

London Borough of Waltham Forest

Report Title	Budget Scrutiny Committee: Pre-decision scrutiny of the 2026-27 Budget
Meeting / Date	Cabinet, 19 February 2026
Directorate	Resources
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	Councillor Miriam Mirwitch, Chair of Budget Scrutiny Committee
Wards affected	All
Public access	Open
Appendices	None

1. Summary
 - 1.1 This report summarises the activity undertaken by the Budget Scrutiny Committee in 2025/26 to review the refresh of the Medium Term Financial Strategy (MTFS) and as part of this the budget-setting process for 2026/27.
2. Recommendations
 - 2.1 Budget Scrutiny Committee recommend that Cabinet:
 - 2.1.1 Note the activity of the Committee relating to the Medium Term Financial Strategy and budget-setting process.
 - 2.1.2 Note the following from Budget Scrutiny Committee:
 - Their appreciation and thanks to all involved in the work of the Budget Setting process.
 - To ensure to maintain transparency with members and residents with the Council's financial position, as well as the progress of transformation and savings programmes.
 - To ensure to maintain transparency around the Exceptional Financial Support the Council is receiving, and to continue to involve scrutiny in the monitoring and discussions of the process.
 3. Background

3.1 Scrutiny is a statutory function of the Council, and its [terms of reference are set out in Part 7 of the Council's constitution](#). One of its principal responsibilities is scrutinising the budget setting process, as set out in paragraph 2.1 of [these terms of reference](#). The Budget Scrutiny Committee is the delegated committee with this responsibility.

3.2 The Committee scrutinises the financial position throughout the year and, within this context, the budget-setting proposals for the following year. The Committee is notified of external and internal funding pressures. The Committee participated in an informal workshop this year, allowing a more depth understanding and a high level of engagement throughout the budget setting process.

3.3 The Committee also participated in joint scrutiny workshops with the Health and Adult Social Care Scrutiny Committee focusing on Adult Social Care Transformation in July 2025. As well as the Housing and Inclusive Economy Scrutiny Committee focusing on Temporary Accommodation and the Children and Families Scrutiny Committee focusing on SEND in November 2025.

3.4 In 2025/26, the Committee has used its meetings to review the following:

9 July 2025:	Capital and Revenue Outturn 2024-25 Update on Local Government Funding
3 September 2025:	Local Council Tax Support Scheme 2025/26 MTFS 26/27-28/29 Budget Monitoring 2025-26 (Month 3)
25 November 2025:	Budget Review - Fees and Charges 2026/27 Reserves Summary 2025/26 MTFS Update
26 January 2026:	Budget Scrutiny workshop
17 February 2026:	Budget Monitor (Month 9) Budget and Council Tax Setting 2026/27

3.5 It presents its findings below for consideration by Council and response by the Cabinet.

4. Budget and Performance Committee Findings

4.1 Throughout 2025/26 the Committee noted that the Council continued to face significant financial pressures and uncertainty, driven by rapidly rising Temporary Accommodation (TA) demand alongside sustained pressures in adult social care, children's services and high-needs education. At the same time, constraints in national funding, growing reliance on Council Tax for Core Spending Power, limited reserves, and delays to government funding reforms created further instability, while

forecasting difficulties in high-cost services and wider inflationary pressures continued to challenge the Council's financial resilience and medium-term planning. The Council does therefore not believe it will be able to balance the budget over the long term without changing the way it operates. For this reason, the Council has applied to central government for £19 million Exceptional Financial Support for the coming financial year. This will enable the Council to balance the budget in the short term, while releasing resources to be able to deliver council-wide change.

Process

- 4.2 At the July meeting, the Committee reviewed the Capital and Revenue Outturn for 2024–25, noting major pressures from rising TA demand and continuing pressures in adult social care, children's services and education. Although only £2.6m had been drawn from reserves, Members raised concerns about the reliance on one-off mitigations, low reserve levels, and the £5.4m deficit in the high-needs education block. Members noted the initial implications of local government funding reforms, highlighting uncertainty around future allocations and the potential for resource shifts away from London. They emphasised risks arising from reduced Council Tax collection assumptions and ongoing structural financial pressures and emphasised the importance of active lobbying and making use of consultation opportunities to highlight local needs.
- 4.3 The Committee considered the Medium Term Financial Strategy (2026/27–2028/29) at the September meeting, focusing on escalating TA demand, which had increased by 26% this year after an 82% rise the previous year, creating a £14.5m pressure. They sought clarity on the TA weighting mechanism, reserve levels, and the growing reliance on Council Tax as central funding continued to shrink. Members also examined the Budget Monitoring Month 3 report, raising concerns over forecasting challenges in high-cost services, the rising TA burden now that prior-year reserves were exhausted, and the delivery of savings, procurement controls, agency spend reductions and longer-term approaches to reducing TA and costly placements. The Committee updated its forward plan, and called for deeper scrutiny of Housing, Children's Services and Adults' Social Care.
- 4.4 The Committee considered the Fees and Charges Review for 2026/27 at their November meeting and noted that proposed increases aimed to secure full cost recovery while balancing affordability and achievability. An additional £1.553m in projected income was identified, largely driven by increases in parking services (£1.137m). Members raised concerns about significant increases in Adult Social Care fees, querying proportionality and long-term impacts. The Committee also reviewed the Reserves Summary, confirming a General Fund working balance of £14.906m and fully accounted earmarked reserves. Members acknowledged the importance of reserves for managing financial risk and probed whether additional flexibility existed in repurposing reserves,

reflecting worry about limited financial headroom. A verbal MTFS update highlighted ongoing funding-reform uncertainty, delayed settlement timelines, changing formulas and continuation of the recovery grant. Members stressed the need for stronger government support in nationally overspending areas and reaffirmed the importance of forward planning for the upcoming budget cycle.

- 4.5 The Committee received the Month 9 Financial monitoring report alongside the Budget and Council Tax setting 26/27 at their February meeting. Although members were pleased to see the reduction of the forecast overspend, they noted some service areas spending were against this trend and queried if they were confident that such services could deliver on their savings targets. The Committee also clarified details on the Fair Funding Assessment outcomes and noted that although Waltham Forest did not come out as well as other London Boroughs, any increase in funding was very welcome. The Committee also sought assurances that utilisation and management of Exceptional Financial Support was being handled with caution, and that it has sufficient oversight from Council governance processes. The Committee also requested transparency for members throughout the process and offered scrutiny as a useful tool to ensure a robust monitoring process.

Risks

- 4.6 Across all four meetings, the Committee continued to note that the Council's financial position remains extremely challenging, with rising demand-led pressures and structural funding changes placing sustained strain on the MTFS. TA demand rose by 82% last year and a further 26% this year, creating a £14.5m pressure, exceeding available reserves. The increasing shift from government grant to local taxation further heightens risk, with Council Tax expected to fund up to 50% of Core Spending Power by 2028/29.
- 4.7 Pressures in Adult Social Care, Children's Services and high-needs SEND continue to escalate, with the Dedicated Schools Grant high-needs block still in a £14.8m deficit, mitigated only by a temporary statutory override until 2028. Despite emerging national adjustments to social care funding formulas, rising demand and high-cost placements leave the Council exposed to ongoing volatility and unpredictable future settlements.
- 4.8 TA remains one of the most immediate and significant risks, driven by rising homelessness and an expensive, constrained private rental market. This is compounded by market instability and the fact that previous one-off mitigations—such as contingency underspends—cannot be relied upon in future years.
- 4.9 Forecasting for high-cost, high-demand services remains complex, with Children's Services, Adults' Services and TA susceptible to sudden shifts in need and the cost of specialist placements. While forecasting tools and data insight have improved, the Committee noted that there

remains a risk that budget assumptions may diverge from real pressures, especially in volatile social care and housing markets.

- 4.10 Uncertainty continues at the national level,. With revised formulas incorporating new demographic data, deprivation metrics, and the removal of the remoteness factor in Adult Social Care further limit forward planning certainty. The Council therefore continues to face material uncertainty over future funding levels and transitional protections.
- 4.11 Despite substantial technical work undertaken in developing projections, modelling future pressures, and identifying credible savings pathways, the risks inherent in the MTFS persist due to external factors, including national policy changes, inflationary variability, and market volatility across social care and housing.
- 4.12 The Committee acknowledged the cross-Council transformation programme, reductions in agency staffing and strengthened procurement and savings oversight. These provide important mitigations but rely on complex, long-term service redesign, meaning savings may not always be delivered at the required pace.
- 4.13 The Council's efforts to deliver a balanced budget were recognised, however the Committee noted the need to apply for Exceptional Financial Support. Members welcomed the approach to not rely on this support to fund day to day services, and supported the emphasis to continue with Council-wide transformation.
- 4.14 The Council's efforts to strengthen assurance, improve forecasting and enhance data insight were welcomed; however, given the scale of pressures and cumulative risks across TA, social care and reliance on local taxation, the Committee emphasised the importance of continued scrutiny, consistent monitoring and timely updates as assumptions change.
- 4.15 In the context of these risks, the Committee has asked Cabinet (para 2.1.2), to note their activity and findings over the 25/26 municipal year, their contributions to the Budget Setting process and comments on the proposed 26/27 Budget.

5. Consultation

- 5.1 Consultation is not a requirement for the Committee in reviewing the MTFS proposals, though the views of Cabinet have been sought during the process.

6. Implications

6.1 Finance, Value for Money and Risk

- 6.1.1 There are no additional financial implications as a result of this report going to Cabinet or Council. The scrutiny function contributes to good governance through its input into the development of MTFS proposals,

and by ensuring that there is appropriate 'critical friend' challenge to Cabinet.

6.2 Legal

6.2.1 In accordance with paragraphs 6.1.1. and 7 of the Constitution, the Committee has asked for its views to be referred to the Cabinet and Council.

6.3 Equalities and Diversity

6.3.1 There are no implications as result of this referral to Cabinet.

6.4 Sustainability (including climate change, health, crime and disorder)

6.4.1 There are no implications as result of this referral to Cabinet. Any changes considered by Cabinet in respect to funding climate emergency initiatives will set out the relevant implications at that time.

6.5 Council Infrastructure.

6.5.1 There are no implications as result of this referral to Cabinet.

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

None.