



Resources & Public Realm Scrutiny Committee
20 October 2026

**Report from the Corporate Director,
Finance and Resources**

**Lead Member – Deputy Leader and
Cabinet Member for Finance and
Resources
(Councillor Gwen Grahl)**

Quarter 2 Financial Forecast 2026/27

Wards Affected:	All
Key or Non-Key Decision:	N/A
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:	One Appendix 1: Quarter 2 Financial Forecast 2026/27 (Cabinet Report) Appendix 1a: Prudential Indicators Appendix 1b: Savings Delivery Tracker
Background Papers:	N/A
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1.0 Executive Summary

- 1.1 This report sets out the Council's financial forecast as at Quarter 2 2026/27, covering the General Fund revenue budget, Housing Revenue Account, Dedicated Schools Grant and Capital Programme. It supports the Committee in fulfilling its role in scrutinising the Council's financial position and budget performance throughout the year.

2.0 Recommendation(s)

- 2.1 That the committee note the report.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

- 3.1.1 The Quarter 2 financial forecast supports the delivery of the Council's Borough Plan priorities by providing oversight of the resources available to deliver agreed outcomes and services. Regular monitoring of revenue, housing, schools and capital budgets enables emerging financial pressures, risks and opportunities to be identified at an early stage and informs timely management action. This supports effective financial planning and ensures that the Council continues to align its available resources with its strategic priorities while maintaining financial sustainability.

3.2 Background

- 3.2.1 The Quarter 2 Financial Report for 2026/27 (Appendix 1) presents a challenging financial position. The Council's revised General Fund budget is £501.8m, with a forecast year-end overspend of £9.0m, an improvement of £0.5m from Quarter 1. If the overspend is not reduced, it would require the use of reserves and could increase the savings requirement in future years.

- 3.2.2 The principal forecast positions are:

Area	Q2 forecast
General Fund	£9.0m overspend
Dedicated Schools Grant	£20.8m deficit
Housing Revenue Account	£3.5m overspend
Capital Programme	£258.1m forecast against £267.7m revised budget

- 3.2.3 The General Fund position is primarily driven by a £7.7m overspend in Residents and Housing Services, principally Housing Needs and Support, and £1.6m in Service Reform and Strategy. These are partly offset by a £0.3m underspend in Finance and Resources. The wider environment remains challenging, with inflation and continuing cost-of-living pressures affecting both the cost of delivering services and the financial circumstances of residents.

- 3.2.4 Since Quarter 1, directorates have so far identified £2.7m of in-year savings, which are helping to mitigate budget pressures and prevent the financial position from deteriorating further. The current budget also reflects £10.4m of savings agreed by Full Council in February 2026, the status of which are set out in Appendix 3.

Key areas of financial pressure

Housing

- 3.2.5 This remains the Council's most significant General Fund pressure. Housing Needs and Support is forecasting a £7.7m overspend, although this is £1.8m better than at Quarter 1. The service continues to experience high demand for temporary accommodation alongside increasing provider costs. At the end of August, 1,517 households were in nightly paid accommodation.
- 3.2.6 A programme of mitigation is underway, including increasing housing supply, renegotiating costs, moving households from higher-cost accommodation and exploring alternative leasing arrangements.

Adult Social Care

- 3.2.7 Adult Social Care is forecasting a £1.5m overspend. Although client growth has moderated, new care packages are around 14 to 16% more expensive than packages ending, reflecting increased complexity and market prices. The Council is strengthening scrutiny of high-cost packages, short-term placements, health contributions and joint funding arrangements.

Children's Services

- 3.2.8 The directorate is currently forecasting break-even overall, although there are pressures in Children with Disabilities and SEN Transport and continuing risks around children's placements.
- 3.2.9 The more significant issue is the Dedicated Schools Grant, where the High Needs Block is forecasting a £20.8m deficit. Without government funding support, the cumulative DSG deficit is forecast to increase from £20.2m to £41.0m by March 2027.

HRA and Capital Programme

- 3.2.10 The HRA is forecasting a £3.5m overspend, driven by pressures including waking watch arrangements, Council Tax and service charges on new properties and additional borrowing costs. The report highlights repairs, statutory compliance, rent debt and the relatively low reserve position as continuing risks.
- 3.2.11 The Capital Programme is forecasting expenditure of £258.1m against a revised £267.7m budget, with the variance predominantly reflecting slippage

rather than overspending. £78.3m has been reprofiled from 2026/27 into future years to reflect updated delivery timetables.

Savings and management action

3.2.12 The Council's 2026/27 budget includes £10.4m of savings. At Quarter 2, £8.8m is either completed or on track for delivery. In response to the wider £9m forecast General Fund overspend, directorates have also identified £2.7m of additional in-year savings since Quarter 1, helping to prevent the financial position from deteriorating further.

3.2.13 The position at Quarter 2 is therefore broadly positive but not without delivery risk. The majority of the £10.4m programme is either delivered or on track, and directorates are actively identifying alternative savings where original proposals cannot be implemented as planned.

3.2.14 The key issue for committee is that delivery of the overall target does not necessarily mean delivery of the original individual savings proposals. In several areas, shortfalls are being offset by over-delivery elsewhere, alternative income, vacancies, grant maximisation or other mitigating action. This has been effective in protecting the overall position, but places greater importance on demonstrating that replacement savings are deliverable and sustainable and do not create additional pressures in future years.

4.0 Stakeholder and ward member consultation and engagement

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

5.0 Financial Considerations

5.1 The Quarter 2 forecast provides an updated assessment of the Council's financial position for 2026/27 across the General Fund, Housing Revenue Account, Dedicated Schools Grant and Capital Programme. It highlights forecast variances against the approved budget and identifies emerging financial pressures and risks requiring management action. Services are expected to take appropriate action to manage expenditure within agreed budgets, while identified pressures and risks will continue to be monitored and reflected, where appropriate, in the Council's Medium Term Financial Strategy.

6.0 Legal Considerations

6.1 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).

7.0 Equity, Diversity & Inclusion (EDI) Considerations

7.1 There are no direct EDI considerations arising out of this report.

8.0 Climate Change and Environmental Considerations

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

9.0 Human Resources/Property Considerations (if appropriate)

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

10.0 Communication Considerations

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

Report sign off:

Minesh Patel

Corporate Director, Finance and Resources