

Report subject	Council Budget Monitoring 2025/26 at Quarter One
Meeting date	1 October 2025
Status	Public Report
Executive summary	<p>This report provides the quarter one 2025/26 projected financial outturn information for the general fund, capital programme, housing revenue account (HRA) and Dedicated Schools Grant (DSG).</p> <p>The quarter one position reflects the increasing financial challenges facing local government around social care for both adults and children and in making provision for a growing number of children and young adults with special education needs and disabilities (SEND).</p> <p>The forecast revenue outturn is indicating a £3.7m overspend but officers are continuing to seek mitigations to deliver a balanced budget by the year end.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ul style="list-style-type: none"> A. Note the budget monitoring position for quarter one 2025/26. B. Agree the capital budget virements set out in appendix C1 paragraph 2, relating to schemes funded by the bus service improvement grant and the local transport plan funding. C. Approves the implementation of a freeze on all non-essential expenditure and a vacancy freeze from 1 October 2025 and until such time as the Corporate Management Board have provided Cabinet Members with assurance the forecast outturn for 2025/26 is within the parameters of the approved 2025/26 budget. Officers should also consider the extent to which savings plans can be brought forward from 2026/27.
Reason for recommendations	<p>To comply with accounting codes of practice and best practice which requires councils to regularly monitor the annual budget position and take any action to support the sustainability of the council's financial position.</p> <p>To comply with the council's financial regulation concerning approval for budget virements.</p>

Portfolio Holder(s):	Cllr Mike Cox, Finance
Corporate Director	Aidan Dunn, Chief Executive
Report Authors	Adam Richens, Director of Finance and Chief Finance Officer adam.richens@bcpcouncil.gov.uk Nicola Webb, Assistant Chief Finance Officer nicola.webb@bcpcouncil.gov.uk Matthew Filmer, Assistant Chief Finance officer matthew.filmer@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Decision

Background

1. In February 2025 Council agreed the 2025/26 annual general fund net revenue budget of £356m, and a capital programme of £136m. The revenue budget included delivery of £9.6m of itemised service and transformation savings. Budgets were also agreed for the ring-fenced housing revenue account (HRA) and Dedicated School Grant for school funding.

Revenue Outturn Projection 2025/26 at Quarter One

2. The council is projecting an overspend at outturn of £3.7m after releasing the £2.8m general contingency in full. There is no specific contingency this year to counter non-delivery of programmed savings.
3. A summary of the year end projection is included in the table below. The table summarises the total variances by directorate and includes the impact of the savings not expected to be delivered by the year end. The detail of savings is considered further in the next section of the report.

Table 1: Summary projected outturn as at quarter one

	Outturn Forecast at Quarter One					
Corporate Directorate	Gross Budget £000's	Net Budget £000's	Outturn £000's	Total Variance £000's	Savings undelivered £000's	Other Variances £000's
Wellbeing	331,987	138,567	141,019	2,452	0	2,452
Children	131,416	98,845	100,519	1,674	0	1,674
Operations	183,570	58,042	59,457	1,415	871	544
Resources	57,639	49,393	49,593	200	0	200
Central	34,325	11,015	8,953	(2,062)	n/a	(2,062)
Funding		(355,863)	(355,863)	0	n/a	
Total	738,937	0	3,678	3,678	871	2,808

4. Pressures have been identified across all corporate directorate areas with some offset from the centrally held general contingency. In Wellbeing and Children's Services the growth in demand from vulnerable adults and children is more than the increases provided in the budget.

5. Within operations services the main pressures are from reduced planning income (continuing the trend from last year), additional employee costs in waste collection services and emergency repair and cleaning costs in facilities management.
6. Appendix A1 provides the detail and reasons for the main projected budget variances in each service area.
7. Appendix A2 provides a summary revenue outturn statement.
8. Appendix A4 provides reports from service directors considering mitigations to bring their budgets back into balance.

Savings Monitoring 2025/26

9. Delivery of budgeted savings of £9.6m is an important part of a balanced in-year position and a sustainable medium term financial plan (MTFP). The table below provides the progress of savings from service reductions, additional resources, transformation and efficiency programmes with 91% projected at quarter one to be delivered by the year end. Amounts not expected to be delivered are included in the budget variances in Appendix A1.

Table 2: Summary of progress in savings delivery 2025/26.

2025/26 Savings by Directorate	Council Approved Savings £000s	Forecast Savings £000s	Forecast Savings Shortfall £000's
Wellbeing Directorate	(2,759)	(2,759)	0
Children's Services Directorate	0	0	0
Operations Directorate	(3,259)	(2,388)	871
Resources Directorate	(664)	(664)	0
Total general service-based savings	(6,682)	(5,811)	871
Wellbeing Directorate	(1,610)	(1,610)	0
Children's Services Directorate	(576)	(576)	0
Operations Directorate	(140)	(140)	0
Resources Directorate	(559)	(559)	0
Total transformation/efficiencies savings	(2,885)	(2,885)	0
Total service-based savings	(9,567)	(8,696)	871

10. Although the savings shortfall in Operations is estimated at £0.87m, some savings forecast to be delivered relate to activity to be undertaken later in the year with it too early to establish the outcome with certainty. An amount of only £0.1m has been determined as definitely unachievable as the savings are dependent on events that will not now take place this year.
11. Appendix A3 provides a schedule of progress for revenue budget savings delivery at quarter one, with those risk-assessed and shown in blue already fully achieved at quarter one.

Reserves Monitoring for 31 March 2026

12. Table 3 below summarises the projected movement in reserves during the current financial year.

Table 3: Summary of projected movements in reserves

	Balance 1 April 2025	Balance 31 March 2026	Movement
	£m	£m	£m
Un-earmarked reserves	27.3	27.3	0
Earmarked reserves*	55.7	39.2	16.5
Total reserves	83.0	66.5	16.5

These reserves do not include revenue reserves earmarked for capital, school balances or the negative DSG reserve.

13. The above table assumes that the mitigations to address the current projected overspend will be successful. This will need to be reviewed as part of future budget monitoring reports.
14. Earmarked reserves are those that have been set aside for specific purposes. The main movements in earmarked reserves include drawing down government grants in line with the latest profile of their application and progressing priority corporate projects.
15. Appendix B provides a summary of earmarked reserves projected for 31 March 2026.

Dedicated Schools Grant (DSG)

16. The ring-fenced DSG in 2025/26 was budgeted at £405m and is provided to fund early years providers, schools, a small range of central services and provision for pupils with high needs. The high needs funding within that total was £64.5m with expenditure budgeted to be approaching double. The impact of a funding gap of £57.5m was budgeted and included in the estimated accumulated deficit.
17. High needs funding has been reduced by £0.5m in-year to reflect the growth in the number of placements in the year since January 2024 for provisions hosted by the DfE. The adjustment is unusually high for 2025/26, reflecting the significant growth over 2024/25 in the number of children and adults up to age 25 in these provisions, with the number in specialist post-16 institutions doubling.
18. The final 2024/25 settlement for the DSG early years block to reflect the January 2025 census, was received in August. This provided an additional £1.9m compared with the estimated clawback in the year end accounts. This was mainly due to funded places for children aged under two being higher than estimated.
19. At quarter one an anticipated overspend of £11.1m in high needs expenditure is projected with an accumulated deficit at March 2026 of £180.5m.

Table 4: Summary position for dedicated schools grant

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2025	113.3
Prior year additional funding – early years	(1.9)
Budgeted high needs funding shortfall 2025/26	57.5
High needs funding reduction 2025/26	0.5
High needs projected overspend 2025/26	11.1
Projected accumulated deficit 31 March 2026	180.5

20. There are significant assumptions in the projection this early in the financial year with a significant lag in the data provided by the service. The number of education, health, and care plans (EHCPs) and average placement costs are both increasing ahead of budget with the impact of the special education needs improvement strategy and plan yet to change the trajectory of demand or reduce the average cost of provision.
21. National and local conversations are on-going with representatives of the DfE and MHCLG in seeking an immediate solution to the drain on cash flow and cash balances in funding the DSG shortfall. The impact of this is on general fund resources. The statutory override to prevent the deficit being considered against the council's reserves position has been extended to March 2028 but a longer-term solution to the problem is needed to prevent deficits continuing to rise nationally.
22. The council's DSG deficit management plan is in the process of being updated to reflect the most recent trends and any further actions to be implemented to make an impact in future years.

Capital Programme

23. The total resources for the 2025/26 capital investment programme have increased from the £136m agreed in February to £152m following £15m slippage reprofiled from 2024/25 and £0.52 million net in year movements. The bulk of the programme at £125m (82%) is within the Operations directorate mainly for highways and other transport improvements plus flood and coastal defence projects, seafront development and fleet replacement.
24. The majority (77%) of the annual programme is funded by grants with 15% by borrowing.
25. The total expenditure to date at quarter one is low at 5% (typically this has been circa 20%) but this does reflect some accruals made for expenditure in 2024/25 that have yet to be settled.
26. Appendix C provides monitoring information for the capital programme at quarter one. Appendix C1 at paragraph 2 includes the details of virements for Cabinet approval.

Housing Revenue Account (HRA)

27. The HRA is a separate account within the council that ring-fences the income and expenditure associated with the council's housing stock. The HRA does not therefore directly impact on the council's wider general fund budget.
28. The 2025/26 HRA budget was approved by Council in February 2025. It budgeted for total income of £58.5m for the year and a net surplus of £4.1m.

29. The forecast outturn for all categories of income and operating expenditure is broadly in line with budget but with a cumulative net overspend of £0.2m.
30. This is partially offset with a £0.15m favourable forecast for interest payable as HRA reserves at the start of the year were higher than expected when the budget was set resulting in lower borrowing costs for the year.
31. The net result is a transfer to HRA reserves £0.05m lower than budgeted.
32. The HRA capital programme for the year is £43.0m. The main elements of the programme are £25.2m of investments in new-build projects delivered as part of the council newbuild housing & acquisitions strategy (CNHAS) and £17.2m for planned maintenance.
33. The slippage from 2024/25 for the new build Hillbourne school development and Constitution Hill demolition works is expected to be incurred during the year in addition to the current year budgeted schemes.
34. The planned maintenance programme is forecast to be fully delivered by the year end.
35. Appendix D provides a summary of HRA budget monitoring for both the revenue and capital account at quarter one.

Scenarios

36. The projected outturn is prepared based on estimates and assumptions, with the mostly likely outcome included in budget monitoring reports.

Summary of financial implications

37. This is a financial report with budget implications a key feature of the above paragraphs.
38. The growing DSG deficit is a significant risk to the financial position of the council with the accumulated DSG deficit greater than the total of the council's earmarked and unearmarked reserves on 31 March 2025. The forecast that the in-year funding gap is continuing to grow will inevitably bring forward the date when the council exhausts its cashflow position which is currently providing the resources to cover the excess high needs budget related expenditure.

Summary of legal implications

39. The recommendations in this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current year and into the future.

Summary of human resources implications

40. There are no direct human resources implications from the recommendations in this report.

Summary of sustainability impact

41. There are no direct sustainability impacts from the recommendations in this report.

Summary of public health implications

42. The council is seeking to maintain appropriate services for the vulnerable as well as improve the sustainability of services important for the wellbeing of all residents.

Summary of equality implications

43. Budget holders are managing their budgets with due regard to equalities issues.

Summary of risk assessment

44. The projected outturn is prepared based on estimates and assumptions, including that mitigation plans for current general fund budget pressures will be successful. Budget monitoring corporately will continue to be reported quarterly to manage these variances and other significant issues emerging throughout the year.

45. The most significant risk to the council's financial sustainability continues to be the current level and growth of the accumulated deficit for the DSG. The annual funding gap will continue to grow unless current trends can be reversed. Central government will need to take action to address the national problem but in the meantime the council must continue to take steps to minimise the financial problem as far as possible.

Background papers

46. The link to the budget papers at February Council for 2025/26 is below:

[Welcome to BCP Council | BCP](#)

Appendices

Appendix A	A1 Revenue Projected Budget Variances by Service Area 2025/26
	A2 Revenue Outturn Summary 2025/26
	A3 Revenue Savings Monitoring 2025/26
	A4 Service Budget Recovery Plans 2025/26
Appendix B	Earmarked Reserves Projection for 31 March 26
Appendix C	Capital Programme Monitoring 2025/26
Appendix D	HRA Projected Outturn 2025/26