London Borough of Waltham Forest

Report Title	Budget Monitoring – Month 3
Meeting / Date	Cabinet, 9th September 2025
Cabinet portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance and Resources 
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Wards affected	None specifically
Public access	Open
Appendices	None

1. Summary

1.1. The Council approved its Medium-Term Financial Strategy for 2025/26 to 2027/28 and the detailed budget for 2025/26 at Budget Council on 27th February 2025. This report updates Cabinet on the latest forecast outturn position for revenue for 2025/26, as well as providing the latest position for the Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG).

1.2. The month 3 forecast for Revenue Expenditure in the General Fund shows a net overspend of £31.412 million.

1.3. The month 3 forecast for Housing Revenue Account (HRA) shows a net nil forecast variance.

1.4. The month 3 forecast for the Dedicated Schools Grant (DSG) shows an in-year deficit of £7.604 million, all within the High Needs Block. This would take the cumulative deficit to £16.476 million at the end of March 2026. The statutory override has recently been extended by two years to March 2028. This gives us some assurance that in the short term the General Fund budget will not be impacted, but without wider reform and increased funding, the national (and local) deficits will be greater and harder to resolve come March 2028.

2. Recommendations

2.1. Cabinet is recommended to:

2.2. Note the forecast outturn position for Revenue, HRA and DSG as at month 3.

2.3. Approve £0.015 million funding from the budget strategy reserve (BSR) to fund the 2025 Pride Awards and £0.145 million towards the together campaign from the BSR.

2.4. Approve £0.500m additional capital funding for Soho Theatre due to extended timelines to complete works (September 2024 to March 2025).

2.5. Approve an amount not exceeding £0.300m, to be funded from capital contingency, for fit out works on Unit C Soho Theatre. This is to enable the unit to be let on a commercial basis (i.e. ducting and electrical upgrade).

2.6. Approve £0.984 million to fund the Oracle stabilisation programme, of which £0.894 million is to capital related to be funded from the capital contingency and £0.089 million is revenue expenditure to be funded from the corporate revenue contingency budget.

3. Proposals

Revenue Expenditure

3.1. The Council is operating in exceptionally difficult circumstances with increasing demand and costs, and in line with other local authorities are seeing increasing costs in relation to Adults and Children's Social Care, Special Educational Needs and Disabilities (SEND) and Temporary Accommodation. These are driven by increases in demand, complexity and inflation and market challenges.

3.2. The impact of movements that materialised as part of the 2024/25 outturn have been subject to a detailed analytical review. As a result, new forecasting models are being developed in key pressure areas such as temporary accommodation, children's placements / packages and property income and running costs. Some of these models are not yet in place and therefore existing models with high level adjustments for known issues at the outturn, have been made. For temporary accommodation, an external consultant has been commissioned to develop a new forecasting model given the complex, volatile nature and multiple data sources. This is expected to be in place for month 5.

General Fund

3.3. The month 3 revenue projection is a forecast overspend of £31.412 million, with overspends in Adults and Children's Social Care, Special Educational Needs and Disability (SEND), Temporary Accommodation and Property costs (income and compliance). The table below summarises the position by Directorate, with high-level narrative below.

Revenue Expenditure	2025/26 Latest Budget	Projected Outturn Month 3	Variance from budget
	£'000	£'000	£'000
Chief Executives	5,088	5,220	132

Adult Social Care	82,320	87,002	4,682
Children's Services	70,364	81,426	11,062
Stronger Communities	17,104	17,090	(14)
Neighbourhoods and Environment	34,022	34,022	0
Place	17,619	33,169	15,550
Resources	5,290	5,290	0
Corporate Expenditure	(231,807)	(231,807)	0
Total	**0**	**31,412**	**31,412**

3.4. The forecast overspend assumes that all planned budget and management action savings will be delivered in full. The only exceptions are where a change control has been agreed by the Council Modernisation and Transformation Board (CMTB), to either reprofile the saving and / or provide an alternative mitigation. For ASC and Children Social Services, savings of £3.5 million and £1.8 million have been assumed to be delivered in full and will be monitored as part of the savings assurance process and reported to CMTB.

Chief Executive Directorate

3.5. The Chief Executive Directorate's is forecasting a projected overspend of £0.132m at month 3 with further explanation on the variance provided below.

Chief Executive	Latest Budget	Projected Outturn Month 3	Variance from budget
	£'000	**£'000**	**£'000**
Chief Executive	41	41	0
Communications and Strategy	863	995	132
Culture and Workforce Development	3,029	3,029	0
Strategy and Change	1,155	1,155	0
Total	**5,131**	**5,220**	**132**

Communications and Strategy

3.6. Communications Service is forecasting an overspend of £0.132m at Month 3, an adverse movement of £0.085m from the 2024/25 outturn (£0.047m overspend). The variance is driven by a £0.083m income shortfall across commercial advertising streams—particularly lamppost banners, refuse trucks, and digital kiosks—and £0.049m of staffing pressure due to the end of historic funding arrangements.

3.7. Management actions are underway, including a proposed restructure by December 2025 to reduce headcount, and the launch of our resident-facing 'Together we are' campaign that will open up opportunities for advertising spend from Communications itself, notably on lamppost banners (precisely the area where our advertising market is most sluggish).

3.8. Funding of £0.015m from the budget strategy reserve (BSR) is requested to fund the 2025 Pride Awards as well as £0.145 million towards the Together campaign.

Adults Social Care

3.9. The ASC Service is forecasting an overspend by £4.682 million as at month 3. This is an improvement of £2.5 million compared to the 2024-25 outturn position which was an overspend of £7.160 million.

Adults Social Care	Latest Budget	Projected Outturn	Variance from Budget
	£'000	£'000	£'000
Provider Services - In House	8,508	7,934	(573)
Home First Services **	13,097	12,855	(242)
Mental Health Service (Staffing and Placements)	9,795	11,569	1,774
Learning Disability Service (Staffing and Placements)	21,303	23,688	2,385
Adult Care and Quality Standards Management	5,341	(1,368)	(6,708)
Physical, Sensory & Memory with Cognition Service (Staffing and Placements)	20,666	28,622	7,955
Adult Safeguarding and DOLs	1,597	1,586	(11)
Integrated Commissioning and Brokerage	2,013	2,115	103
Total	**82,320**	**87,002**	**4,682**
*** Includes Concessionary Fares, Budget and Actuals, of £9.305m*			

3.10. There are several risks and assumptions to the current forecasts that could impact the position, including

- The forecast variance of £4.682 million now assumes full delivery of the remaining management actions as at month 3 of £3.518 million. Some of these savings are rated as amber or red and may need re-profiling. It should be noted that the delivery of these savings will not necessarily reduce the overspend position to the reported £4.682 million, if the underlying pressure in adults increases.
- As part of the service managing the continuing pressure on placements, it is recognised that there is still a potential risk that there could be backdated cases to be unearthed. The current contingency forecast for demand pressures and costs may not be sufficient to cover these emerging pressures.
- The current community equipment provider is reporting some significant financial difficulties, which may put at risk their ability to deliver on the contract. As this contract is part of a London wide consortium, many London Boroughs are reviewing the position. There will need to be in place a potential exit strategy from this supplier and this could cause some considerable operational and financial pressure.
- The financial future of the NHS ICB. The NHS is required to make a 50% plus reduction in costs. There may be risks to the council in terms of delivery of services and withdrawal of resources or funding.

Main Variations to Budget

3.11. The forecast overspend is predominantly related to pressure from care placements and support packages. The snapshot number of external commissioned services at month 3 is 3,730, an increase of 84 compared to the 31st of March 2025. This increase includes the 50 service users moving from Markhouse Road.

3.12. There are several assumptions built into the forecasts which are reviewed monthly:

- Rolled over existing placements from 2024/25 (including full year impact of prior year starters and leavers) - the estimated full year impact is £1.686 million.
- The net impact of one-off income and expenditure in 2024/25 - an estimated pressure of £0.530 million.
- Agreed inflation awards for 2025/26 of £3 million not yet applied against individual care packages. The assumption is that these will all be updated or accounted for in 2025/26.
- A built-in contingency for estimated volume and costs demand for 2025/26 – original estimate £1.2 million. As mentioned above, given overall placements movements so far this year, much of this has been utilised, so approximately £0.5 million remaining.
- All additional funding, including the ASC Precept and increased Social Care Grant has been included in the forecasts - £5.846 million in the month 3 forecast.
- Overall, staffing costs are assumed to be on budget for 2025/26. Note, risk on staffing above.
- The forecast position assumes all remaining management actions are delivered in full. The 2025/26 remaining target at month 3, to be signed off as delivered is £3.518 million.

Children's Services

3.13. The Children's Service is forecast to overspend by £11.062 million which is an adverse movement of £3.040m from the outturn position and assumes the full delivery of £1.8 million of savings. See table below highlighting the split between Children's areas.

Children's Services	**Latest Budget**	**Projected Outturn**	**Variance from budget**
	£'000	**£'000**	**£'000**
Strategic Director Children's Services	144	208	64
Children's Social Care	39,272	41,989	2,717
Education	2,210	2,063	(147)
School Support	18,226	17,439	(787)
Waltham Forest Traded Services	3,022	2,902	(119)
SEND Services	7,491	16,825	9,334
Total:	**70,364**	**81,426**	**11,062**

Children Social Care (CSC)

3.14. The main drivers of the overspend in CSC are for children's care and placements spend, Section 17 spend across the board, Youth and Family Resilience Service (YFRS) and legal/staffing pressures.

3.15. There is an overall pressure in Children's Care & Placements of £2.442 million. This includes managing overspend savings of £0.800 million attributed to introducing additional £1,500 per week foster care payment for children who would otherwise require a high-needs residential placement. In addition, this area is also being mitigated through various grant support and contributions from health.

3.16. The key reason for the pressures within this area is from rising demand for long term placements through increased safeguarding concerns and higher rates of family breakdown. There are also shortages of suitable foster carers making it challenging to recruit and retain carers. Lack of capacity for placements in the market is leading to high cost out of borough placements. The market is driven through provider power, which results in lack of options for negotiating price and therefore making packages of care increasingly expensive.

3.17. The forecast position includes the June 25 Mosaic snapshot data with assumptions built it. The assumptions include the following:

- Growth in demand – using figures from previous years intake of children and the current average unit rates for various services (£3.7 million).
- Inflation – estimated at 3.5% for In-House Fostering and 3% for other area services (£0.6 million).
- Net movements of (£0.4 million) including expenditure which should be allocated to transition, step downs in spend moving to 18+ leaving care and transitions, spend not yet captured on Mosaic and mitigations (agreed step downs and in year savings through managing overspends).

Section 17 (Including Staffing):

3.18. S17 spend including staffing is forecast to overspend by £1.648 million which includes £0.250 million of savings through managing overspends. The forecast also includes £1.209 million of spend which is being funded through the Household Support Fund.

3.19. The key drivers of the overspend is from Section 17 payments which contribute to approximately £1.530 million of the overspend, are for a variety of services including family support hours, accommodation and general household and support services. There is a rising demand in children in care requiring support coupled with an influx of demand for long term packages of care.

3.20. The use of Section 17 Children Act 1989 funding has seen an increase due to a combination of socio-economic factors. The rise in evictions, which has created a pressing need to provide accommodation for displaced families. The ongoing cost of living crisis has further exacerbated the situation, with more families finding themselves in financial distress and requiring assistance. Additionally, there has been a notable increase in the employment of Family Support workers, whose role is crucial in keeping young people within their families, thereby reducing the overall costs of care placements but the cost is shifted into Section 17. These workers provide essential support and intervention, helping to stabilize family units and prevent the necessity for more costly care solutions. Together, these factors have driven the heightened reliance on Section 17 funding to meet the growing demands and challenges faced by vulnerable families.

3.21. S17 is a preventative measure to avoid long lengthy packages of care and there is evidence that this increase in S17 spend has prevented a large increase in placement spend across the board. S17 is an area which has poor data therefore analysis is not always easy to predict future spend or trends. Work is currently being done to historically identify this S17 spend.

Other Areas of Overspend:

3.22. There is a continued pressure because of continued legal spend of £0.789 million which includes £0.400 million of managing overspends savings, compounded by issues in the court system.

SEND

3.23. The SEND area is forecast to overspend by £9.334 million. The main drivers of this overspend are due to the increase in demand through packages from Children's and Education and the delay of transitioning to Adult Social Care. In addition, there is a continued overspend on the Home to School Transport and overspends on staffing areas across the board. The transition forecast includes a contingency for demand and cost pressures, like Children Social Care placements.

Transitions

3.24. Transitions which include clients aged over 18 placements spend is forecast to overspend by £4.351million. The forecast includes the June 25 Mosaic snapshot of actual data with assumptions built it. The assumptions include the following:

- Growth in demand – 23 Service users waiting to be transferred over to Transitions at an estimated cost of £0.694 million.
- Inflation – estimated at 3% equivalent to £0.142 million.
- Packages in Adults – these are packages miscoded in adults which equates to £0.775 million.
- Packages in Children's - these are packages miscoded in Children's £1.211m (including one package worth £0.571 million per year).
- Movement to Adults – packages which are awaiting panel decisions on their movement to Adults Social Care which equates to £0.578m (improvement)
- Payments outside of Mosaic – Estimate based on outturn of payments made outside of Mosaic of £0.225m

Home to School Transport

3.25. Home to School Transport is overspent by £2.616 million. One of the key drivers of the overspend is due to sustained growth in numbers of young people with SEND which continues to significantly impact Home to School Transport budget as the Council has a statutory obligation to support families with travel costs.

SEND Core & Staffing

3.26. SEND core and staffing areas have additional costs in relation to managing the backlog in the service and delivering improvements, although some of the pressure also relates to agency staff covering vacant posts and legal costs. This totals £1.326 million, which also assumes delivery of £0.120 million of managing overspend savings. A business case for use of the budget strategy reserve to manage the service improvements has been submitted and will formally be reflected in the budget at the next reporting period.

Waltham Forest Traded Services

3.27. Waltham Forest Traded Service are forecasting an underspend of £0.119 million.

3.28. There is a forecast underspend in Waltham Forest Catering of £0.231 million, largely due to a continuation of high uptake across schools, particularly in primary schools with the ongoing roll-out of the Mayors Free School Meals scheme. The service is also expecting several staff retirements from September 2025 who will not be replaced due to the service ceasing trade in March 2026.

Education & Schools

3.29. The Education service is forecasting an underspend of £0.147 million at Period 3.

Stronger Communities Directorate

3.30. The Stronger Communities Directorate's is currently forecasting a projected underspend of £0.014 million at month 3 with minor variations across some services. The detailed breakdown by service area is provided in the table below;

Stronger Communities	Latest Budget	Projected Outturn	Variance from budget
	£'000	£'000	£'000
Director Stronger Communities	(283)	(283)	0
Early Help, Inclusive Economy and Libraries	12,059	12,048	(11)
Digital and Technology	3,037	3,011	(26)
Residents, Communities and Culture	1,984	2,007	24
Public Health Ringfenced	(191)	(191)	0
Public Health Other - Stronger Communities	498	498	0
Total	**17,104**	**17,090**	**(14)**

Public Health Ringfenced

Main areas of Pressure / Assumptions used in arriving at figures

3.31. The overall grant for 2025-26 is £19.1 million. Public Health (ring-fenced) is forecast to be on budget at month 3. All potential cost pressures are being reviewed. Some work is ongoing to realign the current budgets to more accurately reflect the spending profiles.

3.32. Any variance to budget at the end of the year will be transferred to or from the Public Health Reserve. The reserve stands at £1.6 million at the start of the year, approximately £1 million is earmarked against various commitments for the year, which mostly is supporting other council departments, primarily linked to MTFS savings proposals.

Place Directorate

3.33. The Place Directorate are forecasting an overspend of £15.550 million, with variances in Property (£1.000 million) and Temporary Accommodation (£14.550 million). the table below provide a summary per service area and additional narrative is provided below.

Place	Latest Budget	Projected Outturn	Variance from budget
	£'000	£'000	£'000
Strategic Director of Place Division	(385)	(385)	0
Property & Delivery	4,898	5,898	1,000
Regeneration Planning & Delivery	3,053	3,053	0
Housing General Fund	10,053	24,603	14,550
Total	**17,619**	**33,169**	**15,550**

Property & Delivery

3.34. Property service is forecasting a net overspend of £1.000 million mainly due to the combination of £0.800 million pressure in commercial rent income following the latest review of planned rent increases alongside current voids.

3.35. The commercial income target of £5.6 million is £1.1 million higher than 2024-25 to fund the operational Facilities Management (FM) budget which has been overspending for the last 2 years (£1.7 million and £2.16 million in 2023/24 and 2024/25 respectively). The income target of £5.6 million included £0.3 million anticipated income as part of the MTFS but has now been reprofiled to future years as agreed by the Council Modernisation and Transformation Board.

3.36. The commercial property pressure is compounded by a £0.200 million pressure in Facilities Management due to forecasted demand across the Council exceeding in year budgets.

3.37. ***Housing General Fund***

The Housing General fund is forecasting an overspend of £14.550 million. This reflects the on-going pressure from the increase in demand for temporary accommodation that occurred during 2024/25. The impact in 2025/26 is a forecast overspend of £14.381m. This includes a projected overspend relating to the restriction in the amount of temporary accommodation housing subsidy the Council can recover from Government.

	Budget 2025/26	**Month 3 2025/26**	**Variance from Budget**
	£'000	**£'000**	**£'000**
Housing Options & Support Service			
Net Cost of TA	8,531	22,912	14,381
Property Management (incl. Mears, Capital Letters, Local Spaces)	2,560	2,376	(184)
Staff costs for Housing Options & Support	6,250	6,298	48
Bad Debt Provision	300	300	0
Rough Sleepers Initiative	1,215	1,140	(74)
Other Expenditure (incl. Legal Fees & Families in Housing Need)	1,248	1,247	(1)
Total Expenditure	**20,103**	**34,274**	**14,170**
Grant (Homelessness Prevention Grant & Rough Sleepers Initiative)	(10,223)	(10,223)	0
Other Income	(656)	(93)	562
Reserves (Homelessness & Families in Housing Need)	(694)	(694)	0
Total Income	**(11,572)**	**(11,010)**	**562**
Under/overspend	**8,531**	**23,264**	**14,733**
Other HGF			
Travellers	(84)	(91)	(6)
Solar Panels	154	293	139
Recharges	724	724	0
HGF Dwellings	(100)	(100)	0
Other HGF Services incl. staff costs (Housing Strategy & ICT)	829	854	25
Total HGF	**10,053**	**24,944**	**14,891**

3.38. Whilst the increase in the number of households stabilised during April and May, there was an increase of 30 households in the first few weeks of June and the expectation is that this level of increase is likely to continue throughout the remaining year. The impact on costs compared to 2024/25 has been mitigated by commercial hotels no longer being used.

3.39. Outside of temporary accommodation, the forecast for Solar Panels is reporting an overspend of £0.139 million for repairs & maintenance. This reflects the new requirement for annual maintenance checks.

Neighbourhood and Environment Directorate (NED)

3.40. NED are forecasting a net nil variance against an overall budget of £34,022 million.

Neighbourhood and Environment Directorate	Latest Budget	Projected Outturn	Variance from Budget
	£'000	£'000	£'000
Climate and Behaviour Change	765	765	0
Community Safety and Resilience Division	3,373	3,373	0
Neighbourhoods	27,287	27,287	0
Regulatory and Contingency Planning	2,597	2,597	0
Total	**34,022**	**34,022**	**0**

Regulatory and Contingency Planning Division

3.41. Regulatory and Contingency Planning Services are forecasting to break even at month 3.

3.42. Private Sector Housing and Licensing, a profile mapping licensing income has been created utilising data around the expected number of new applications each month as previous licences expire and an assumption that licence applications will be determined (and Part B fee paid) within 6 months. The financial assumptions underpinning the scheme are for the scheme to break even over its 5 year life, with most licensing income expected in years 2 and 3 (2026/27 and 2027/28). It is predicted that there could be a funding gap of approximately £0.600 million in the current financial year, which will offset in future years. The performance of the scheme will be monitored, in particular in quarter 3 and 4 and the annual income budget reprofiled to reflect the updated income forecast for the scheme and manage any funding gaps or surpluses in-year.

Resources Directorate

3.43. The Resources Directorate is currently predicting a net break even position, the budgets and forecast are inclusive of £1.738 million of budget savings approved as part of the 2025-26 budget.

Resources	Latest Budget	Projected Outturn	Variance from budget
	£'000	£'000	£'000
Strategic Director of Resources	12	12	0
Financial Services	380	380	0
Governance and Law	1,390	1,384	(6)
Internal Audit and Anti-Fraud	(342)	(343)	(1)
Revenues and Benefits	3,974	3,981	7
Return on Investment	(293)	(293)	0
Treasury and Pensions	169	169	0
Total	**5,290**	**5,290**	**0**

3.44. There are some risks around staffing costs particularly in Financial Services, Internal Audit and Anti-fraud and Revenues and Benefits however the services are reviewing management actions to mitigate this risk. Some of the in-year savings are delayed but alternative in year savings have been found to ensure the delays do have any in year impact.

The Housing Revenue Account (HRA)

3.45. A balanced position is forecast for the Housing Revenue Account. Income is forecast to exceed the budget by £2.737 million, of which rents are forecast to exceed budget by £0.621 million and Leaseholder and tenant service charge income is based on expected billings and are forecast to exceed budget by £1.895 million.

3.46. Operating costs are forecast to overspend by £0.606 million. Repairs and Maintenance is reporting an overspend of £1.141 million due mainly to the on-going pressure from settling legal disrepair claims. These costs have been forecasted to reflect last year's spend, showing an overspend of £1.109 million. Although average costs for the first three months of the financial year are slightly above the average for 2024/25, substantial improvement works to properties are being carried out that should mitigate exposure to increased costs in future months.

3.47. There is a forecast underspend of £1.010 million within Specialist Services, mainly due to reduced gas and electricity costs following the re-negotiation of the contract in 2024/25.

3.48. Supervision and Management reported an overspend of £0.392 million. The forecast for the ongoing use of commercial hotels for decants is based on levels of usage experienced in 2024/25 with an overspend of £0.150 million. The forecast also includes an overspend of £0.165 million for unbudgeted membership fees for the Regulator of Social Housing and the increased cost of the Housing Ombudsman Service and other subscriptions.

	Budget 2025/26	**Month 3 Forecast 2025/26**	**Variance from Budget 2025/26**
	£000s	**£000s**	**£000s**
Income			
Dwelling Rents	(71,499)	(72,121)	(621)
Non-Dwelling Rents	(732)	(938)	(206)
Tenant Service Charges	(6,982)	(7,793)	(811)
Leaseholder Service Charges	(3,119)	(4,203)	(1,084)
Other Charges for Services and Facilities	(275)	(289)	(15)
Total Income	**(82,607)**	**(85,343)**	**(2,737)**
Expenditure			
Repairs and Maintenance	15,891	17,033	1,141
Special Services	9,350	8,366	(985)
Supervision & Management	23,591	23,983	392
Rents, Rates, Taxes & Other Charges	1,003	1,060	57
Provision for Bad Debts	583	583	0
Cost of Capital	14,964	14,964	0
Depreciation	14,104	14,104	0
Total Expenditure	**79,487**	**80,092**	**606**
Net cost of Service	**(3,120)**	**(5,251)**	(2,131)

RCCO	2,000	2,000	0
Contribution to/(from) Reserves	1,120	3,251	2,131
HRA Surplus/Deficit	**0**	**0**	**0**

The Dedicated Schools Grant (DSG)

3.49. The DSG nets to nil in the general fund revenue account as any surpluses or deficits are carried forward on the Balance Sheet. The overall forecast deficit is £7.604 million in year, taking the total DSG deficit to £12.983 million. However, surpluses in the early years, schools and central schools block are masking the material deficit in the high needs block of £16.476 million. The breakdown of the DSG across funding blocks is shown in the following table:

DSG Month 3	25/26 DSG allocation	25/26 Forecast Spend	In-year surplus/ (deficit)	Cumulative surplus/ (deficit) at 1.4.25	Cumulative surplus/ (deficit) 31.3.26
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Schools	253,854	253,854	-	1,041	1,041
High Needs	62,376	68,980	(7,604)	(8,872)	(16,476)
CSSB	1,687	1,687	-	0,062	0,062
Early Years	46,322	46,322	-	2,390	2,390
Total	**364,238**	**371,843**	**(7,604)**	**(5,379)**	**(12.983)**

3.50. The balance on the school's block is due to a timing lag on variances from the previous year and timing of submitting the schools' budget to the DfE. This will be factored into formulae setting for 2026/27. Schools block funding is forecast as net nil as the expenditure is mainly formula driven on known data.

3.51. Central School Services block is forecast at net nil as the expenditure is mainly fixed with few risks.

3.52. The Early Years block is forecast net nil at this time as the outturn is dependent on actual in year delivery of Early Years provision / take up and adjustments made by the DfE in July each year. In previous years Early Years has been underspent, so there is an opportunity that this may continue in 2025/26, however, similarly, to last year this could be used offset Early Years High Needs expenditure within the High Needs Block reducing the in-year deficit.

3.53. The High Needs Block forecast is a deficit of £7.604 million due to expected increase in demand, complexity and cost pressures linked to the increasing number of EHCP's.

3.54. In line with national pressures, the high needs block continues to experience pressures as demand and cost increases will far exceed the additional funding received for 2025/26. Across our local schools, year on year growth in EHCPs was 12% (from 2,309 to 2,579), with costs also increasing due to complexity. Across independent schools and other provision, costs increased by 24%. Post 16 spend also increased by 25%. It is expected the trend of increased cost and provision will continue for 2025/26.

3.55. High level modelling of the high needs block has been undertaken, based on recent funding increases and demand growth. The estimated deficit on the high needs block is to increase to £54.3m at 2029/30. Currently there is a statutory override in place, meaning Councils can carry forward “negative DSG reserves” and this does not impact the Council’s bottom line (other than cost of financing the deficit / cashflow), however this is currently due to end in March 2028.

Council Tax and Business Rates

Council Tax

3.56. The table below summarises the council tax collection rates. The current collection rate of 27.8%, is 0.25% lower than this time last year and 0.23% lower than the target for this year. Work is ongoing to increase rates of collection and tackle outstanding council tax income.

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
In year	%	%	%	%	%	%	%	%	%
17/18	96.1								
18/19	97.3	96.0							
19/20	97.8	97.1	95.8						
20/21	98.0	97.5	96.5	93.8					
21/22	98.2	97.8	97.2	96.2	94.9				
22/23	98.4	98.0	97.5	96.7	96.3	95.3			
23/24	98.6	98.3	97.8	97.3	96.9	96.5	95.2		
24/25	98.8	98.4	97.9	97.6	97.4	97.3	96.6	95.0	
25/26	98.8	98.5	98.0	97.7	97.5	97.4	96.7	95.4	27.8

Business Rates

3.57. The table below summarises the collection rate trend for Business Rates. The current collection rate is 29.51% which is approximately 0.08% higher than this time last year and 1.05% higher than the target for this year.

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
In year	%	%	%	%	%	%	%	%	%
17/18	97.5								
18/19	97.7	97.0							
19/20	98.4	97.6	96.0						
20/21	98.0	97.2	95.3	78.7					
21/22	98.5	98.0	96.8	91.0	91.5				
22/23	98.8	98.6	97.7	94.9	95.7	95.1			
23/24	99.0	98.8	98.1	95.7	96.6	96.6	93.5		
24/25	99.1	99.0	98.4	96.7	97.3	97.6	97.4	95.7	
25/26	99.1	99.0	98.4	96.7	97.3	97.6	97.6	96.3	28.5

4. Options & Alternatives Considered

4.1. Much of this report is concerned with provision of information, for which alternative options is not a relevant consideration.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

5.1. The entire content of this report contributes to the corporate priority to Achieve Excellence and Ensure Value for Money.

6. Consultation

6.1. Meetings were held between Budget Holders and Finance colleagues and much of the narrative for this report was provided by the relevant Service leads.

7. Implications

7.1. Finance, Value for Money and Risk

7.1.1. The whole report is of a financial nature. The key purpose of the report is to monitor the Council's overall financial performance against assumptions contained in the MTFS. To maintain the robustness of the Council's finances and budget plans, effective budgetary control by services will continue to be essential and will help the Council to maximise the resources available to meet its priorities.

7.1.2. In the current global landscape, the risks associated with international conflicts have become increasingly pronounced. Geopolitical tensions in various regions have the potential to disrupt global supply chains, impact energy prices, and create economic instability and have significant economic repercussions that can affect local economies. Locally, the UK faces its own set of economic challenges and inflation rates have been persistently high, driven by increased energy costs and supply chain disruptions. The cost-of-living crisis continues to strain household budgets, with many families struggling to meet their basic needs. The potential impact of local government funding reform also represents a risk to the level of funding received locally.

7.1.3. Given these risks and the estimated and potential financial exposure, the Council must have due regard to Section 114 of the Local Government Act 1988. The Section 114 powers of the chief finance officer (CFO) under the Local Government Finance Act 1988 require the CFO, in consultation with the Council's monitoring officer, to report to all the authority's members if there is, or is likely to be, an unbalanced budget. It remains a priority that the Council achieves a balanced budget that is sustainable for each financial year over the medium-term financial strategy period. Where there are significant pressures, it is expected to be mitigated by directorates in line with the ground rules for financial control. The current MTFS including reserves – means that Section 114 is unlikely to be needed in the current year. If the pressures are established to be on-going, they will need to be picked up in the MTFS refresh and potentially could result in a budget gap that would need to be resolved through the use of reserves or savings. Therefore, it is important that all services tightly control their budgets and bring forward surpluses or efficiencies if possible.

7.1.4. Many of these pressures relate to demand led services. There is a risk for years that these costs become on-going and put pressure on the MTFS. Therefore, it is essential that Strategic Directors manage this risk by exploring changes to service delivery that will reduce demand pressures in future and efficiently manage the pressures that we are experiencing (both cost and volume) to protect the provision of services generally.

7.2. **Legal**

7.3. There are no direct legal implications

7.4. **Equalities and Diversity**

7.5. An initial equality analysis was undertaken, and it determined there was no negative impact arising from the information or changes proposed in this report on the advancement of equality. The support of No Recourse to Public Funds clients are areas that continue to contribute to the Council's commitment to protecting the most vulnerable and help meet the equality duty.

7.6. **Sustainability (including climate change, health, crime and disorder)**

7.7. A stable financial position means that the Council is more able to fund urgent health priorities as they arise. Services to older people experienced pressures and needed careful management.

7.8. **Council Infrastructure**

7.9. There are no direct council infrastructure implications.

Background Information (as defined by Local Government (Access to Information) Act 1985)

None