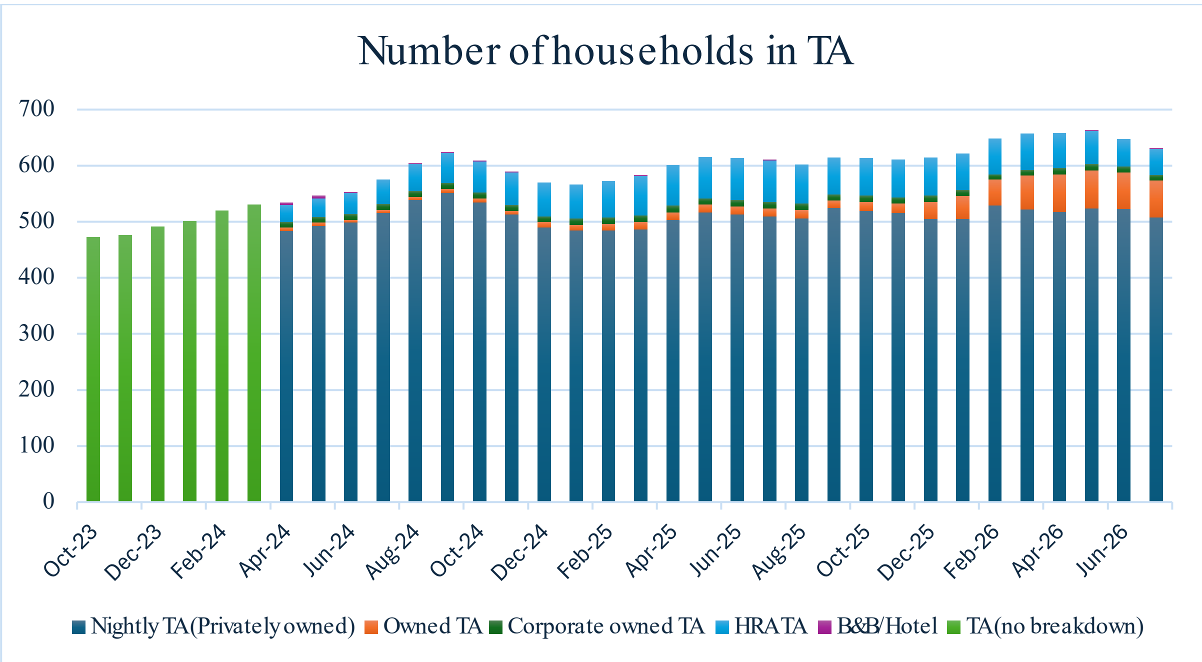
5.2. **Management actions** have been proposed for the RCE directorate of £3.427m which include increased forecast leisure income of £500,000, additional adult education funding (subject to government award), additional savings on staffing costs and a mitigating action to reduce the overspend on the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

5.3. 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

5.4. 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.

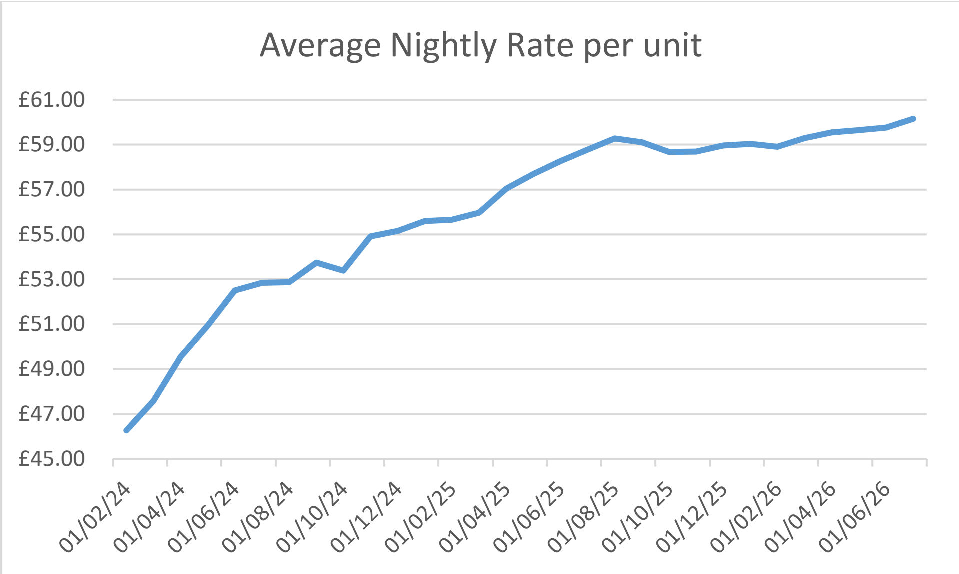
Chart 4 – The number of Households in Temporary Accommodation



5.5. 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.

Chart 5 – Average Nightly Rate for Private Nightly TA



5.6. 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.

5.7. 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

5.8. 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.

5.9. 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.

5.10. 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.

5.11. 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

5.12. 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.

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
Reputational damage	The challenging financial position of the Council, driven by increased demand for statutory services beyond available funding, could be	Clear communications with all interested parties on the cause of the financial position, robust and timely budget monitoring and	B2

Risk	Description	Action to avoid or mitigate risk	Risk rating
	misconstrued or reported as poor management or leadership, reducing the trust and confidence of residents, partners and regulators.	decisive management action.	
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

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.

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Appendices

None

Background papers

None