Brent	**Resources and Public Realm Scrutiny Committee** 29 July 2026
	Report from the Corporate Director, Finance and Resources
	Cllr Gwen Grahl - Deputy Leader and Cabinet Member for Finance and Resources

Budget Update: Financial Outturn 2025/26 Quarter 1 Financial Forecast 2026/27 Medium Term Financial Outlook

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Three Appendix 1: Financial Outturn 2025/26 Appendix 2: Quarter 1 Financial Forecast 2026/27 Appendix 2a: Savings 2026/27 Appendix 2b: Prudential Indicators Appendix 3: Medium Term Financial Outlook
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director of Finance & Resources Tel: 020 8937 4043 Email: Minesh.Patel@brent.gov.uk Rav Jassar, Deputy Director Corporate & Financial Planning Tel: 020 8937 1487 Email: Ravinder.Jassar@brent.gov.uk Amanda Healy, Deputy Director, Investment & Infrastructure Tel: 020 8937 5912 Email: Amanda.Healy@brent.gov.uk

1.0 **Purpose of the report**

1.1 This report provides an update on Brent's overall financial position by examining the financial outturn position for 2025/26, the Quarter 1 financial forecast for 2026/27 and the medium-term financial outlook, which is part of the committee's role in undertaking budget scrutiny throughout the year.

1.2 Taken together, the three reports provide a comprehensive view of Brent's financial position by explaining where the Council has come from (2025/26 Outturn), where it currently stands (Quarter 1 2026/27), and where it is heading (MTFS). This enables Scrutiny to assess financial performance, challenge assumptions, monitor delivery of savings, understand emerging risks and evaluate the sustainability of the Council's medium-term financial strategy.

2.0 Recommendation(s)

2.1 That the committee note the report.

3.0 Detail

3.1 **Contribution to Borough Plan Priorities & Strategic Context**

3.2 The Medium Term Financial Strategy provides a framework to invest in broader ambitions and long-term priorities such as the Borough Plan, the cost-of-living crisis and other future steps to ensure the Council continues to operate in a financially sustainable and resilient way as well as supporting residents in need.

4.0 Financial Outturn 2025/26

4.1 This report (attached in Appendix 1) sets out the outturn for income and expenditure versus the revenue budget and capital programme for 2025/26 and other key financial data. The General Fund recorded an overspend of £18.3m, representing an adverse movement of £5.8m compared with the Quarter 3 forecast reported to Cabinet in January 2026. This overspend has been funded from reserves earmarked to manage in-year pressures. The Dedicated Schools Grant overspent by £6.6m, which is £1.8m higher than the Quarter 3 forecast. The Housing Revenue Account reported a breakeven position. The capital programme delivered expenditure of £215.4m, equivalent to 65% of the revised budget. The 2025/26 revenue budget also incorporated £20.4m of savings agreed by Full Council in February 2025.

4.2 Overall, the General Fund overspend reflects continued and significant pressures in social care and homelessness services. Although the 2025/26 budget included growth to address rising demand and market driven cost increases, activity levels and complexity exceeded expectations, resulting in overspends in these demand led areas.

Service Reform and Strategy

4.3 The Service Reform and Strategy directorate reported a £8.3m overspend in 2025/26, driven predominantly by Adult Social Care and Strategic Commissioning. Adult Social Care overspent by £7.0m as a result of increasing demand, rising complexity of need, higher placement costs and market inflation, particularly within residential, nursing and supported living services. Strategic Commissioning overspent by £2.9m, largely due to higher than anticipated Extra Care placement costs and issues identified through a review of purchase order management. These pressures were partially offset by underspends in Communications, Insight and Innovation, the Change Programme and Integrated Care Partnerships.

Children, Young People and Community Development

4.4 The Children, Young People and Community Development directorate closed the year with a relatively small £0.4m overspend, significantly improved from the £2.1m forecast at Quarter 3. The main pressure remained children's social care placements, particularly residential and secure accommodation, where increasing complexity of need and high provider costs created a £2.4m overspend within Forward Planning, Performance and Partnerships. These pressures were largely mitigated by grant funding, vacancy savings and underspends across Early Help, Children with Disabilities, and Safeguarding and Quality Assurance services. The directorate delivered £3.9m of its £4.6m savings target, with the remaining savings expected to be delivered in 2026/27.

Residents and Housing Services

4.5 Residents and Housing Services reported the Council's largest departmental pressure, with an £11.7m overspend, entirely attributable to Housing Needs and Support. Demand for homelessness services continued to rise sharply during the year, with 8,795 homelessness applications received and the number of households in nightly paid temporary accommodation rising to 1,428 by April 2026. Rising temporary accommodation demand, increasing provider costs and a shortage of affordable private rented accommodation combined to drive expenditure significantly above budget. While the service continued to invest in prevention activity, temporary accommodation acquisition, leasing arrangements and homelessness reduction initiatives, these measures were insufficient to offset the scale of demand experienced during the year.

Dedicated Schools Grant (DSG)

4.6 The Dedicated Schools Grant recorded a £6.6m deficit in 2025/26, which was £1.8m higher than forecast at Quarter 3. The overspend was driven primarily by continuing pressures within the High Needs Block, reflecting increasing demand for SEND provision and the growing number and complexity of Education, Health and Care Plans (EHCPs). The DSG remains one of the Council's most significant financial risks, with expenditure growth continuing to outpace available funding and adding to the accumulated deficit position.

Housing Revenue Account (HRA)

4.7 The Housing Revenue Account achieved a broadly balanced position at year end, reporting a small operational underspend before adjustments and maintaining an overall breakeven position. Increased rental income and effective budget management helped offset pressures arising from repairs, maintenance and housing management services. The balanced outturn was achieved despite ongoing challenges associated with maintaining the Council's housing stock and increasing regulatory and compliance requirements within the housing sector.

Capital Programme

4.8 The Council delivered £209.8m of capital expenditure in 2025/26 against a revised budget of £328.9m, representing approximately 65% programme delivery. Significant investment continued across regeneration, housing, schools, infrastructure and public assets, including the completion of 543 new council homes. However, the programme reported £119.1m of underspending, largely due to project slippage and rephasing of expenditure across affordable housing, South Kilburn regeneration, corporate assets and housing schemes. Most of the variance is expected to be carried forward into future years to support continued delivery of the Council's major capital priorities.

5.0 Quarter 1 Forecast 2026/27

5.1 This report (attached in Appendix 2) sets out the financial forecast for the General Fund revenue budget, the Housing Revenue Account, the Dedicated Schools Grant and the Capital Programme, as at Quarter 1 2026/27.

5.2 There is a forecast overspend of £9.5m against the revenue budget at Quarter 1. Budget pressures also continue to be reported within the Housing Revenue Account (HRA). Although the new ten-year social rent settlement provides greater income certainty from 2026/27, increased demand and the rising cost of repairs and maintenance, now sharpened by new statutory obligations under Awaab's Law, together with the cost of addressing building-safety compliance following the Regulator's C3 judgement, mean that considerable savings and careful financial management remain necessary to maintain a balanced budget. The Dedicated Schools Grant is forecasting an in year overspend of £18.2m, which would increase the cumulative deficit to £38.4m by the end of the financial year. The Capital Programme is forecasting an outturn of £326.6m compared to a revised budget of £348.0m.

5.3 Despite the considerable efforts of the Council to manage its financial position, the operating environment remains volatile, with relatively small changes in demand often resulting in significant financial pressures. This is particularly the case in Children's Social Care, Adult Social Care and Housing Needs, where increases in demand, complexity and the cost of provision continue to place pressure on budgets. The Council is also managing the impact of sustained provider inflation, alongside the continuing effects of the cost-of-living crisis on both expenditure and income streams.

5.4 The most significant forecast pressure is within the Housing Needs and Support service, where rising levels of homelessness and a shortage of suitable temporary accommodation are forecast to result in an overspend of more than £9.5m.

5.5 In response to budget pressures experienced in recent years, the Council introduced a range of spending controls which successfully reduced expenditure and helped mitigate overspending. These measures included proactive vacancy management, tighter controls over agency expenditure and staff payments, and increased scrutiny of spending decisions across all directorates. These controls are now considered business as usual and have been embedded within the Council's day-to-day financial management arrangements to support effective budget control, financial resilience and sound decision-making.

5.6 However, spending controls alone are unlikely to be sufficient to mitigate the scale of the challenge. Therefore, with the exception of expenditure required to maintain health and safety, meet statutory obligations or fulfil contractual commitments, all other spending decisions will be subject to enhanced challenge and may be deferred where possible. Directorates will also be required to identify additional in-year savings, cost avoidance measures and opportunities to reduce expenditure wherever possible.

5.7 Progress against these actions, together with the financial impact achieved, will be reported regularly to Cabinet throughout the year. Delivering these actions will be challenging. However, they are considered necessary to restore the budget to a sustainable position and protect the Council's overall financial resilience. Officers and Members will continue to work collectively to minimise the impact on residents while maintaining essential services within the resources available.

Savings delivery

5.8 The current budget also reflects £10.4m of savings agreed by Full Council in February 2026. In contrast to previous years, a new collaborative approach has been developed to address the Council's medium term financial challenge and identify sustainable savings. This approach focuses on identifying high-impact opportunities, including cross-directorate working, improving productivity, better use of digital solutions, and increasing income generation. Further details of these savings are set out in Appendix 2a.

5.9 The table below provides a summary of the Quarter 1 savings delivery position by directorate. Further details on progress achieved to date, key delivery risks and mitigating actions are included within Appendix 2 under the relevant directorate sections. Presenting savings information alongside directorate budget monitoring enables members to consider savings delivery in the broader context of each service's overall financial position, providing greater visibility of emerging pressures, associated risks and the actions being taken to support the Council's ongoing financial sustainability.

Directorate	**Savings Target 2026/27**	**Status**
Service Reform & Strategy	£2.3m	Broadly on track
Children, Young People & Community Development	£1.6m	Most expected to be delivered, but £0.4m at risk
Neighbourhoods & Regeneration	£2.5m	Risks identified but expected to be mitigated
Finance & Resources	£1.5m	Expected to be fully achieved
Residents & Housing Services	£2.6m	Broadly on track
Total	**£10.4m**	

5.10 Overall, progress across directorates is reported as broadly in line with expectations, with delivery plans in place covering a range of initiatives including transformation, digital innovation, commissioning and procurement improvements, workforce efficiencies and income generation. While most savings are currently expected to be achieved, a small number of proposals remain subject to delivery risk and are being closely monitored. Where individual savings proposals are delayed or no longer considered achievable, alternative measures are being developed to ensure overall savings targets are maintained. Given the Council's forecast General Fund overspend of £9.5m at Quarter 1, the successful delivery of the savings programme will be critical in strengthening financial resilience. The report makes clear that the Council will need to identify further in-year savings and cost reductions beyond those already built into the budget.

Homelessness and Temporary Accommodation

5.11 The Quarter 1 report identifies homelessness and temporary accommodation as the Council's most significant financial challenge, with Housing Needs and Support forecasting a £9.5m overspend in 2026/27. Despite the budget being increased by £8m for 2026/27, the service entered the year with underlying pressures arising from the £11.7m overspend reported in 2025/26, leaving an estimated £3.7m budget gap at the start of the year. Demand continues to remain exceptionally high, with 1,428 households in nightly paid temporary accommodation at the beginning of the financial year, while provider costs have increased by around £10 per night above original budget assumptions. These factors, together with continuing demand growth, are forecast to add several million pounds of additional expenditure during the year.

5.12 The report highlights that the Council is pursuing a range of mitigation measures focused on increasing housing supply and reducing reliance on expensive temporary accommodation. These include the delivery of 406 new homes through the capital programme, targeted allocations of social housing to households in the most costly forms of temporary accommodation, acquisitions through the Local Authority Housing Fund, expansion of leasing arrangements, and continued property acquisitions through i4B. External support has also been commissioned to renegotiate accommodation costs and relocate households from high-cost placements, with 89 moves already completed. Together, these interventions are intended to generate significant cost avoidance, although the report notes that increasing demand may offset some of the anticipated financial benefits.

5.13 The report also highlights several longer-term risks, including continued growth in homelessness applications, limited availability of affordable private rented accommodation, potential impacts arising from the Renters' Rights Act, and ongoing pressures relating to supported exempt accommodation. While homelessness prevention activity remains strong, with 67% of homelessness approaches prevented or relieved during 2025/26, the scale of housing demand across London continues to place substantial pressure on the service. The Council is therefore maintaining a targeted programme of work aimed at improving affordability, increasing housing supply, strengthening prevention activity and managing supported housing costs to reduce the forecast overspend and improve financial sustainability.

Dedicated Schools Grant

5.14 The Quarter 1 report identifies the Dedicated Schools Grant as one of the Council's most significant medium-term financial risks. The DSG is forecasting an in-year deficit of £18.2m in 2026/27, which would increase the cumulative DSG deficit to £38.4m by year end. The pressure is being driven primarily by the High Needs Block, reflecting continued growth in the number of children and young people with Education, Health and Care Plans (EHCPs), increasing demand for specialist provision and rising placement costs. While the Government has announced support to fund 90% of eligible historic high-needs deficits accrued up to March 2026, subject to approval of Brent's Local SEND Reform Plan, the report makes clear that this does not address the ongoing structural imbalance between funding and demand. The Council continues to face significant financial pressures from SEND services, and further national reforms and funding solutions will be required to achieve a sustainable position in the longer term.

6.0 Medium Term Financial Outlook

6.1 The Medium Term Financial Outlook report (attached in Appendix 3) provides an assessment of the Council's financial position over the period 2027/28 to 2031/32 and highlights the significant challenges that remain despite benefiting from the Government's Fair Funding Review, Business Rates reset and multi-year local government funding settlement. While these reforms have improved funding certainty and provided Brent with a more favourable allocation of resources, the Council continues to face substantial demand-led pressures, particularly in homelessness, adult social care, children's social care and SEND. The report forecasts a cumulative budget gap of approximately £50m by 2031/32, driven primarily by the increasing cost of maintaining existing statutory services rather than the introduction of new services.

6.2 The report identifies homelessness and temporary accommodation as one of the most significant financial risks facing the Council, alongside increasing complexity and demand within adult and children's social care services. The Dedicated Schools Grant also remains a major concern due to continued growth in Education, Health and Care Plans (EHCPs) and high-needs expenditure. These pressures are being experienced against a backdrop of continued economic uncertainty, including inflationary pressures, higher borrowing costs and ongoing cost-of-living challenges affecting residents

6.3 The report notes that Brent has already delivered £248m of savings since 2010, including £10.4m in 2026/27, limiting the scope for further traditional reductions in spending. As a result, future financial sustainability will rely increasingly on transformation, service redesign, digital innovation, productivity improvements, prevention activity and income generation through the Council's Embrace Change programme. The Council is also maintaining spending controls and strengthening financial management arrangements to improve resilience and reduce reliance on reserves

6.4 Alongside the revenue position, the report sets out plans for a capital investment programme exceeding £1.25bn over the next five years, supporting priorities such as affordable housing, regeneration, SEND provision, highways, community facilities and public assets. The Council views this investment not only as a means of improving local services and infrastructure, but also as a way of supporting longer-term financial sustainability through housing growth, regeneration and increased Council Tax and Business Rates income.

6.5 Overall, the report concludes that while Brent remains financially resilient compared with many local authorities, significant financial challenges remain and difficult decisions will be required over the medium term to close the forecast funding gap.

7.0 Stakeholder and ward member consultation and engagement

7.1 There are no stakeholder and ward member consultation arising from this report.

8.0 Financial Considerations

8.1 This report sets out the financial outturn position for 2025/26, the Quarter 1 financial forecast for 2026/27 and the medium-term financial outlook. Financial considerations are set out throughout the report.

9.0 Legal Considerations

9.1 The law requires that the council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance (Section 28 Local Government Act 2003: the council's Financial Regulation 2.3 Revenue Budget Monitoring, Forecasting and Overspends).

10.0 Equity, Diversity & Inclusion (EDI) Considerations

10.1 There are no EDI considerations arising out of this report.

11.0 Climate Change and Environmental Considerations

11.1 There are no climate change or environmental considerations arising out of this report.

12.0 Human Resources/Property Considerations (if appropriate)

12.1 There are no HR or property considerations arising out this report.

13.0 Communication Considerations

13.1 There are no direct communication considerations arising out of this report.

Report sign off:
Minesh Patel Corporate Director, Finance and Resources