

CABINET



Report subject	Financial Outturn 2025/26
Meeting date	24 June 2026
Status	Public Report
Executive summary	<p>The report presents the revenue and capital budget outturn, reserves position, dedicated schools grant outturn, housing revenue account, and results of council company and partner organisations for the financial year 2025/26.</p> <p>The 2025/26 general fund revenue outturn of £4.6m is in line with the quarter three forecast and confirms that demand-led social care services remain the council's most significant financial challenge. This is particularly within children's services which overall has overspent by (£9.1m), being 9% of the service's budget. Planned investment and mitigation for 2026/27 will be critical to improving resilience and bringing these pressures under control.</p> <p>Pressures across the main service areas were partly offset by underspends in Resources and corporate budgets.</p> <p>Included in the budget were itemised savings of £9.6m with 91% achieved through service transformation, third party spend reduction, staff savings and raising additional income.</p> <p>The transformation programmes over the last six years have been crucial in reducing annual ongoing expenditure with cumulative revenue savings of £56m over this period from one off investments of £45m to date.</p> <p>The accumulated deficit of £180m for the dedicated schools grant at 31 March 2026 remains a significant threat to the council's financial stability. Expenditure will continue to outstrip funding by an estimated further £200m over the next two financial years. The required SEND reform plan has been developed and if approved, central government could provide an estimated 90% contribution toward this deficit. This would still leave the council with a residual debt to fund of £38m.</p> <p>Delivery of the £100m general fund capital programme was 60% spent by the year end, largely funded by government grant, with the balance carried forward into future years.</p>

Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> 1. Note the final outturn position for 2025/26. 2. Agree the general fund capital virements set out in paragraph 2 of appendix C1. 3. Agree the acceptance of capital grant for the HRA as set out in paragraph 20 of appendix D.
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 regulations regarding capital virements and acceptance of grants.</p>
Portfolio Holder(s):	Cllr Mike Cox, Finance
Corporate Director	Aidan Dunn, Chief Executive
Report Authors	<p>Matthew Filmer, Interim Director of Finance and Chief Finance Officer</p> <p>Nicola Webb, Assistant Chief Finance Officer</p> <p>Anna Fresolone, Interim Assistant Chief Finance Officer</p>
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.
2. Services have been expected to deliver balanced budgets by finding mitigations to budget pressures, with this aided by the expenditure control measures that have been in place across the council during the year.
3. At quarter three, the forecast revenue outturn was a £4.6m overspend with senior officers, budget holders, and portfolio holders encouraged to take all reasonable steps to reduce the forecast overspend in the final quarter of the financial year.
4. The budget and medium-term financial plan (MTFP) report to Council on 11 February 2026, proposed to fund the overspend from the one-off additional business rates resources available in 2026/27. These resources became available following a fundamental review of the council's collection fund and the approach recognises that some of the previously assumed use of these funds have been profiled into the next financial year.

5. The report noted that as a matter of principle should any improvement be delivered in the final quarter then consideration will be given to:
 - a. Further supporting unearmarked reserves and improving the financial health of the council which has been impeded by the 2025/26 overspend.
 - b. Ensuring that the council can continue to fund its regeneration service after 31 March 2027.
 - c. Making voluntary repayments of debt, as recognised in the Treasury Management Strategy.

Revenue Outturn 2025/26

6. The final revenue outturn for 2025/26 is a £4.6m overspend as forecast at quarter three and allowed for in the budget for 2026/27. A summary of the outturn is below in Table 1:

Table 1: Summary General Fund Outturn 2025/26

Quarter 3		Outturn Budget Position					
Variance Forecast £000's	Corporate Directorate	Gross Budget £000's	Net Budget £000's	Outturn £000's	Total Variance £000's	Savings undelivered £000's	Other Variance s £000's
2,826	Wellbeing	338,462	137,643	140,880	3,237	40	3,197
5,110	Children	130,801	100,303	109,414	9,111	0	9,111
608	Operations	187,928	60,402	62,199	1,797	796	1,001
(881)	Resources	59,124	50,938	48,973	(1,965)	0	(1,965)
(3,090)	Central		11,552	5,264	(6,288)	0	(6,288)
0	Funding		(360,838)	(362,156)	(1,317)	0	(1,317)
4,573	Total		0	4,574	4,574	836	3,738

7. The overall council financial position remains under significant pressure, driven mainly by on-going increases in demand from demand-led social care services.
8. **Children's Services** has the most significant financial pressures, closing the year with a £9.1m overspend, which is £4m more than quarter three. This is mainly due to continued growth in the number and cost of children's social care placements. A £7m growth allocation has been built into the 2026/27 budget to cater for some extra demand. An invest-to-save programme was agreed by Cabinet in April 2026 aiming to deliver some savings in-year, growing to £2m by the end of 2027/28 through improving demand management and long-term service sustainability.
9. **Wellbeing** overspent by £3.2m (2.4%), with the primary driver being adult social care, which ended the year with a £4.8m overspend with some mitigation through commissioning from contract reviews, block bed reconfiguration, vacancy control and agency spending restraint. Pressures in adult social care are overwhelmingly demand-led, especially for those aged 65+ needing care home placements, high-cost learning disability/autism placements and increased domiciliary care hours. These pressures were only partly offset by higher client contributions, extra health funding, and staffing underspends.

10. **Operations** overspent by £1.8m (3%), largely from lower parking income, which worsened significantly in the final quarter. Some services performed better than expected and helped offset pressures. The most significant is Environment with a £1.0m underspend. However, Planning & Transport overspent by £0.7m, mainly due to reduced planning income and rising concessionary fares costs.
11. **Resources** underspent by £2.0m, mainly due to vacancy management, one-off funding, expenditure controls and strong underspends in IT & Programmes (£1.2m), People & Culture (£0.7m) and Finance/Estates/Benefits (£0.5m).
12. **Central budgets and funding changes** delivered a combined £7.6m underspend, driven by lower debt repayments, better treasury management and stronger business rates performance, plus unused contingency to support service overspends. The expenditure includes £4.7m transferred to reserves to support corporate maintenance priorities. Further details are included within the Medium-Term Financial Plan report on the meeting agenda.
13. Appendix A1 provides the detail and reasons for the main projected budget variances in each service area.
14. Appendix A2 provides a summary revenue outturn statement.

Savings Monitoring 2025/26

15. Savings delivered at outturn are £8.7m (91% of budget), a similar level as reported throughout the year. The final position is summarised below. The impact of savings not delivered during the year is included in the budget variances in Appendix A1.

Table 2: Summary of savings delivery 2025/26

2025/26 Savings by Directorate	Council Approved Savings £000s	Outturn Savings £000s	Savings Shortfall £000's
Wellbeing Directorate	(2,759)	(2,759)	0
Children's Services Directorate	0	0	0
Operations Directorate	(3,259)	(2,463)	796
Resources Directorate	(664)	(664)	0
Total general service-based savings	(6,682)	(5,886)	796
Wellbeing Directorate	(1,610)	(1,570)	40
Children's Services Directorate	(576)	(576)	0
Operations Directorate	(140)	(140)	0
Resources Directorate	(559)	(559)	0
Total transformation/efficiencies savings	(2,885)	(2,845)	40
Total service - based savings	(9,567)	(8,731)	836

16. Although Wellbeing and Children's are reporting overspends overall, individual programmed savings for specific budget items have been met. As an example, within children's services, savings have been met in full due to staff reductions in specific areas from the new operating model. Other savings have been achieved through the new process for proactive management of existing contracts and placement reviews.
17. The undelivered saving in Wellbeing is within adult social care costs from the pan-Dorset project with the NHS (FutureCare programme). Savings have been achieved across partners from external consultancy with the BCP shortfall expected to be delivered in 2026/27 along with further programmed savings.

18. The savings not delivered across Operations include reduced income from seafront activities (due to the cliff slip), delays to carparking changes, (due to resources diverted to the PCN trial), and lower planning income as agreement of the local plan has been delayed. The main cost savings not achieved are from the planned creation of community service hubs. Non-delivery of savings was identified early in the year with future year budgets updated for any considered ultimately unachievable.
19. Appendix A3 provides a schedule of final savings delivery for 2025/26 for each service area with explanations for non-delivery and future budget expectations.

Transformation

20. Since the start of the council transformation programme in 2020/21 to the end of 2025/26 net revenue savings of almost £54m have been achieved from a total one-off investment of £41m.
21. The separate service investment programmes within adult social care and children's services are also delivering annual savings. At the end of March 2026, £2.3m of ongoing savings have been delivered from expenditure incurred of £3.9m.
22. Appendix A4 provides details of the transformation programmes and funding through the agreed flexible use of capital receipts (FUCR) policy.

Reserves Monitoring for 31 March 2026

23. Earmarked reserves are those set aside for specific purposes.
24. Table 3 below summarises the movement in reserves during the current financial year.

Table 3: Summary of movements in reserves

	Balance 1 April 2025	Balance 31 March 2026	Movement
	£m	£m	£m
Un-earmarked reserves	27.3	29.3	2.0
Earmarked reserves*	55.7	48.8	(6.9)
Total reserves	83.0	78.1	(4.9)

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

25. Unearmarked reserves have increased by £2m from a transfer from the transition and transformation earmarked reserve which is no longer required.
26. The main other movements in earmarked reserves include the drawdown to cover the £4.6m overspend for the year, as agreed at Cabinet in February 2026, and progressing corporate priorities and transformation. Additions to earmarked reserves include planning related (£0.7m) and corporate maintenance (£5.5m) and a net increase for grants carried forward of (£0.6m).
27. The higher earmarked reserves at outturn of £48.8m compared with quarter three (£32.5m) is largely due to more grants being carried forward into 2026/27 than had been expected and funding set aside for corporate maintenance.
28. Appendix B provides a summary of the actual earmarked reserves position as of 31 March 2026.

Dedicated Schools Grant (DSG)

29. 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 projected to be approaching double. A funding gap of £57.5m was budgeted and included in the estimated accumulated deficit for March 2026.
30. 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.
31. The final 2024/25 settlement for the DSG early years block to reflect the January 2025 census, was received in August 2025. 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.
32. At quarter three, the in-year deficit was projected at £70.3 with the cumulative deficit at £183.6m. The outturn position is an improvement in this position as presented in the table below:

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 overspend 2025-26	13.5
Other block underspends	(3.1)
Projected accumulated deficit 31 March 2026	179.8

33. The final Local Government finance settlements for 2026/27 included the details of government financial support available for the historic and still accruing DSG deficit up to March 2028. This included:
 - a. A new high needs stability grant, to cover 90% of the deficit as at the 31 March 2026. This grant is subject to the council securing government approval for a local SEND reform plan. This plan is to reflect the aspirations in the February 2026 Schools White Paper with submission required in June. If agreement is reached the grant will be paid during the autumn of 2026. It will be applied to the above accumulated deficit balance at 31 March 2026.
 - b. There is an expectation that similar support will be given for further deficits that will arise in 2026/27 and 2027/28, although it was recognised that this support would not be unlimited.
34. The current accounting statutory override, which requires the council to hold a negative reserve (not normally permitted) for the DSG in its statutory accounts, will continue until the 31 March 2028.
35. The government has indicated that there should not be further deficits beyond March 2028 because from 2028/29, funding to councils for SEND will increase to fully fund expected expenditure levels. Details are to be confirmed in the 2027 Spending Review for financial year 2028/29.

Capital Investment Programme (CIP)

36. The total resources for the 2025/26 capital investment programme changed during the year from the £136m agreed in February 2025 to £100m by the year end. It was increased due to slippage from 2024/25 and as new projects were added but then reduced as schemes were removed from the programme or expenditure was profiled into future years.
37. Delivery of the programme was £60m, being 60% of the final annual programme, with the remaining £40m reprofiled into future years.
38. A major part of the programme is within operations at £85m with the largest budgets in commercial operations (65% spent), customer arts and property (75% spent) and environment (34% spent). Within environment the main slippage in spend was in fleet replacement and the play programme.
39. The majority of spend was covered by government grants of £49m (82%) with the balance by internal and other external sources.
40. Appendix C provides monitoring information for the capital programme with the details of the virement to be agreed by Cabinet summarised in paragraph 2 of Appendix C1. This approval is for the allocation of education SEND capital grant to clear the Linwood school remaining prudential borrowing repayments outstanding from prior years capital works of £0.5m.

Housing Revenue Account (HRA)

41. 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.
42. 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.
43. The overall net impact of variances resulted in a surplus for the year of £3.0m, £1.1m less than the original budgeted surplus.
44. Income was ahead of budget from dwelling rents and service charges.
45. Repairs & maintenance expenditure was ahead of budget due to the very high volumes of response repairs, damp and mould works, and the very cold and wet autumn and winter increased boiler and roofing repairs.
46. Net Interest charges are £0.9m lower than budget as reserves were higher than budgeted for the start of year reducing the need to borrow and higher interest earned on cash balances.
47. The forecast expenditure for the capital programme is ahead of budget by £2.2m as schemes have caught up on slippage brought forward in programmes from last year and additional spend was approved for major projects.
48. Appendix D provides a summary of HRA budget monitoring for both the revenue and capital account. The appendix at paragraph 20 includes a request for Cabinet to approve up to £0.975m of grant funding from the Warm Homes: Social Housing Fund to improve the energy efficiency of the Council's social housing stock, primarily through the installation of PV and batteries.

Companies and partner organisations

49. The financial sustainability of the council could be impacted by the performance of partners and subsidiaries in which it has a financial interest. Each of these entities has their own governance framework and arrangements for reporting their financial and operating performance.

50. Appendix E contains a summary of the outturns for partner and subsidiary organisations. It should be noted that these are provisional figures and are unapproved by the respective boards of directors and are also subject to audit.

Scenarios

51. The outturn includes some estimates and assumptions, with anticipated losses provided for where known and able to be estimated.

Summary of financial implications

52. This is a financial report with budget implications a key feature of the above paragraphs.

Summary of legal implications

53. 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

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

Summary of sustainability impact

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

Summary of public health implications

56. 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

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

Summary of risk assessment

58. The outturn is prepared based on the best estimates available to close the financial statements. Any variations to these will impact in the 2026/27 financial year.

Background papers

2. The link to the budget papers at February Council for 2025/26 is below:
[Welcome to BCP Council | BCP](#) item General Fund 111 and HRA 113
3. The link to the 2025/26 quarter three budget monitoring report is below:
[Welcome to BCP Council | BCP](#) item 117

Appendices

- Appendix A Revenue Outturn 2025/26
 - A1 Revenue Budget Variances by Service Area
 - A2 Revenue Outturn Summary
 - A3 Revenue Savings Monitoring
 - A4 Transformation Programme
- Appendix B Earmarked Reserves for 31 March 2026
- Appendix C Capital Programme Outturn 2025/26
 - C1 Summary Capital Programme Outturn and Narrative
 - C2 Capital Programme Project Detail
- Appendix D HRA Outturn 2025/26
- Appendix E Company Outturns 2025/26