Policy & Resources Committee		
Meeting Date	17 June 2026	
Report Title	Financial Management Report – Outturn 2025/26	
EMT Lead	Lisa Fillery, Director of Resources	
Head of Service	Claire Stanbury, Head of Finance & Procurement	
Lead Officer	Caroline Frampton, Principal Accountant	
Classification	Open	
Recommendations	1. To note the reduced take from the budget contingency reserve of £572k to deliver a balanced outturn position. 2. To note the level of reserves at 31 March 2026 as detailed in table 3. 3. To note the capital slippage of £21.054m and capital expenditure of £14.791m against the revised budget as detailed in table 4 and appendix II.	

1. Purpose of Report and Executive Summary

1.1 This report sets out the revenue and capital outturn position for 2025/26. The report is based on service activity for the whole of 2025/26 and documents the final expenditure and income in the year, including transfers to and from reserves.

1.2 The purpose of the report is to compare the actual expenditure and income incurred in 2025/26 to the budget and to provide explanations for any variances. The report also highlights the reprofiling of capital budgets as a result of slippage on projects where budgets have already been approved.

1.3 The headline figures are:
- £585k use of reserves to deliver a balanced outturn – Table 1;
- Gross capital expenditure of £14.791m, net capital spend funded from borrowing of £1.439m – table 4; and,
- £21.054m reprofiled slippage of capital spend – appendix II.

2. Background

2.1 The Council operates a budget monitoring process at Head of Service level, with regular reports throughout the year to the Policy and Resources Committee and the Executive Management Team.

3. Proposals

Revenue Outturn

Table 1: Variance by Service

	Working Budget £'000	Projected Outturn £'000	Projected Variance £'000
Chief Executive	813	857	44
Communications & Policy	376	361	(15)
Elections, Democratic Services & Information Governance	1,172	1,203	31
Housing & Community	4,421	4,718	296
Planning	1,203	1,773	570
Environment & Leisure	8,988	9,079	91
Regeneration & Economic Development	(384)	(327)	57
Finance & Procurement	785	756	(29)
Revenues & Benefits (Shared Services)	539	539	0
Environmental Health (Shared Services)	684	641	(43)
Information Technology (Shared Services)	1,453	1,400	(52)
Internal Audit (Shared Services)	165	134	(32)
Human Resources (Shared Services)	493	493	0
Legal (Shared Services)	701	581	(120)
Drainage Board Levy	1,049	1,018	(31)
Corporate Overheads & Capital Financing	4,638	3,292	(1,346)
NET REVENUE SERVICE EXPENDITURE	**27,095**	**26,518**	**(578)**
Financed by:			
Budget Contingency Reserve	(1,160)	(581)	579
Revenue Support Grant	(362)	(363)	(0)
Other Grants	(2,088)	(2,087)	0
Business Rates	(12,104)	(12,104)	(0)
New Homes Bonus	(988)	(988)	(0)
Collection Fund Surplus	45	44	(1)
Council Tax Requirement	(10,439)	(10,439)	(0)
TOTAL FINANCING	**(27,095)**	**(26,518)**	**578**
NET EXPENDITURE (Contribution (to)/from General Fund)	**0**	**(0)**	**(0)**

3.1 Table 1 shows the forecast position at service level, with a further breakdown provided at Appendix I.

3.2 The variances with brackets are underspends, i.e. income received was greater than the budget or the spend was less than budget; variances with no brackets are overspends, i.e. the income was less than the budget, or the spend was more than budget.

3.3 Significant variances from budget (£20,000 or more) are explained below.

3.4 **Chief Executive overspend £44,000**
Strategic Management Team £36,000 overspend
The main contributing factors are professional subscriptions and development events for Councillors and senior management. The budget has been increased for 2026/27 budget to address this in future years.

3.5 **Elections, Democratic Services & Information Governance overspend £31,000**
Electoral Services £56,000 overspend
This is due to the increasing costs of the yearly canvass the budget has been increased in 2026/27 to address this.

3.6 **Housing & Community Services £294,000 overspend**
Homelessness £367,000 overspend
There are a number of contributing factors to this overspend.

The cost of temporary accommodation was forecast to be significantly above budget at quarter 2, with a predicted overspend of £550k and the outturn position has seen a significant increase to £698k. Quarter 4 saw an increase in both placement costs and the numbers of homeless placements. The increase in the need has partially resulted from the introduction of the Renters Rights Act, which saw evictions taking place ahead of the changes in legislation.

The overspend on temporary accommodation is partially offset by additional grants and contributions of £374k.

Bad debts relating to homelessness have resulted in an overspend of £43k. Work is ongoing to recover homelessness debts.

Community Services £56,000 underspend
The underspend in Community Services is primarily down to the Loneliness project, as that is being funded in year by UK SPF grants.

3.7 **Planning £570,000 overspend**
Planning £653,000 overspend
The overspend relates to agency costs and reduced planning income.

The increase in agency expenditure results from us continuing to fill the permanent vacancies created by the planning restructure, which came into effect on 1 April 2024. Attempts are ongoing to recruit to vacancies with some success, but there are still problems recruiting to more senior posts. As a result, various options are being explored such as the use of recruitment agencies, and a temporary structure change to help grow talent internally. A temporary growth request has been included in the 2026/27 budget to allow for mentoring to take place so that staff can be promoted to the senior posts internally, and the lower posts can then be recruited to.

Planning income for the year was down by £349k compared to budget. Planning application income had bounced back at the start of the third quarter from a bad

September but dropped significantly again in November. December saw an improvement but was still below the budget for the month. The fourth quarter income continued to improve but again was still below the budget for the quarter. As demonstrated planning income is incredibly difficult to predict.

Although Planning has significantly overspent, this is an improved position on the previous financial year, as a result of some of the work carried out to bring the overspend under control.

Appeals £54,000 underspend
Appeal costs much lower than anticipated at quarters 2 and 3, this underspend helped to offset other planning costs.

3.8 **Environment & Leisure £91,000 overspend**
Leisure Services £113,000 overspend
The main overspend is £158,000 on grounds maintenance, which has resulted from a savings target of £175,000 that was set but not achieved due to changes in national legislation at the time of negotiation. A contract cost reduction of £75,000 was negotiated, which has been partially achieved in 2025/26, and should be fully realised in future years. Growth of £100,000 has been included in the proposed budget for 2026/27 to reflect the actual contract cost.

Country parks and open spaces are seeing an increased need, and therefore cost, for maintenance and repairs, and there is also a reduction in income for open spaces, all of which are contributing to this overspend. There has also been a delay in achieving the savings associated with Perry Wood, as the disposal is not yet complete, although negotiations are taking place.

Additional professional property costs have been incurred to support the Sheerness pool feasibility work, which also contributes to the overspend in Leisure Services.

There are some underspends on staffing costs that help to reduce the overall overspend in this year.

Environmental Services £55,000 overspend
Income from garden waste scheme £63k lower than budget. This was anticipated at quarter 3. Additional costs of £135k incurred with the purchase of wheeled bins, this is offset by additional grants and lower than anticipated costs on special collections.

Parking & Highways £57,000 underspend
Additional income from street naming of £19k, due to a significant increase in income in the last quarter of the financial year. There was also a reduced shared service cost for the Parking Service costs of £22k due to staff vacancies.

Climate Change £20,000 underspend
Underspend on consultancy costs as the project has slipped into 2026/27.

3.9 **Regeneration & Economic Development £57,000 overspend**
Swale House Operations £44,000 underspend
This is mostly due to underspends on utility costs which have been forecast during the year.

Buildings Maintenance £25,000 overspend
Building maintenance costs across the estate has overspent by £72,000. This primarily relates to maintenance of Swallows Leisure Centre and public conveniences.

Asset Management £132,000 overspend
The overspend primarily relates to NNDR on empty properties and service charges on public realm at Bourne Place, along with rental incomes that were not achieved in year. This is partially offset by rent increases across the estate. The commercial rent budgets are being reviewed as part of budget setting for 2026/27.

Economic Development £56,000 underspend
The underspend in Economic Development is primarily down to vacant posts, that are proving incredibly difficult to recruit to. This is not a new situation, and various attempts have been made to recruit. Another one year growth bid has been included in the proposed budget to continue the use of interim staff until a permanent solution is found. There is also an increase in the funding this year from the UK SPF grant for staff input, but this is not an ongoing grant and so should be considered as an in-year windfall.

3.10 **Finance & Procurement £29,000 underspend**
Financial Services £32,000 underspend
The underspend is due to salary savings and vacancies within the team. Some vacant hours were being which will be reviewed as the team settles and the new financial management system is introduced.

3.11 **Revenues & Benefits break even**
Housing Benefits £27,000 underspend
Revenues & Benefits Administration £27,000 overspend

3.12 **Environmental Health £43,000 underspend**
The shared service for Environmental Health is currently carrying a vacancy, which accounts for the majority of this underspend.

3.13 **Information Technology £52,000 underspend**
IT Service £109,000 underspend
This is due to vacant posts being held within ICT Development, Network and Support and GIS teams. There is an expectation for vacant posts to be filled.

Maintenance & Licences £57,000 overspend
The overspend is due to major systems moving to the cloud. Systems with unbudgeted cloud costs in 2025/26 are Confirm, Academy, TechOne, and IKEN. TechOne budget was built in previously, but not until 2026/27. The other cost increases are part of the 2026/27 proposed budget.

3.14 **Internal Audit £32,000 underspend**
This underspend is due to vacant posts, which have been managed through a use of external providers, whilst still remaining within budget.

3.15 **Human Resources break even**
<u>HR Service £17,000 underspend</u>
<u>Corporate Training £69,000 overspend</u>
<u>Apprenticeships £52,000 underspend</u>
HR budgets have been managed holistically, with the underspend in apprenticeship costs being used to fund training for existing staff. Apprentices are still employed throughout the authority, but those in post are currently funded directly from the relevant services.

3.16 **Drainage Board Levy £31,000 underspend**
The underspend on the drainage board levy is mainly due to a small government grant received in 2025/26. This is not a guaranteed levy for future years, and therefore has not been included as part of the budget.

3.17 **Corporate Overheads & Capital Financing £1,346,430 underspend**
<u>Interest & Capital Financing £537,000 underspend</u>
With interest rates being slow to drop, interest on investments is above budget and the additional income has been used to balance the overall position.

<u>Non Distributed Pension Costs £23,000 underspend</u>
Negotiations in 2024/25 have resulted in a further reduction in our contribution to the pension backfunding position.

<u>Corporate Overheads £25,000 underspend</u>
This is primarily a result of further savings from the insurance contract that was retendered.

<u>Corporate Costs/Provisions £762,000 underspend</u>
This underspend is a result of excess budgets built up over time from inflation calculations and such like, with the biggest contributor being the waste and street cleansing contract, which was estimated at a time of hyper inflation. This has been taken into consideration during the budget build for 2026/27, when assessing the required inflation for increases to pay and contracts, along with the pension contribution required following the recent triennial revaluation, and appropriate savings have been taken.

General Fund

3.18 The General Fund is shown below. The Council's policy is to maintain a balance of at least £1.5m in the General Fund. This balance represents 11.7% of the cost of services for 2025/26 and is therefore deemed to be at an adequate level, however this position will continue to be reviewed each year.

Table 2: General Fund Balance

	£'000
General Fund balance at 1 April 2025	(3,103)
Transfers in 2025/26	0
General Fund Balance	(3,103)

Earmarked Reserves

3.19 The following transfers have been made to or from reserves in 2025/26:-

- Annual contribution has been transferred to the Elections Reserve to smooth the cost of elections over the election cycle.

- Planned transfer of transformation budget underspend to the transformation reserve, to fund future developments.

- A contribution has been made to the ICT reserve from an overall underspend across the service. This helps to fund the ongoing capital programme required to replace laptops and other hardware.

- The additional Extended Producer Responsibility grant has been added to the waste reserve. As previously reported the actual allocation for the year was not confirmed until the year end and so could not be committed to support in year expenditure. The waste reserve is intended to be used to support some ongoing revenue costs in future years and can also be used to fund specific work required to improve recycling rates as required by the EPR grant.

- Unused grants transferred to reserve for future use (where conditions of the grant allow).

- Transfer to the Local Plan reserve to fund future work on the development of the plan, smoothing out the costs.

- The actual use of the Budget Contingency Reserve to support the delivery of a balanced budget was £580,700.

- £894k was used from the business rates pool to cover planned costs in relation to regeneration of the area.

- Reserves of £292,000 were used to support capital expenditure in the year.

3.20 Table 3 below set out the earmarked reserves balances as at 31 March 2026.

3.21 Appendix III shows the earmarked reserves and their estimated use in future years.

Table 3: Earmarked Reserves

	Balance as at 1 April 2025 £'000	Contributions (to)/from reserve in year £'000	Balance as at 31 March 2026 £'000
Budget Contingency Reserve	(1,052)	(295)	(1,347)
Kent Business Rates Pool Economic Development	(2,944)	(146)	(3,090)
North Kent Housing & Commercial Growth Business Rates	(950)	194	(756)
Business Rates Volatility	(4,162)	(785)	(4,947)
Building and Asset Maintenance	(776)	62	(714)
Service Reserves	(1,506)	(6)	(1,512)
Waste and Environment	(1,592)	(1,036)	(2,628)
ICT Equipment Reserve	(376)	115	(261)
Repairs and Renewals	(366)	7	(359)
Miscellaneous	(2,879)	(584)	(3,463)
Total Earmarked Reserves	**(16,603)**	**(2,475)**	**(19,078)**
Collection Fund and Grants In Advance	(174)	0	(174)
Accounting Adjustments	(433)	0	(433)
Total Reserve	**(17,210)**	**(2,475)**	**(19,685)**

Capital Expenditure

3.22 This section of the report details actual capital expenditure and highlights any variations between the revised 2025/26 capital budget and the outturn.

3.23 Actual expenditure in 2025/26 was £14.791m which was 30% of the budget. There was capital slippage of £21.054m in terms of costs to Swale Borough Council, but a further £14.728m of grant or reserve funded spend will also be slipped into future years. A summary is set out in table 4 below and further details are shown in appendix II.

3.24 Although only 30% of the total capital budget has been spent, some of the budgets are effectively a rolling budget and will be rolled into 2026/27. This is the case for the Disabled Facilities Grant which amounted to £8.661m in 2025/26.

3.25 Major slippage is made up of the Local Housing Company (Rainbow Homes) £20.094m which will be slipped into a future year and reprofiled, and the Levelling Up funding of £5.476m.

Table 4 – Capital Outturn:-

Capital spend	2025/26 Budget		2025/26 Outturn		2025/26	Capital
	Gross £'000	Net £'000	Gross £'000	Net £'000	Variance £'000	Slippage £'000
Housing & Community	32,419	21,584	3,770	1,438	0	20,388
Regeneration & Economic Development	16,402	264	10,540	0	0	264
Environment & Leisure	1,143	402	366	0	0	402
Finance & Procurement	121	0	0	0	0	0
Information Technology	148	0	115	0	0	0
	50,233	**22,250**	**14,791**	**1,438**	**0**	**21,054**

3.26 The explanations for the significant capital variances and rollovers are shown below:

Housing and Community Services

- Disabled Facilities Grant – Funding is from Central Government and is paid via Kent County Council. The grant is part of the overall Better Care Fund which incorporates aspects of health, and the Disabled Facilities Grant (DFG) money which must be used on mandatory grants that the Council administers. The money should be rolled over to the following year to continue funding grants approved within the year. The spend is dependent on applications received. Once a grant is approved the applicant has 12 months to complete the work, therefore the DFG spend is a constant rolling process that crosses financial periods.

- Local Housing Company – to date there has not been any capital spend on this project in 25/26. However work has commenced in 26/27 and therefore £20.094m is recognised as capital slippage at 31 March 2026.

- CCTV Capacity – Delays in the start of the project due to finding a suitable supplier and obtaining appropriate approvals have meant that this budget needs to be slipped to 26/27. Work is progressing within the new financial year.

Regeneration & Economic Development

- Levelling Up Scheme - This is mainly funded from external grants and will be rolled into 2026/27. There were delays in starting the project for reasons beyond the control of Swale Borough Council, and then subsequent delays which have pushed completion into 2026/27.

- Rural Prosperity Fund – there have been delays in an underlying project, and the government extended the deadline for use of the grant. This has meant that the budgets for the spend and income need to be slipped to 26/27.

Environment & Leisure

- Waste Vehicle Fleet –There was always an intention to replace some of the street cleansing vehicles part way through the contract, and the slippage of £115k represents that.

- Play Areas Equipment & Improvements – This is funded from capital contributions, and works not complete at 31 March 2026 will be reprofiled into future years as work is carried out and funded from contributions received.

- Leisure Centre Contingency – this has not been required for capital works on the leisure centres during 2025/26, so will rollover to help support mobilisation to the new contract in April 2027.

Resources

- ICT Replacement – the Council operates a rolling programme of ICT equipment replacement, which is funded from reserves. Any budget amount not spent in year will be expected in future as part of this programme, and the anticipated funding will remain in reserve for future years.

3.27 The 2025/26 capital programme expenditure of £14.791m was funded as set out in the table 5 below.

Table 5 – Capital Programme Funding:-

	2025/26 Outturn £'000
Capital grants and other contributions	12,837
Capital receipts	224
Earmarked reserves	292
Direct revenue funding	0
Borrowing	1,439
Total Capital Funding	**14,791**

4. Alternative Options

4.1 None identified – this report is largely for information.

5. Consultation Undertaken or Proposed

5.1 Heads of Service and Strategic Management Team have been consulted in preparing this report.

6. Implications

Issue	Implications
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives.
Financial, Resource and Property	As detailed in the report.
Legal, Statutory and Procurement	The outturn report is not a statutory requirement, but it is a requirement of the Council's Financial Regulations.
Crime and Disorder	None identified at this stage.
Environment and Climate/ Ecological Emergency	The report identifies a wide range of expenditure headings which support the Council's Climate and Emergency Action Plan.
Health & Wellbeing	None identified at this stage.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage.
Risk Management and Health and Safety	The Council's overall financial position is a key risk in the Council's Corporate Risk Register.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.
Local Government Reorganisation	None identified at this stage, although we need to be mindful of the financial position that we transfer into the new unitary authority.

7. Appendices

7.1 The following documents are published with this report and form part of the report:

- Appendix I: Detailed revenue outturn position
- Appendix II: Detailed capital outturn position
- Appendix III: Estimated use of reserves

8. Background Papers

- Council Meeting 19 February 2025
- Policy and Resources Committee Meeting 26 November 2025