Medway Council
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Health and Adult Social Care Overview and Scrutiny Committee

19 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 sections 5 and 6 providing the details for each service area.

1. Recommendations

1.1. The Committee notes the results of the second 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. 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 Round 1

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. Adults

5.1. 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.

5.2.

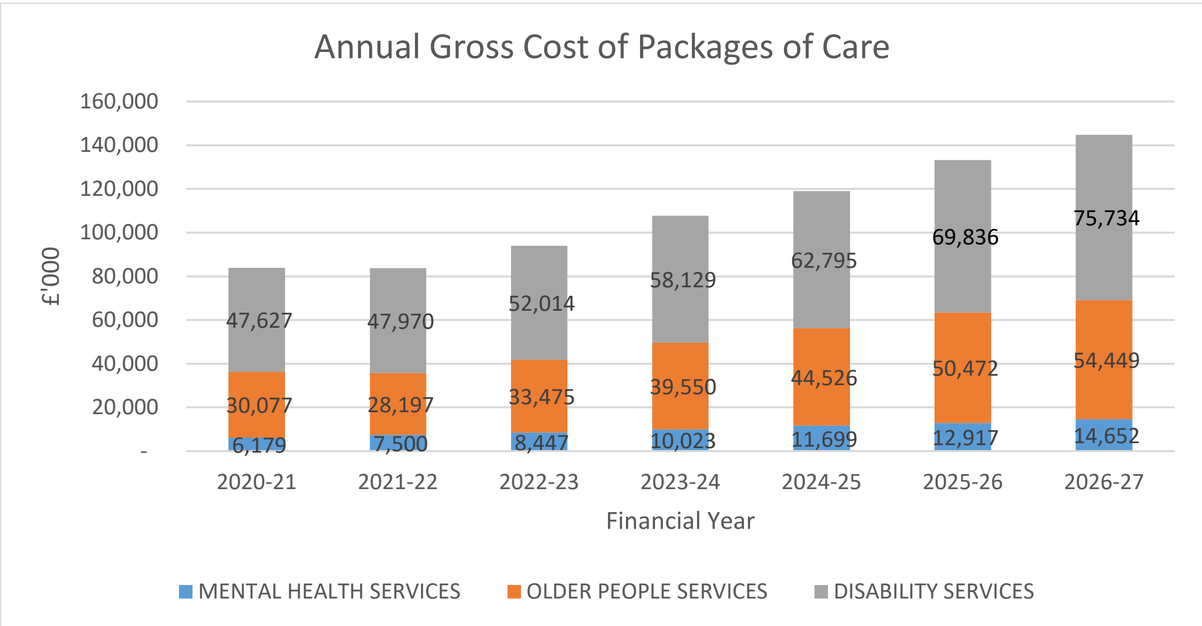
Table 1 – Adults 2026/27 Round 1 Forecast

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

5.3. **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.

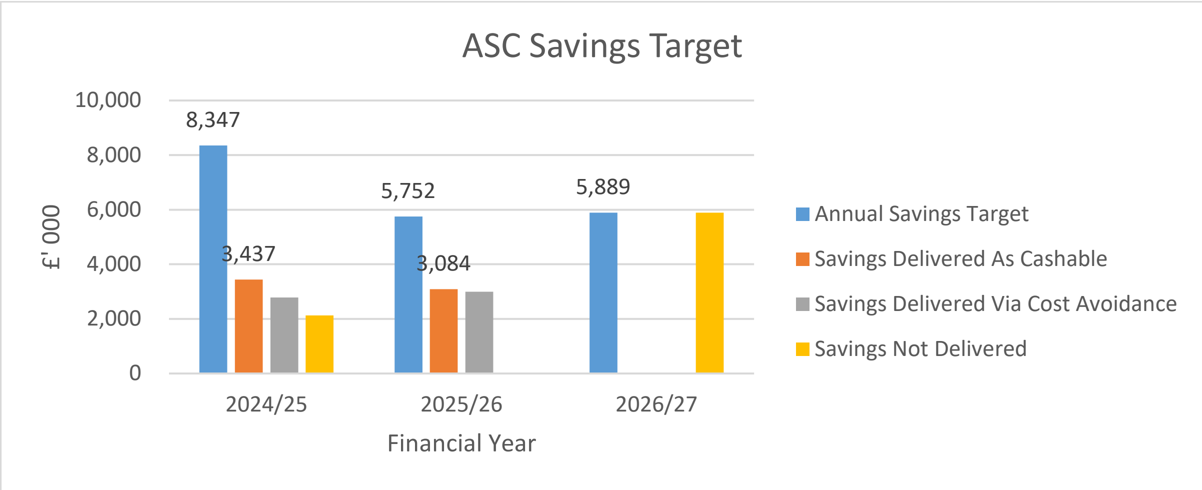
5.4. Early indications show that the pressures experienced in 2025/26 are set to continue, giving rise to a significant overspend again this year. Previously the majority of the overspend was attributed to continued pressures for the cost-of-service provision, both in terms of demand, and average weekly 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



5.5. 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



5.6. 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.

5.7. 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.

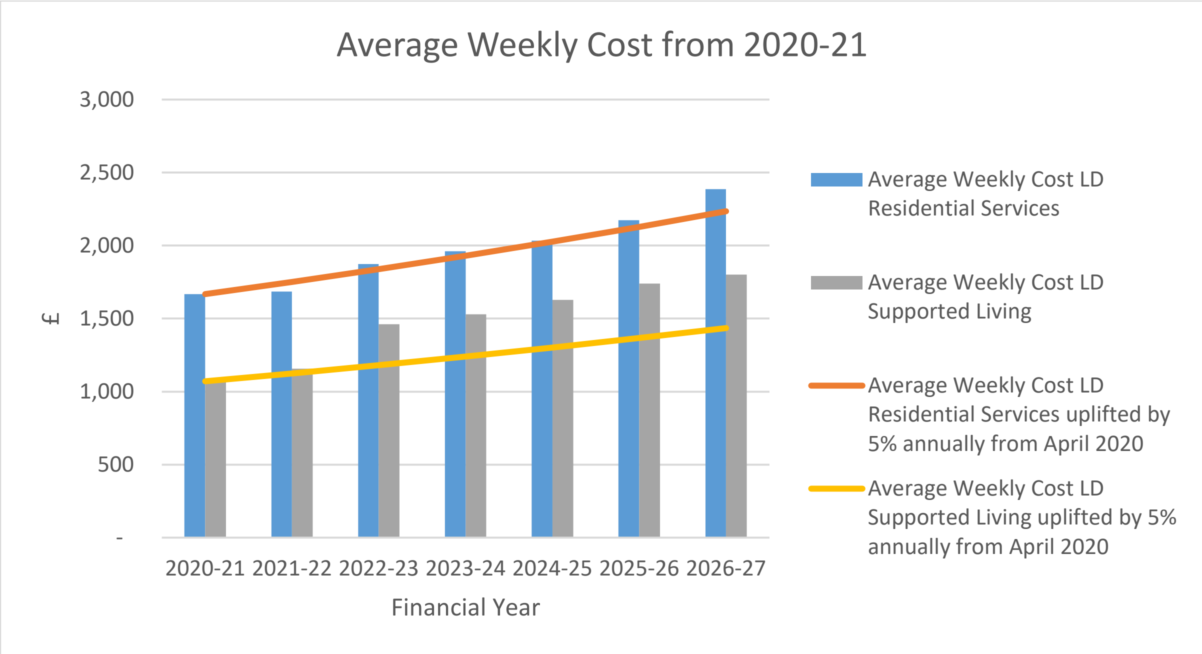
Disability Services

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

5.9. 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.

5.10. 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

5.11. 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.

5.12. 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.

5.13. 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.

5.14. 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

5.15. 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.

5.16. 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.

5.17. 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.

6. Public Health

6.1. 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 2 – 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)

6.2. 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.

7. Conclusions

7.1. 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.

8. 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 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.	Work has already commenced to understand the impact of stubbornly high interest rates on the cost of refinancing short	B2

Risk	Description	Action to avoid or mitigate risk	Risk rating
	Interest rates now appear unlikely to reduce in line with the projections provided by our treasury advisors.	term debt and any new borrowing forecast. A review of the capital programme will need to be undertaken, to assess affordability.	

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

9. Financial implications

9.1. 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.

9.2. 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.

9.3. 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.

10. Legal implications

10.1. 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.

10.2. 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."

10.3. 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.

10.4. 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.

10.5. 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

10.6. 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.

10.7. 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