CABINET

Report subject	**2026/27 Council Budget monitoring at quarter 1**
Meeting date	2 September 2026
Status	Public Report
Executive summary	At Quarter 1, the Council is forecasting significant pressures arising from Children's Services (£11.8m) and Adult Social Care (£8.3m) due to rising demand for care services, increasing placement costs. Pressures are also forecast in Operations (£6.8m). The total general fund forecasted overspend of £27m is of a level unseen at the Council and is real threat to the financial sustainability of the council. Actions to address the position are set out in the report. Delivery of the Council's £14.1m savings programme remains a challenge, with only £9.6m currently forecast to be achieved, resulting in a projected £4.5m shortfall. The Dedicated Schools Grant (DSG) deficit remains the Council's most significant financial risk, with the accumulated deficit forecast to increase to approximately £275.5m by March 2027. The Council is awaiting approval of its SEND Reform Plan, which would unlock Government support through a High Needs Stability Grant covering 90% of the historic deficit as of March 2026. The Capital Investment Programme has increased to £149m, with £11m (8%) spent by the end of Quarter 1. Major investment continues in flood defences, transport, fleet replacement and SEND provision. The Housing Revenue Account remains financially stable and is forecasting a £3.5m surplus. Overall, the Council faces significant financial pressures and savings delivery risks, requiring ongoing management and recovery actions during the remainder of 2026/27.
Recommendations	**It is RECOMMENDED that Cabinet:** **1. Note the quarter 1 position for 2026/27, actions taken by the S151 officer to date as well as the action plan being delivered by all directors.**

	2. Approve the general fund capital virement set out in paragraph 3 of appendix C1 (capital investment programme). **It is RECOMMENDED that Cabinet recommend to Council to:** **3. Note and approve the general fund capital virements set out in paragraphs 4, 5 and 6 of Appendix C1 (capital investment programme).** **4. Approve the general fund budget virement of £2.16m from the Housing budget to central contingency as set out in paragraph 37 a) of this report, to support the council budget pressures.** **5. Approve a temporary budget virement of £2.2m representing revenue budget for borrowing repayment not used in 2026/27 to central contingency as set out in paragraph 37 c) of this report, to support the council budget pressures.** **6. Approve the Pride in Place Programme – role of the council as accountable body recommendations set out in Appendix A5.** **7. Note the Community Infrastructure Levy (CIL) annual update in Appendix C4.**
Reason for recommendations	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. To comply with the council's financial regulations regarding capital virements, acceptance of grants and new borrowing.
Portfolio Holder(s):	Cllr Mike Cox, Finance
Corporate Director	Aidan Dunn, Chief Executive
Report Authors	Matthew Filmer, Interim Director of Finance and Chief Financial Officer Anna Fresolone, Interim Assistant Chief Financial Officer
Wards	Council-wide

Classification	For Decision

Background

1. In February 2026 Council agreed the 2026/27 annual net budget requirement of £452m, and a capital programme of £107m. The revenue budget included delivery of £14m 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 forecast 2026/27 at quarter one

2. The financial forecast set out in this report is of a scale unseen at BCP Council and is a real and significant threat to the council's financial sustainability. A overspend forecast of £27m has resulted in strong and swift action from the Council leadership to address the position. Without tangible reductions in forecasted spend the council will be unable to balance the position without significant use of reserves.
3. It should be noted that the council in 2026/27 is seeing a reduction in central government funding of 1%, which over the medium term will equate to a real term reduction of £15m.
4. A summary of the year end projections 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. The detail of the savings is considered further in the next section of the report.

Table 1: Summary General Fund forecast as at quarter one

Outturn forecast at quarter one						
Corporate Directorate	Gross Expenditure Budget £000's	Current Net Budget £000's	Forecast Outturn £000's	Forecast Variance £000's	Savings undelivered £000's	Other Variances £000's
Children	140,154	117,365	129,178	11,814	260	11,554
Wellbeing	351,855	198,618	206,945	8,327	167	8,160
Operations	187,978	57,124	63,889	6,765	3,194	3,571
Resources	58,142	50,105	50,187	82	0	82
Central		38,948	38,962	14	0	14
Funding		(462,160)	(462,160)	0	0	0
Total	**738,129**	**0**	**27,001**	**27,001**	**3,621**	**23,380**

5. The overall council financial position is under significant pressure with a projected £27m overspend, driven mainly by on-going increases in demand and placement cost from demand-led social care services, and income shortfall from car parks and seafront operations.

Children’s Services

6. Children’s Services is forecasting a £11.8m overspend (10%) at Quarter 1, which is £2.7m higher than the 2025/26 outturn despite a £9m budget increase. The main pressure is within Children’s Social Care, where a £15.4m overspend is forecast, driven primarily by rising numbers of children in care and increasing placement costs associated with more complex needs. The largest pressure relates to Children in Care and Care Experienced Young People, with a forecast overspend of £17.1m, reflecting significant growth in residential placements and other care package costs. Some of this pressure is offset by underspends in management, early help services and in-house fostering. Commissioning, Resources and Quality is forecasting a £0.6m underspend, largely due to lower in-house fostering costs, while Education and Skills is expected to break even overall despite a £0.5m SEND overspend, with favourable variances elsewhere offsetting this pressure.

Wellbeing

7. The Wellbeing Directorate is forecasting a £8.3m overspend (4.1%) in 2026/27, driven almost entirely by pressures within Adult Social Care. The main factors are rising demand and higher costs for care packages, particularly for older adults and people with learning disabilities, autism and complex needs, resulting in an £8.6m projected overspend in Adult Social Care services. Increased care home placements, higher domiciliary care demand, staffing pressures and challenges within the wider health and care system are contributing to the position. These pressures are partially offset by stronger client contribution income, NHS funding and a small underspend in Commissioning services. Housing & Public Protection and Public Health & Communities are both forecast to remain on budget, supported by grant funding and effective budget management.

Operations

8. The Operations Directorate is forecasting a £6.8m overspend (12%) at Quarter 1, driven primarily by a £4.4m shortfall in Commercial Operations income, particularly within Parking Services (£3.2m) and the Seafront (£1.1m). Parking income has fallen by around 7% against budget, compounded by delayed savings initiatives, higher business rates, maintenance and staffing costs. The Seafront is experiencing reduced customer spending across catering, beach huts, arcades and other attractions despite strong visitor numbers. Additional pressures are reported across Environment services, including staffing costs in waste and cleansing, business rate and contract cost increases in Strategic Waste, and rising vehicle maintenance costs within Transport and Operating Centres. Customer & Property Operations is forecasting a £1.7m overspend, mainly from Facilities Management, Engineering, Culture (due to delays in externalising the Russell-Cotes Museum), and Business Support staffing pressures. Planning & Transport is projecting a modest overspend driven largely by tree maintenance costs, while Investment & Development is expected to remain on budget.

Resources

9. The Resources Directorate is forecasting a relatively small £0.082m overspend (0.02%) at Quarter 1, indicating an overall position close to budget. Key pressures include reduced income and increased costs within Marketing,

Communications and Policy (£0.11m), Law and Governance (£0.055m) due to lower Land Charges income and higher election-related postage costs, and People and Culture (£0.027m) from staffing-related pressures. These are largely offset by a £0.11m underspend in Finance, Estates and Benefits, driven by staff vacancies. Executive Services and IT and Programmes are both forecasting balanced positions, with IT currently managing expected resourcing and service pressures within existing budgets. Overall, the directorate remains financially stable, with services actively monitoring and mitigating emerging budget pressures.

Central budgets and funding changes

10. Corporate Budgets are forecast to be broadly on budget, with a small £0.014m overspend. Key pressures from higher pay awards, housing benefit costs, vacant property costs and pension back-funding are largely offset by the release of contingency budgets, while council tax, business rates and government funding remain in line with budget.

11. Appendix A1 provides the detail and reasons for the main projected budget variances in each service area.

12. Appendix A2 provides a summary revenue outturn statement.

Savings Monitoring 2026/27

13. The 2026/27 Savings Tracker shown in Appendix A3 shows total approved savings and efficiencies of £14.1m, with current forecasts indicating delivery of £9.6m, resulting in an overall forecast shortfall of £4.5m.

Table 2: Summary of savings delivery 2026/27

2026/27 Savings by Directorate	Council Approved Savings £000s	Outturn Savings £000s	Savings Shortfall £000's
Wellbeing Directorate	(3,124)	(3,014)	110
Children's Services Directorate	(1,388)	(1,188)	200
Operations Directorate	(4,108)	(962)	3,146
Resources Directorate	(1,064)	(1,064)	0
Total general service-based savings	**(9,684)**	**(6,228)**	**3,456**
Wellbeing Directorate	(2,266)	(2,116)	150
Children's Services Directorate	(1,968)	(1,106)	862
Operations Directorate	(69)	21	48
Resources Directorate	(80)	80	0
Total transformation/efficiencies savings	**(4,383)**	**(3,323)**	**1,060**
Total service - based savings	**(14,067)**	**(9,551)**	**4,516**

14. The summary above shows the largest delivery risk sits within the Operations Directorate, which is forecast to achieve £1.0m of its £4.1m target, creating a £3.1m gap, largely due to unachieved parking-related savings, beach hut income proposals, and delayed operational changes.

15. Although Wellbeing and Children's Services are reporting overspends overall, they have relatively smaller shortfalls of £110k and £200k respectively in their general savings programme.

16. Overall, although many savings have been completed or remain on track, a significant number of amber and red-rated proposals, particularly within Operations and some transformation programmes, mean that achieving the full savings programme remains a key financial challenge for 2026/27.

Corporate Recovery Plan

17. The scale of the Council's forecast overspend in 2026/27 has required immediate intervention to strengthen financial control and protect the Council's financial resilience. In response, the Section 151 Officer has implemented a range of enhanced spend controls, moving the Council to a Red spend control environment.
18. The measures include tighter controls on recruitment, agency usage, overtime, procurement activity and discretionary expenditure, together with strengthened approval processes and increased corporate oversight of spending decisions. These actions are intended to reduce in-year expenditure growth, improve budgetary discipline and ensure that resources remain focused on statutory and essential service delivery.
19. Alongside these immediate controls, the Council has established a Corporate Financial Recovery Programme to identify and deliver sustainable improvements to the Council's financial position. The programme focuses on five priority themes. Further information on the recovery programme and governance arrangements is provided in Appendix A4.

Reserves Monitoring for Quarter one

20. Table 3 below summarises the movement in reserves during the current financial year. Earmarked reserves are those that have been set aside for specific purposes.

Table 3: Summary of forecast movements in reserves

	Balance 1 April 2026	Balance 31 March 2027	Movement
	£m	£m	£m
Un-earmarked reserves	29,343	29,343	0
Earmarked reserves*	48,770	42,171	6,598
Total reserves			

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

21. At Quarter 1, the Council's earmarked reserves are forecast to reduce from £48.8m to £42.2m, a planned decrease of £6.6m, reflecting the use of reserves to support Government grant programmes, corporate priorities, ICT improvements and financial sustainability initiatives.
22. Appendix B provides a summary of the actual earmarked reserves projected for 31 March 2027.

Dedicated Schools Grant (DSG)

23. The ring-fenced DSG in 2026/27 was budgeted at £521m 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 £68.4m with expenditure projected to be more than double. A funding gap of £95.7m was budgeted and included in the estimated accumulated deficit for March 2027.

24. At quarter one, the in-year deficit is currently projected to be £95.7m with the cumulative deficit at £275.5m. Current data suggests that there may be a favourable movement on this position, but it is known that a number of new placements are in the process of being agreed. This will continue to be monitored closely with an update expected at quarter two.

Table 4: Summary position for dedicated schools grant

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2026	**179.8**
Budgeted high needs funding shortfall 2026-27	95.7
Projected accumulated deficit 31 March 2027	**275.5**

25. 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. It was submitted to the government in June with the outcome awaited. If agreement is reached the grant will be paid during the autumn of 2026. It will be applied to the above accumulated deficit balance on 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.

26. 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.

27. 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)

28. Appendix C1 provides a Quarter 1 update on the General Fund Capital Investment Programme (CIP). The programme was originally approved at £107m in February 2026 and has increased to £149m following the carry-forward of approximately £39m of prior-year slippage and £3m of in-year changes. Capital expenditure at the end of Q1 totalled around £11m (8%) of the available budget. Major programme areas include flood and coastal defence works, seafront developments, transport infrastructure, fleet replacement, schools and SEND provision, housing adaptations, ICT investment, and community regeneration schemes.

29. The largest capital investment sits within Operations (£119.9m), including significant flood defence projects, seafront improvements, transport schemes, fleet replacement, and regeneration programmes such as the Towns Fund. Children's Services (£20m) remains focused on delivering the SEND Reform Plan and school condition improvements, while Wellbeing (£5.2m) supports disabled facilities, community services, and adult social care equipment provision. Executive & Resources (£4.2m) includes ICT investment and the acquisition of the Upton Country Park farm lease.

30. Overall, many programmes are at an early stage of delivery with relatively low expenditure in Q1, reflecting planned activity later in the financial year, particularly during summer and autumn periods when major construction and school-related works are scheduled to progress.

31. There are key decision in Appendix C1 requiring Cabinet and Council approvals. They include the reallocation of the local regeneration fund between seafront schemes with the Chief Executive urgent decision in appendix C3 and, the removal of a £856,000 underspend from the Canford Heath Infant and Junior SEND provision scheme. The funding will be returned to the uncommitted High Needs Grant budget for reallocation in support of the SEND Reform Plan.

32. Appendix C4 gives an update on the Community Infrastructure Levy (CIL) strategy approved in March 2025. Of the £29.3m priorities identified in the report, £18.8m (64.2%) is committed to date.

Housing Revenue Account (HRA)

33. 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.

34. The Housing Revenue Account (HRA), which manages around 9,600 council homes and is ring-fenced from the General Fund, is forecasting a £3.5m surplus at Quarter one, £0.34m better than the budgeted surplus of £3.2m. Income from rents and service charges is expected to achieve budget, while contributions to expenditure are forecast to be £0.2m higher than planned due to insurance recoveries and rechargeable repairs. Overall expenditure is slightly below budget, largely because of delays in recruiting the new compliance team, although these savings are partly offset by consultancy costs associated with implementing the new housing management system.

35. The HRA capital programme is forecast to spend £45.3m, £2.2m above the approved budget of £43.1m. This is mainly due to £4.5m of new-build housing expenditure being reprofiled from 2025/26 into 2026/27, particularly for the Hillbourne School and Hawkwood Road developments. Planned maintenance expenditure, covering works such as kitchen, bathroom and boiler replacements, is forecast to be lower than budget, partly offsetting the increase in new-build costs. Five development schemes are currently included in the programme, while no spending is currently expected on the budget set aside for purchasing existing homes.

36. Appendix D provides a summary of HRA budget monitoring for both the revenue and capital account.

General Fund revenue virements

37. In accordance with the council's financial regulations the following rules associated with capital virements apply (after advice from the Chief Finance Officer):
    • Virements over £1 million require prior Council approval.

    a) It is recommended that Cabinet recommend to Council to approve a budget virement of £2.16m from Housing and Communities budget to central contingency to support the council budget pressures.

    b) An assumption was made regarding grant reallocation as part of the provisional local government settlement for 2026/27. The final local government finance settlement provided additional £2.16m to Housing directly, therefore the additional funding is being moved back to central budgets to support the council position.

    c) It is recommended that Cabinet recommend to Council to approve a temporary budget virement of £2.2m to central contingency to support the council budget pressures. The amounts in the table below represent revenue budgets for borrowing repayment not used in 2026/27 due to capital programme slippage.

Revenue budgets to repay borrowing costs not used in 2026/27 due to capital spend slippage		**£**
WA0011	Fleet Costs	1,558,000
WA5000	Highway Operations	245,300
WC0400	Waste bins repalcement	96,100
RT0070	IT infrastructure	293,000
		2,192,400

    d) Borrowing repayment is charged to revenue in the financial year following the capital expenditure incurred. There has been substantial slippage in capital expenditure during 2025/26 resulting in a smaller borrowing repayment charge to the dedicated revenue budgets. The borrowing charges will catch up in future years when the reprofiled capital programme will be spent, therefore this virement can only be a temporary one year virement.

    e) Future reprofiling of the capital programme and resulting adjustment to the borrowing budgets will be dealt with within the Medium Term Financial Plan process.

New Funding

38. Boscombe West, Hamworthy West & Turlin Moor and West Howe neighbourhoods in BCP have been awarded Pride in Place Programme (PiPP) funding by MHCLG.

39. Each "neighbourhood" has been allocated up to £20 million over the next ten years, for communities to lead on developing and delivering on the things that most matter to them. Based on the acknowledged concept that communities are best placed to identify solutions to the things that matter to them, it places place

shaping, democracy and control right back in the heart of these communities through the development of a investment plan to make real change happen.

40. BCP Council's role is to be the Accountable Body for the funding and to support the development of neighbourhood boards with the local MP, to drive the programme forward. More detail of this award is available in Appendix A5.

Scenarios

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

Summary of financial implications

42. The Quarter 1 budget monitoring position indicates significant financial pressures for the Council during 2026/27, with a forecast General Fund overspend of £27.0m against the approved budget. The largest overspends are within Children's Services (£11.8m) and Wellbeing (£8.3m), driven by increasing demand and costs for children's social care placements and adult social care packages. A further £6.8m overspend is forecast within Operations, largely due to income shortfalls in Parking and Seafront services and the delayed delivery of planned savings.
43. The DSG remains the Council's biggest financial risk, with the accumulated deficit forecast to rise from £179.8m to £275.5m by March 2027 due to ongoing high needs SEND cost pressures. Substantial Government support is expected through the SEND Reform Plan and related funding arrangements. However, until high needs expenditure is brought closer to available funding, the DSG deficit will continue to grow and remains the most significant threat to the Council's long-term financial sustainability , whilst we wait for further SEND Funding reform to be confirmed in the 2027 Spending Review for financial year 2028/29.
44. Overall, the Quarter 1 position demonstrates that the Council remains under considerable financial pressure, with ongoing service demand and savings delivery challenges necessitating continued financial control, active budget recovery plans and close monitoring throughout the remainder of the financial year.

Summary of legal implications

45. 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

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

Summary of sustainability impact

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

Summary of public health implications

48. 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

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

Summary of risk assessment

50. The quarter one monitoring highlights a high financial risk position for the Council with a £27m general fund overspend.
51. 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.
52. The projected outturn is prepared based on estimates and assumptions. Overall, strong budget controls and recovery actions will be required throughout the year to improve the forecast position. Budget monitoring corporately will continue to be reported quarterly to manage variances and other significant issues emerging throughout the year.

Background papers

1. The link to the budget papers at February Council for 2026/26 is below:

   http://ced-pri-cms-02.ced.local/documents/g6659/Public%20reports%20pack%2011th-Feb-2026%2014.30%20Cabinet.pdf?T=10

Appendices

Appendix A	A1 Revenue Projected Budget Variances by Service Area 2026/27
	A2 Revenue Outturn Summary 2026/27
	A3 Revenue Savings Monitoring 2026/27
	A4 Corporate recovery plan
	A5 Pride in Place Programme – role of the council as accountable body
Appendix B	Earmarked Reserves Projection for 31 March 27
Appendix C	C1 Capital Programme Monitoring 2026/27
	C2 Capital Programme project list 2026/27
	C3 Officer Decision Record – Chief Executive urgent decision cliff stabilisation works
	C4 Community Infrastructure Levy (CIL) annual update
Appendix D	HRA Projected Outturn 2026/27