

London Borough of Waltham Forest

Report Title	Budget Monitoring – Month 6
Meeting / Date	Cabinet, 2 nd December 2025
Cabinet portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance and Resources
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Wards affected	None specifically
Public access	Open
Appendices	Appendix 1 – Capital Narrative Appendix 2 – Capital Tables



1. Summary
 - 1.1. The Council approved its Medium-Term Financial Strategy (MTFS) for 2025/26 to 2027/28 and the detailed budget for 2025/26 at Budget Council on 27th February 2025. This report updates Cabinet on the latest forecast outturn position for revenue for 2025/26, as well as providing the latest position for the Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG).
 - 1.2. The month 6 forecast for Revenue Expenditure in the General Fund shows a net overspend of £35.090 million.
 - 1.3. The month 6 forecast for the Housing Revenue Account (HRA) shows a net nil forecast variance after additional transfers to reserves of £2.151 million, to reflect revenue underspends.
 - 1.4. The month 6 forecast for the Dedicated Schools Grant (DSG) shows an in-year deficit of £9.512 million, all within the High Needs Block. This would take the cumulative deficit to £18.384 million at the end of March 2026.
 - 1.5. The total capital programme forecast for month 6 covering 2025/26–2034/35 stands at £632.242 million, against the February 2025 approved budget of £712.035 million.
2. Recommendations

- 2.1. Cabinet is recommended to:
 - 2.1.1. Note the forecast outturn position for Revenue, HRA and DSG as at month 6.
 - 2.1.2. Note the revised capital programme forecast for 2025/26 of £161.4 million (table 2 appendix 2), made up of £100 million, General Fund forecast and £61 million, HRA forecast as well as the 2025/26 forecast funding use (table 3 appendix 2).
 - 2.1.3. Note the revised capital programme forecast to 2034/35 (table 4 appendix 2), and 2025-26 slippages, accelerations, addition, deletions and virements into future years (table 6 appendix 2).
 - 2.1.4. Approve the Capital Strategy and Management Group (CSAMG) agreed budget additions and virement changes to the Capital programme since February 2025, as set out in table 5 of Appendix 2.
 - 2.1.5. Approve £0.331 million from contingency to fund the Financial Sustainability team, which is required to support the development of key business cases to enable the delivery of savings required as part of the MTFS and to offset demand led pressures incorporated within the monitor.

3. Proposals

Revenue Expenditure

- 3.1. The Council is operating in exceptionally difficult circumstances with increasing demand and costs, and in line with other local authorities are seeing increasing costs in relation to Adults and Children's Social Care, Special Educational Needs and Disabilities (SEND) and Temporary Accommodation (TA). These are driven by increases in demand, complexity, inflation and market challenges.

General Fund

- 3.2. The month 6 revenue projection is a forecast overspend of £35.090 million, with overspends in Adults and Children's Social Care, Special Educational Needs and Disability (SEND), Temporary Accommodation and Property. This is an increase of £3.675 million against the overspend reported at month 3, with the largest increases in Adult Social Care and Place, which includes Temporary Accommodation. The table below summarises the position by Directorate, with high-level narrative below.

Revenue Expenditure	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Chief Executives	8,093	7,999	(92)	106	(198)
Adult Social Care	83,136	90,421	7,285	4,682	2,603
Children's Services	71,254	82,301	11,047	11,062	(15)
Stronger Communities	15,340	15,411	73	15	58
Neighbourhoods & Environment	34,651	34,405	(246)	0	(246)

Place	19,614	36,440	16,826	15,550	1,276
Resources	7,337	7,537	200	0	200
Corporate Expenditure	(239,425)	(239,425)	0	0	0
Total	0	35,090	35,090	31,415	3,675

- 3.3. The delivery of savings is monitored as part of the assurance process and reported to the Transformation Board. The forecasts include all savings and mitigations that will realistically be achieved but where savings are delayed or actions not yet delivered, the forecast takes this into account.
- 3.4. The forecast by service area also includes specific assumptions about service demands, for social care and temporary accommodation. Any additional demands to services could increase the forecast overspend reported as part of this monitor.
- 3.5. The monitoring for Month 6 takes into account most of the changes following the recent Senior Management Restructure. The structure of the monitor has not been amended for any changes, recently announced for the realignment of services within Stronger Communities to other directorates.
- 3.6. It is anticipated that the forecast overspends of £35.090 million for 2025/26 will be funded from underspends in corporate balances and a drawdown from reserves. The 2026/27 Budget will be reported to Cabinet in February 2026 and will include the MTFS position for the three-year period, 2026/27 to 2028/29. This MTFS will also include the Council's funding position determined by the Fair Funding Review and the Provisional Settlement, as well as the strategy to deliver a balanced budget position for 2026/27.

Chief Executive Directorate

- 3.7. The Chief Executive Directorate's is forecasting a projected underspend of £0.092m at month 6 in contrast to the £0.106 million overspend reported at month 3. Following the Senior Management restructure, the Residents Experience and Digital service is now reported as part of this Directorate and as such the month 3 figures have been revised to take this into account.
- 3.8. The main pressure is a £0.047 million overspend in Communications Services, offset by underspends across other service areas, particularly Technology (within Residents' Experience and Digital). The improvement is due to revised salary forecasts in both Technology and Communications. A detailed breakdown by service area is provided in the table below, with narrative commentary on key issues, risks and pressures. The figures are inclusive of the in-year savings.

Chief Executive Directorate	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Chief Executive	50	50	0	0	0

Residents Experience & Digital	3,424	3,310	(114)	(26)	(88)
Communications Services	12	58	47	132	(85)
Culture & Workforce Development	3,258	3,248	(9)	0	(9)
Strategy and Change	1,349	1,333	(16)	0	(16)
Total	8,093	7,999	(92)	106	(198)

Communications and Strategy

- 3.9. The Communications Service is forecasting a £0.047 million overspend at Month 6. This is an improvement £0.085 million on the overspend of £0.132 million reported at month 3, the improvement follows a thorough review of the salary forecasts, where costs were identified which should not have sat in the Communications team. The main pressure is a £0.053 million income shortfall across commercial advertising streams, notably lamppost banners, refuse trucks, and digital kiosks.

Director Residents Experience and Digital

- 3.10. Technology is reporting a £0.114 million underspend at Month 6. The underspend includes £0.080 million from vacancies with other minor savings across the service. The Digital Innovation and Delivery Service is forecasting to budget at Month 6.

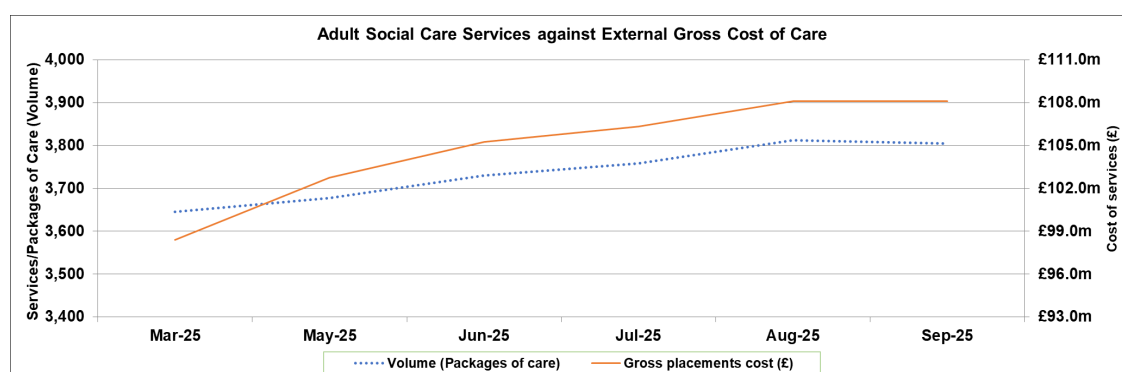
Adult Social Care

- 3.11. The ASC Service is forecasting an overspend of £7.285 million as at month 6. This is an increase of £2.603 million from the reported month 3 position. The current forecast reflects the progress to date on the savings programme, including those delivered and on track to be delivered, plus considering overall increases and changes in demand.

Adult Social Care	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Provider Services - In House	7,758	7,973	215	(573)	788
Home First Services	13,234	13,035	(199)	(242)	43
Mental Health	10,285	11,986	1,701	1,774	(73)
Learning Disability	22,839	24,754	1,915	2,385	(470)
Adult Care & Quality Standards	2,211	1,935	(276)	(6,708)	6,432
Physical, Sensory & Memory with Cognition Service	22,928	26,929	4,001	7,955	(3,954)
Adult Safeguarding & DOLS	1,634	1,514	(120)	(11)	(109)
Integrated Commissioning & Brokerage	2,247	2,295	48	103	(55)
Total	83,136	90,421	7,285	4,682	2,603

- 3.12. The adverse movement is partly due to a change in the assumptions around savings delivery. For month 3 all planned budget and management action savings were assumed to be delivered in full. However, for month 6, savings RAG-rated red have been reviewed and more realistically reflected in the forecast and this accounts for most of the movement.

- 3.13. There has been a steady increase in demand and costs in placements in 2025/26. This is currently under review. Part of the increase is potentially relating the inclusion of legacy and or backdated cases.
- 3.14. As a result of the increase in placements, an assumption of future demand was built into internal monitoring at month 5 and is reviewed each month. At month 6 around £0.878 million remains in the forecast, based on an estimate of potential volume and costs increases for the rest of the financial year. Further analysis is required to ascertain how much, if any of the increases, is part of an ongoing demand or just related to the inclusion of backdated cases.
- 3.15. The total underlying forecast overspend in ASC of £7.285 million is predominantly related to pressure from care placements and support packages. The number of external commissioned services at month 6 is 3,805, an increase of 159 compared to the 31st of March 2025. It should be noted that this increase includes the 50 existing service users moving from Markhouse Road. This is a snapshot at a point in time.



	Month 12 24/25		Month 5 25/26		Month 6 25/26	
	Average Weekly Fee	Active Package	Average Weekly Fee	Active Package	Average Weekly Fee	Active Package
Residential	£1,421	363	£1,450	404	£1,455	405
Nursing	£1,282	128	£1,314	154	£1,323	151
Short Term Res & Nur	£1,375	38	£1,318	28	£1,279	27
Supported Living	£774	618	£818	634	£813	637
Day Care	£415	177	£474	219	£489	221
Direct Payments	£340	679	£346	653	£345	656
Home Care	£255	1643	£279	1720	£280	1708
		3646		3812		3805

ASC Savings Progress

- 3.16. The table below outlines the current progress on savings and how they are reported in the monitoring.

Monitoring Overview - ASC Savings 25-26 (M6)	£'000's
Original Target	4.050

Delivered - Signed Off	1.352
Deliverable	1.572
Total in Monitoring	2.924
Balance - Not in Monitoring	1.126

- 3.17. As at month 6, the service has delivered £1.352 million of savings. However, rather than reducing the overall variance, it has primarily mitigated the increases across the service. It is hoped that, if most of the increases in 2025/26, are a result of the legacy issues, then future savings delivery will start to reduce the current forecast.
- 3.18. However, there is some significant progress on the 'service contributions savings programme' and the financial impact of the programme is being reviewed, and as a result of this work an assumption of future delivery of some of these savings is included in month 6 of £1.572 million, this is in addition to the savings that have been signed off as delivered above.
- 3.19. Due to the significant increases in assumed income in future months, an increase in the bad debt provision has been built into the forecasts of £0.306 million.
- 3.20. Overall, given the assumptions above there remains £1.126 million of the savings target to deliver

Other pressures

- In addition to the above assumptions there are other risks that may have an impact on the financial position for 2025/26: The Community Equipment forecast remains consistent with previous months. The previous provider has gone into liquidation and several new contractual arrangements have had to be put in place in a very short timescale to ensure continuity of service. The financial impacts of all the new contracts are being worked through to quantify any potential changes or risks to the forecasts.
- The financial future of the NHS ICB. The ICB is required to make a 50% plus reduction in costs. There may be risks to the council in terms of delivery of services and withdrawal of resources or funding.

Children's Services

- 3.21. The Children's Service is forecasting an overspend of £11.047 million, a favourable movement £0.015 million from the month 3 forecast.

Children's Services	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Strategic Director Children's Services	151	183	32	64	(32)
Children's Social Care	40,124	42,843	2,718	2,717	1
Transitions	1,466	5,714	4,248	4,351	(103)

Education	1,960	2,244	284	(147)	431
School Support	17,578	17,520	(58)	(787)	729
Waltham Forest Traded Services	3,228	3,007	(221)	(119)	(102)
SEND Services	6,747	10,790	4,043	4,983	(940)
Total:	71,254	82,301	11,047	11,062	(15)

- 3.22. Special Educational Needs and Disabilities (SEND) has seen a favourable movement compared to the month 3 forecast due to receiving one-off additional funding as agreed by SLT in June to support with the Education, Health and Care Plan (EHCP) backlog and wider SEND pressures. The other material movement between SEND, School Support and Education since month 3 has been the budget realignment exercise that was carried out to address historical budget issues within staffing.
- 3.23. Transitions had a favourable movement since month 3 due to one package which has been transferred to Adult Social Care of £0.103 million.
- 3.24. The Catering service has also experienced several staff retirements and natural turnover who will not be replaced due to the service ceasing trade in March 2026. This has led to a favourable movement on traded services of £0.102 million.

Children's Social Care (CSC)

- 3.25. Children Social Care is reporting an overspend of £2.718 million. This is in line with the forecast overspend reported at month 3. The main drivers of the overspend continue to be children's care and placements spend, driven by inflation and market pressures, statutory Section 17 costs and legal pressures.

Children's Care & Placement Spend

- 3.26. The overall placement forecast includes assumptions built in for future in-year demand, inflation and cost increases, internal movements within services and mitigations.
- 3.27. The allowance in the forecast for future demand was based on high level estimates and trend data across placements. This is reviewed monthly alongside changes in placement activity given the volatile and unpredictable nature of the service and is realigned across placement types, to help give assurance (or assess risk) of the forecast position. Our placement forecasts have remained in line with month 3 forecasts which forecasts an overspend of £1.841 million. The in-year growth assumptions in month 6 amount to £2.477 million that has been built into the forecast to meet future demand pressures.

Activity Data Snapshot

- 3.28. The table below shows the monthly activity data from Mosaic (data management system for social care) which does not include adjustments or payments outside of Mosaic. This shows that between month 6 and

month 3, the overall open packages have remained stable, however the average weekly cost has increased, with residential placements per young person increasing by £481 a week (£0.025 million a year).

Category of Spend:	M3 (June)		M6 (September)		Movement	
	Open Packages	Average Weekly Cost (£)	Open Packages	Average Weekly Cost (£)	Open Packages	Average Weekly Cost (£)
LAC 16-18	20	65	22	77	2	12
Semi Independent	108	729	101	601	-7	-128
In House Fostering	141	469	136	431	-5	-38
Residential	19	5,486	23	5,967	4	481
Secure	3	6,459	2	6,395	-1	-64
AO, CAO & SGO	198	233	202	235	4	2
IFA	92	1,109	100	1,062	8	-47
Leaving Care 18+	14	67	23	71	9	4
Staying Put	35	273	25	256	-10	-17
Total:	630	14,890	634	15,095	4	205

SEND

- 3.29. The forecast overspend on SEND is £4.043 million, a favourable movement of £0.940 million since month 3. This movement is due to additional one-off funding of £0.335 million as approved by SLT for the EHCP backlog reviews. The remaining favourable movement is because of the budget realignment exercise that was carried to correct staff budgets across SEND from Education.
- 3.30. The main drivers of the overspend are the Home to School Transport and Short Breaks driven by increased numbers of children in receipt of an education and health care plans, together with overspends on staffing areas due to use of agency staff. The forecasts have remained stable compared to month 3 projections.

Transitions

- 3.31. Transitions, which includes placements for young people over 18 that have not yet transitioned to ASC is forecast to overspend by £4.351 million, a favourable movement of £0.103 million compared to month 3.
- 3.32. A deep dive case review is underway to understand client transition planning and potential step downs, cost reductions and health income opportunities and is anticipated to result in a reduction in costs. Once the review is substantially complete (or sufficient to extrapolate assumptions) the forecast will be reviewed.

Education and Schools Support

- 3.33. The adverse movement since month 3 of £1.160 million on Education and Schools Support is mainly due to the budget realignment exercise with SEND that as mentioned in 3.29 above that saw £0.967 million moved to SEND. Additionally, income budgets that had previously sat within Children's Social Care have now correctly been moved to Education.

Stronger Communities Directorate

- 3.34. The Stronger Communities Directorate's is currently forecasting an overspend of £0.073 million at Month 6, a small increase on the month 3 forecast position. The detailed breakdown by service area is provided in the tables below, accompanied by narrative outlining reason for variances, key issues, risks, and pressures impacting service delivery.
- 3.35. Following the senior management restructure, Digital and Technology and Residents Experience service areas have now moved to the Chief Executive Directorate. Other areas within Stronger Communities have also moved within the directorate and the month 3 figures have been updated to reflect the changes. The figures are inclusive of the in-year savings.

Stronger Communities	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Director Stronger Communities	(275)	(275)	0	0	0
Early Intervention & Communities	13,360	13,467	109	50	59
Public Health Ringfenced	(127)	(127)	0	0	0
Public Health and Prevention	2,382	2,346	(36)	(35)	(1)
Total	15,340	15,411	73	15	58

Early intervention and Communities

- 3.36. Libraries, Learning and Skills (Inc. Complaints) is projecting an overspend of £0.085 million at month 6, an adverse movement of £0.062 million since month 3. This overspend is predominantly attributed to the complaints service, due to a revised forecast of staffing resources.

Public Health Ringfenced

- 3.37. Public Health is reporting a nil variance to budget, with no change from month 3. The overall grant for 2025/26 is £19.2 million. The work is now complete to realign the current budgets to more accurately reflect the spending profiles.
- 3.38. Any variance to budget at the end of the year will be transferred to or from the Public Health Reserve. The reserve stands at £1.6 million at the start of the year, approximately £1 million is earmarked against various commitments, which mostly is supporting other council departments, primarily linked to MTFS savings proposals.

Emerging Risks

- As the Sexual Health contracts are activity based, there is the ongoing risk of the activity increasing to an extent that there is a financial pressure on the budget. To quantify the pressure at this stage is still in progress, as unfortunately actual spend is still low, due to lack of up-to-date invoices from the various Hospital Trusts
- The financial future of the NHS ICB - the NHS is facing significant cost reductions (50% plus). There may be risks to the Local

Authority in terms of delivery of services and any withdrawal of resources or funding.

Place Directorate

- 3.39. The financial forecast for Place indicates an adverse variance of £16.826 million at month 6, an increase of £1.276 million since month 3. The largest element of the increase has been in the Property service. The overspend relates to Temporary Accommodation, with the remaining overspend in Property Services.

Place	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Strategic Director of Place	(378)	(378)	0	0	0
Property Services	5,223	7,222	1,999	1,000	999
Regeneration Planning & Delivery	3,609	3,609	0	0	0
Capital Strategy & Delivery	884	884	0	0	0
Housing General Fund	10,276	25,103	14,827	14,550	277
Total	19,614	36,440	16,826	15,550	1,276

Property Services

- 3.40. At Month 3, Property Services reported a forecast pressure of £1.000 million. By Month 6, this increased to £1.999 million following a more detailed review of the budget. The £0.999 million movement reflects improved forecasting and clearer identification of key pressures. The current forecast could reduce because of tighter controls on facilities management repairs and maintenance, revised security protocols, and potential recovery of rental insurance income.

Key Cost Drivers

- 3.41. Commercial rental income is forecasting a £1.060 million shortfall, pending a full review. The service is taking actions to ensure that the budget shortfall will be mitigated for 2026/27.
- 3.42. Other pressures include workforce of £0.337 million due to a mid-year restructure and prior agency spend, security costs of £0.268 million linked to increased requirements at Fellowship Square, and £0.212 million in higher-than-expected FM maintenance costs.
- 3.43. Additional pressures stem from rent payable (£0.089m) – related to a retained income target for leasing 1 Hoe Street, and other income gaps (£0.322 million) related to capitalisation and insurance recovery.
- 3.44. Mitigated by other minor favourable variances from across the Property division adding to circa £0.289 million.
- 3.45. *Planning and Regeneration*

Break-even position is projected, contingent on the use of earmarked reserves (urban development Plan and Neighbourhood Planning) and additional income from planning fees, development performance agreement charges, and Community Infrastructure Levy (CIL)/Section106 administration fees.

3.46. Housing General Fund

The Housing General Fund is forecasting an overspend of £14.827 million, a reduction of £0.277 million since Month 3.

Housing General Fund	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Housing Options & Support Service					
Net Cost of TA	8,531	22,977	14,447	14,381	66
Property Management (incl. Mears, Capital Letters, Local Spaces)	2,129	2,163	34	36	(2)
Staff costs for Housing Options & Support	6,450	5,953	(497)	48	(545)
Bad Debt Provision	300	300	0	0	0
Rough Sleepers Initiative	1,172	1,125	(47)	(74)	27
Other Expenditure (incl. Legal Fees & Families in Housing Need)	1,308	1,100	(208)	(1)	(207)
Total Expenditure	19,889	33,618	13,729	14,390	(661)
Grant (Homelessness Prevention Grant & Rough Sleepers Initiative)	(10,223)	(10,176)	47	0	47
Other Income	(95)	(88)	7	2	5
Reserves (Homelessness & Families in Housing Need)	(694)	(21)	673	0	673
Total Income	(11,012)	(10,285)	727	2	725
Under/overspend	8,877	23,333	14,456	14,392	64
Other HGF					
Travellers	(84)	(93)	(9)	(6)	(3)
Solar Panels	154	293	139	139	0
Recharges	724	724	0	0	0
HGF Dwellings	(100)	(100)	0	0	0
Other HGF Services incl. staff costs (Housing Strategy & ICT)	706	946	240	25	215
Total HGF	10,276	25,103	14,827	14,550	277

3.47. The full-year forecast overspend is largely due to the ongoing pressure from the net cost of temporary accommodation which is reporting an overspend of £14.447 million. During September, there was a net increase of 29 households placed into temporary accommodation, leading to an increase of more than 120 placements in six months. It is also worth noting that during September, 26 households were offered private rented sector accommodation, thereby avoiding further cost increases.

3.48. Gross overspends are recorded in the following areas

- The Homelessness Service budget had included a drawdown of specific corporate reserves to fund the Housing Sustainment team. However, the service will now be funded by the Homelessness Prevention Grant to meet the wider conditions of that grant. Therefore, the anticipated drawdown is no longer required, causing a pressure of £0.673 million. For month 7, the

repurposing of this grant to offset the TA pressure will be considered.

- £0.240 million overspend on “Other HGF services” includes consultancy costs for the TA Mission Board, cancellation of funding the Fuel Poverty contract, and membership fees for London Councils and Climate Change.
- £0.139 million overspend on Solar Panels because of the need to meet new compliance requirements for annual inspections and maintenance checks

3.49. Major underspends totalling £0.705 million were recorded as follows:

- £0.497 million underspend on staff costs for the Housing Options & Support team where vacancies have not been filled throughout the year and start dates for successful recruitment has been delayed.
- £0.208m underspend on “Other Expenditure”, an increase of £0.207m since Month 3. This includes £0.108m of budget released in relation to software within Families in Need, an underspend on the Flexible support budget and the contribution to Capital Letters where the scheme has been brought in house, with a combined underspend of £0.110 million.

3.50. The forecast pressure has increased by £0.277 million since Month 3. The increase reflects the impact of the cancellation of the drawdown of reserves of £0.673 million described in paragraph 3.48 above. These cost pressures are offset by a reduction in staffing costs within the Homelessness Service of £0.545 million due to a lag in recruitment and the filling of vacant roles. There is also a reduction of £0.207 million within “other expenditure”, as described in paragraph 3.49 above.

3.51. The Housing Service has commissioned a new forecasting model to provide a more robust forecast, and it is anticipated that this should be available to help inform the forecast for Month 9.

Neighbourhood and Environment Directorate (NED)

3.52. NED is forecasting a favourable variance of £0.246 million, in contrast to the net nil forecast at month 3 and this is due to parking income exceeding budget and a surplus in the Highway and Sports and Leisure services

Neighbourhoods and Environment	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Neighbourhoods & Climate	28,418	28,186	(232)	0	(232)
Community Safety & Resilience	3,470	3,470	0	0	0
Regulatory & Contingency Planning	2,764	2,749	(15)	0	(15)
Total	34,651	34,405	(246)	(0)	(246)

Neighbourhoods

- 3.53. A risk of £0.050 million has been identified at the Hive and another risk of £0.100 million has been identified in the Cemeteries budget due to increased cost. Budget managers are taking action to minimise the risks. The recycling team have a £0.070 million risk of overspending due to increased vehicle maintenance costs, linked to vehicle workshop works at the depot. The main reason behind the cost increase in Cemeteries is that inflation has increased higher than anticipated over recent years and costs now exceed the budgets. The Hive risk is historical, and Neighbourhoods are managing this risk.
- 3.54. *Regulatory and Contingency Planning Division*
- 3.55. Regulatory and Contingency Planning Services is forecasting to budget at month 6.
- 3.56. In Private Sector Housing & Licensing, there is potential risk of not achieving 2025-26 income target due to the lead time for processing licence applications increasing from 4 months to 6 months. This has been mainly driven by the volume of applications exceeding forecast in the last 4 months and is a timing issue from a cash perspective. The licence scheme is still expected to meet its financial target within the 5-year term.
- 3.57. There are some potential pressures in the CCTV Operations Centre service. Staffing costs were higher at the beginning of this financial year due to sickness absence levels and the increased need to cover absences with agency staff but this has been addressed by managers through the managing sickness procedure and is not expected to be a significant issue going forward.

Resources Directorate

- 3.58. The Resources Directorate is currently predicting an overspend of £0.200 million, a net movement of £0.200 million since month 3, £0.131 million is related to increased agency staff costs to manage the restructure as well as recruitment costs for permanent recruitment, within Financial Services.
- 3.59. The forecast includes the changes in structure for Governance and Law and Return on Investment following the senior management restructure and the month 3 forecast has been recast to take this into account. Further explanation on the variance is provided below. The budgets and forecast are inclusive of £1.738 million of in-year savings.

Resources	Latest Budget	Current Month Forecast	Current Forecast Variance	Forecast at Month 3	Movement since Month 3
	£'000	£'000	£'000	£'000	£'000
Strategic Director of Resources	19	19	0	0	0
Financial Services	433	564	131	0	131
Governance and Law	2,781	2,781	0	(6)	6
Internal Audit and Anti-Fraud	(282)	(282)	0	(1)	1
Revenues and Benefits	4,348	4,379	31	7	24

Return on Investment	(152)	(114)	38	0	38
Treasury and Pensions	190	190	0	0	0
Total	7,337	7,537	200	0	200

Financial Services

- 3.60. Financial Services is forecasting an overspend and a movement from month 3 of £0.131 million, this is related to agency staff costs due to key positions being covered by interim resource and recruitment costs. In month 3 the reported position was breakeven position but was reported as a potential risk, which has now been updated in month 6.
- 3.61. The service now includes the Procurement team following the senior management restructure. The forecast assumes additional external income from Procurement and there is a risk if this is not achieved.

The Governance and Law (G&L)

- 3.62. Governance and Law is projecting a net nil forecast but there is a risk that the current savings and income targets will not be met. Further investigation is underway alongside work to identify possible mitigations.
- 3.63. Month 6 monitor includes forecasts for Leadership and democratic services, which is now part of Governance and Law

The Housing Revenue Account (HRA)

- 3.64. The Housing Revenue Account is forecasting an underspend of £2.151 million, with an over achievement of income by £2.852 million offset by additional expenditure of £0.701 million. The surplus has been offset by a contribution to the general HRA reserve, leading to a balanced position. The table below provides a detailed breakdown.

Housing Revenue Account	2025/26 Latest Budget	Projected Outturn Month 6	Variance from Budget	Forecast at Month 3	Movement since Month 3
	£000s	£000s	£000s	£000s	£000s
Income					
Dwelling Rents	(71,499)	(72,536)	(1,037)	(621)	(416)
Non-Dwelling Rents	(732)	(1,009)	(277)	(206)	(71)
Tenant Service Charges	(6,982)	(7,809)	(827)	(811)	(16)
Leaseholder Service Charges	(3,119)	(3,783)	(664)	(1,084)	420
Other Charges for Services & Facilities	(275)	(322)	(47)	(15)	(32)
Total Income	(82,607)	(85,459)	(2,852)	(2,737)	(115)
Expenditure					
Repairs and Maintenance	15,891	17,165	1,274	1,141	133
Special Services	9,350	8,211	(1,140)	(985)	(155)
Supervision & Management	23,591	24,101	510	392	118
Rents, Rates, Taxes & Other Charges	1,003	1,060	57	57	0
Provision for Bad Debts	583	583	0	0	0

Cost of Capital	14,964	14,964	0	0	0
Depreciation	14,104	14,104	0	0	0
Total Expenditure	79,487	80,188	701	606	95
Net cost of Service	(3,120)	(5,271)	(2,151)	(2,131)	(20)
RCCO	2,000	2,000	0	0	0
Contribution to/(from) Reserves	1,120	3,271	2,151	2,131	20
HRA Surplus/Deficit	0	0	0	0	0

- 3.65. Dwelling rents are forecast to exceed the budget by £1.037 million. This is largely attributable to an overachievement of hostel rents and rents on shared ownership properties, offset by an overspend on voids. However, a review is currently underway to validate this position through a detailed reconciliation of rental income and its categorisation within the Housing System. This process will ensure that all properties are correctly classified according to their status and that income is accurately allocated across all property types.
- 3.66. Non-dwelling rents are £0.277 million above budget. This favourable variance reflects a £0.255 million over-recovery of garage rents where the level of vacant garages is lower than anticipated in the budget. However, a review will be carried out to confirm that garages have been correctly classified as lettable, void, or awaiting demolition, compared to the position reflected in the budget.
- 3.67. Tenant service charges are reporting an over-recovery of £0.827 million. This is due mainly to an understatement of the budget that had not included new charges for communal area heating and water charges.
- 3.68. Leaseholder services charge income now reflects the additional service charges recovered during the process to finalise charges for 2023/24. Income is £0.664 million above budget.
- 3.69. Total expenditure has exceeded budget by a net cost of £0.701 million, an increase of £0.095 million since Month 3. Reasons for the gross overspend are detailed below.
- Repairs and Maintenance overspend has increased by £0.133 million to a net overspend of £1.274 million. The increase is mainly due to a re-assessment of the cost of Fire Risk Assessments. The full-year forecast continues to reflect the overspend pressure of £1.109 million caused by legal disrepair claims, and unbudgeted expenditure of £0.854 million on Functional, Effective and Deliverable (FED) inspections, compliance audits and certification of higher-risk blocks via Building Safety Regulator. These overspends were offset by an underspend on responsive repairs of £0.768 million following a re-assessment by the main contractor of work currently achievable. The position is in the process of being reviewed with the aim of engaging other contractors.

- The Special Services underspend has reduced by £0.155 million since month 3 to a net underspend of £1.140 million. This is largely attributable to an underspend on the cost of utilities reflecting the on-going benefit of renegotiated contract prices for gas and electricity.
- Supervision and Management forecast expenditure has increased by £0.118 million since month 3 and is reporting a net overspend of £0.510 million. Overspends on premises insurance and water & sewage costs reflect the need to re-align budgets where these are recoverable from tenants and leaseholders, and this will be carried out during 2026/27 budget setting.

The Dedicated Schools Grant (DSG)

3.70. The DSG nets to nil in the general fund revenue account as any surpluses or deficits are carried forward on the Balance Sheet. The overall forecast deficit is £9.512 million in year, taking the total DSG deficit to £14.891 million. This is an increase of £1.908 million since month 3.

3.71. Surpluses in the early years, schools and central schools block are masking the material deficit in the high needs block of £18.384 million. The breakdown of the DSG across funding blocks is shown in the following table, with a second table showing the overall deficit breakdown forecast at year end:

DSG Block	2025/26 DSG allocation	2025/26 Forecast Spend	In-year (surplus) / deficit	M3 In-year (surplus) / deficit	Movement
	£'000	£'000	£'000	£'000	£'000
Schools	253,854	253,854	0	0	0
High Needs	62,376	71,888	9,512	7,604	1,908
CSSB	1,687	1,687	0	0	0
Early Years	46,322	46,322	0	0	0
Total	364,239	373,751	9,512	7,604	1,908

DSG Block	Cumulative (surplus) / deficit at 1.4.2025	In-year (surplus) / deficit	Cumulative (surplus) / deficit 31.3.2026
	£'000	£'000	£'000
Schools	(1,041)	0	(1,041)
High Needs	8,872	9,512	18,384
CSSB	(62)	0	(62)
Early Years	(2,390)	0	(2,390)
Total	5,379	9,512	14,891

3.72. The High Needs Block forecast is a deficit of £9.512 million due to increase in demand, complexity and cost pressures linked to the increasing number of Education & Health Care Plans (EHCPs) and increasing complexity against a backdrop of limited funding increases. Cost pressures occur throughout the block on top up payments in special and alternative provision, independent provision and post-16.

- 3.73. In line with national pressures, the high needs block continues to experience pressures as demand and cost increases far exceed the additional funding received for 2025/26.
- 3.74. High level modelling of the high needs block has been undertaken, based on recent funding increases and demand growth. The estimated deficit on the high needs block is to increase to c.£60 million at 2029/30. Currently there is a statutory override in place, meaning Councils can carry forward “negative DSG reserves” and this does not impact the Council’s bottom line (other than cost of financing the deficit / cashflow), however this is currently due to end in March 2028.

Capital Expenditure

- 3.75. The total capital programme forecast covering 2025/26–2034/35 stands at £632.2 million, made up of £239.1 million in the General Fund and £393.2 million in the HRA (excluding an appropriation from the General Fund to the HRA of £39.3 million in 2026/27 for the Priory Court Regeneration scheme). The cross-cutting capital programme is aligned to the priorities established in Mission Waltham Forest and includes investment into schools, highways and streetlighting, property, area regeneration, our response to the Climate Emergency, the delivery of new and affordable homes including Temporary Accommodation (TA), and significant investment into existing council-owned homes via the HRA
- 3.76. The overall forecast for the 2025/26 capital programme is £161.4 million, made up of £100 million General Fund forecast and £61 million HRA forecast. This is a decrease of £4 million compared to the 2025/26 budget of £165.5 million approved by Cabinet in February 2025. The reasons for this decrease are as follows:
- £19.2 million slippage from 2024/25 budgets, as noted at Cabinet in July 2025.
 - £6.8 million budget additions for 2024/25 Outturn Budgets
 - £35 million Q1 budget additions approved by Cabinet and/or Capital Strategy and Asset Management Group (CSAMG).
 - £12.8 million Q2 budget additions approved by Cabinet and/or Capital Strategy and Asset Management Group (CSAMG).
 - The above budget additions are offset by £77.9 million of adjustments to forecasts. These adjustments reprofiled forecast project expenditure into future years, aligning planned expenditure to the latest approved project and programme budgets and delivery plans
- 3.77. At £161.4 million, the forecast 2025/26 capital programme is higher than the council’s average capital annual expenditure over the past five years by c.£30 million, despite the programme contracting as a result of budgetary constraints. This is due to a significant programme of property acquisitions taking place this financial year, including forecast spend of

£7 million on the TA acquisition programme (part-funded by GLA grant), £18.5 million on the acquisition of affordable housing units at Fellowship Square (funded via Right-to Buy receipts), and £6.3 million forecast spend on remaining street property acquisitions funded via the Local Authority Housing Fund. In addition, £15.2 million spend is forecast on delivery of the Priory Court regeneration scheme, which is currently in construction phase, with practical completion expected in summer 2026.

- 3.78. Table 1 below sets out the forecast capital programme 2025/26–2034/35 by directorate against the February 2025 approved budgets, 2024/25 outturn and recent budget additions approved by CSAMG since February 2025. A detailed breakdown by service area is provided in table 1 of Appendix 2.

Directorate	Feb 2025 Approved Total Capital Programme Budgets	2024/25 Expenditure	Total Capital Programme 24/25 Outturn Additions	Total Capital Programme Additions / Virements Q1	Total Capital Programme Additions / Virements Q2	Total Capital Programme Revised Budgets	Total Capital Programme Forecast	Total Capital Programme Variance
	£m	£m	£m	£m	£m	£m	£m	£m
Chief Executive	0.590	0.411	0.000	0.895	0.000	1.074	1.067	(0.006)
Stronger Communities	1.027	0.340	0.000	0.000	0.444	1.131	1.071	(0.061)
Adults Service	4.181	2.409	0.342	0.000	0.000	2.114	2.931	1.159
Children's Service	0.964	0.000	0.000	0.000	0.000	0.964	0.964	(0.000)
Resources	0.031	0.029	0.000	0.000	0.000	0.002	0.000	(0.002)
Neighbourhoods and Environment	36.099	10.495	1.705	4.853	0.985	33.146	33.057	1.616
Place (GF)	197.212	56.963	2.409	32.076	12.209	186.943	189.669	5.136
Place (HRA)	521.534	85.551	2.396	0.170	0.000	438.549	432.409	(3.744)
Subtotal Place GF & HRA	718.746	142.514	4.805	32.246	12.209	625.492	622.079	1.392
Contingency (General Fund)	13.822	0.000	0.000	-2.556	-0.848	10.418	10.334	-0.084
Subtotal General Fund	253.927	70.648	4.456	35.267	12.790	235.791	239.093	7.758
Subtotal HRA	521.534	85.551	2.396	0.170	0.000	438.549	432.409	(3.744)
Capital Programme with Appropriations	775.461	156.199	6.852	35.437	12.790	674.340	671.503	4.014
Less Appropriations	(63.426)	(24.401)	0.000	(0.236)	0.000	(39.261)	(39.261)	0.000
Total Capital Programme	712.035	131.798	6.852	35.201	12.790	635.079	632.242	4.014

- 3.79. Table 2 below sets out the 2025/26 forecast capital programme against the total revised budget (including additions/virements and 2024/25 outturn) and Q2 expenditure by directorate. A detailed breakdown by service area is provided in table 2 of Appendix 2.

Directorate	Feb 2025 Approved 2025-26 Budgets	24-25 Outturn (Slippage) / Acceleration	Subsequent Additions / Virements	2025/26 Total Revised Budget	2025-26 Forecast	2025-26 Variance	2025- 26 Actuals as at Q2
	£m	£m	£m	£m	£m	£m	£m
Chief Executive	0.153	(0.026)	0.769	0.948	0.923	(0.025)	0.001
Stronger Communities	0.404	(0.284)	0.445	1.131	1.028	(0.103)	0.363
Adults Service	1.605	(0.167)	0.342	2.114	2.931	0.817	1.116
Children's Service	0.578	(0.289)	0.001	0.868	0.868	(0.000)	0.207
Resources	0.000	(0.002)	0.000	0.002	0.000	(0.002)	0.000
Neighbourhoods and Environment	13.838	0.528	5.845	19.155	17.036	(2.119)	3.167

Place (General Fund)	90.767	(0.817)	30.357	121.941	76.739	(45.202)	27.751
Place (HRA)	49.891	(17.377)	2.631	69.899	61.383	(8.516)	31.964
Subtotal Place GF & HRA	140.658	(18.194)	32.988	191.840	138.122	(53.718)	59.715
Contingency (General Fund)	8.272	(0.550)	(2.460)	6.362	0.520	(5.842)	0.000
Subtotal General Fund	8.272	(0.550)	(2.460)	6.362	0.520	(5.842)	0.000
Subtotal HRA	49.891	(17.377)	2.631	69.899	61.383	(8.516)	31.964
Capital Programme with Appropriations	165.508	(18.984)	37.929	222.420	161.427	(60.992)	64.570
Less Appropriations	0.000	(0.236)	(0.236)	0.000	0.000	0.000	0.000
Total Capital Programme	165.508	(19.220)	37.693	222.420	161.427	(60.992)	64.570

Council Tax and Business Rates

Council Tax

- 3.80. The table below summarises the council tax collection rates. The current collection rate of 44.80%, is 0.32% lower than this time last year and 0.30% lower than the target for this year. There are various barriers to collection but the Revenues Team are working to ensure prompt actions and also to put in place clear action to aid recovery as well as make payments manageable payment plans for residents that are struggling.

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
In year	%	%	%	%	%	%	%	%	%
17/18	96.1								
18/19	97.3	96.0							
19/20	97.8	97.1	95.8						
20/21	98.0	97.5	96.5	93.8					
21/22	98.2	97.8	97.2	96.2	94.9				
22/23	98.4	98.0	97.5	96.7	96.3	95.3			
23/24	98.6	98.3	97.8	97.3	96.9	96.5	95.2		
24/25	98.8	98.4	97.9	97.6	97.4	97.3	96.6	95.0	
25/26	98.8	98.5	98.1	97.7	97.5	97.5	96.9	95.7	44.8

Business Rates

- 3.81. The table below summarises the collection rate trend for Business Rates. The current collection rate is 49.79% which is approximately 2.67% lower than this time last year and 2.54% lower than the target for this year. There are various issues which has impacted collection rates including reductions to statutory retail relief which has left many small businesses struggling to pay their bill. The valuation office also has a backlog in valuing new properties, which in turn delays the collection of business rates for these premises. The Revenues team have systems in place to ensure recovery including a structured recovery schedule and targeting high value debts.

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
In year	%	%	%	%	%	%	%	%	%
17/18	97.5								
18/19	97.7	97.0							
19/20	98.4	97.6	96.0						
20/21	98.0	97.2	95.3	78.7					
21/22	98.5	98.0	96.8	91.0	91.5				
22/23	98.8	98.6	97.7	94.9	95.7	95.1			

23/24	99.0	98.8	98.1	95.7	96.6	96.6	93.5		
24/25	99.1	99.0	98.4	96.7	97.3	97.6	97.4	95.7	
25/26	99.2	99.0	98.4	96.9	97.3	97.8	97.7	96.7	49.8

4. Options & Alternatives Considered

- 4.1. Much of this report is concerned with provision of information, for which alternative options is not a relevant consideration.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

- 5.1. The entire content of this report contributes to the corporate priority to Achieve Excellence and Ensure Value for Money.

6. Consultation

- 6.1. Meetings were held between Budget Holders and Finance colleagues and much of the narrative for this report was provided by the relevant Service leads.

7. Implications

7.1. Finance, Value for Money and Risk

- 7.1.1. The whole report is of a financial nature. The key purpose of the report is to monitor the Council's overall financial performance against assumptions contained in the MTFS. To maintain the robustness of the Council's finances and budget plans, effective budgetary control by services will continue to be essential and will help the Council to maximise the resources available to meet its priorities.
- 7.1.2. In the current global landscape, the risks associated with international conflicts have become increasingly pronounced. Geopolitical tensions in various regions have the potential to disrupt global supply chains, impact energy prices, and create economic instability and have significant economic repercussions that can affect local economies. Locally, the UK faces its own set of economic challenges and inflation rates have been persistently high, driven by increased energy costs and supply chain disruptions. The cost-of-living crisis continues to strain household budgets, with many families struggling to meet their basic needs. The potential impact of local government funding reform also represents a risk to the level of funding received locally.
- 7.1.3. Given these risks and the estimated and potential financial exposure, the Council must have due regard to Section 114 of the Local Government Act 1988. The Section 114 powers of the chief finance officer (CFO) under the Local Government Finance Act 1988 require the CFO, in consultation with the Council's monitoring officer, to report to all the authority's members if there is, or is likely to be, an unbalanced budget. It remains a priority that the Council achieves a balanced budget that is

sustainable for each financial year over the medium-term financial strategy period. Where there are significant pressures, it is expected to be mitigated by directorates in line with the ground rules for financial control. The current MTFS including reserves – means that Section 114 is unlikely to be needed in the current year. If the pressures are established to be on-going, they will need to be picked up in the MTFS and potentially could result in a budget gap that would need to be resolved through the use of reserves or savings. Therefore, it is important that all services tightly control their budgets and bring forward surpluses or efficiencies if possible.

- 7.1.4. Many of these pressures relate to demand led services. There is a risk for years that these costs become on-going and put pressure on the MTFS. Therefore, it is essential that Strategic Directors manage this risk by exploring changes to service delivery that will reduce demand pressures in future and efficiently manage the pressures that we are experiencing (both cost and volume) to protect the provision of services generally.
- 7.2. Legal
- 7.3. There are no direct legal implications
- 7.4. Equalities and Diversity
- 7.5. An initial equality analysis was undertaken, and it determined there was no negative impact arising from the information or changes proposed in this report on the advancement of equality. The support of No Recourse to Public Funds clients are areas that continue to contribute to the Council's commitment to protecting the most vulnerable and help meet the equality duty.
- 7.6. Sustainability (including climate change, health, crime and disorder)
- 7.7. A stable financial position means that the Council is more able to fund urgent health priorities as they arise. Services to older people experienced pressures and needed careful management.
- 7.8. Council Infrastructure
- 7.9. There are no direct council infrastructure implications.

Background Information (as defined by Local Government (Access to Information) Act 1985)

None