

REPORT TITLE: Corporate Financial Monitoring Report, Quarter 3.

Meeting:	Cabinet
Date:	24th March 2026
Cabinet Member (if applicable)	Councillor Graham Turner
Key Decision Eligible for Call In	Yes Yes
<p>Purpose of Report: To receive information on financial monitoring for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 3 (month 9), 2025/26.</p>	
<p>Recommendations Cabinet is asked to</p> <ol style="list-style-type: none"> 1) note the revenue outturn position at Quarter 3 is a forecast overspend of £4.1m (Q2: £5.1m) and that there would be a requirement to balance the budget using reserves should the overspend remain; 2) note the Quarter 3 position on the Dedicated Schools Grant (DSG) is an in year deficit of £17.4m (2024/25 £20m) to take the cumulative deficit to £81.3m; 3) note the Quarter 3 HRA position is a projected underspend of £921k. Any underspends will be taken to HRA reserves at year end. The current forecast year-end reserves position is now £27.4m; 4) note the Quarter 3 forecast capital monitoring position for 2025/26 as set out in the accompanying slides (Appendix 1 slides 42-48 and Appendix 3) and note a proposed net reduction in the 2025/26 position of £14.7m due to: <ul style="list-style-type: none"> - £14.2m re-profiling of spend into future years (£11.6m General Fund and £2.6m HRA) - Note £0.5m decrease in the capital plan due to the removal of UKSPF grant. 5) Note the Quarter 3 treasury management prudential indicators (slide 49-62, Appendix 1). <p>Reasons for Recommendations This Quarter 3 report updates the Cabinet on the current financial position as of Month 9 (31 December), together with key risks.</p>	
<p>Resource Implications: To note information on financial monitoring for General Fund Revenue, DSG, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 3 (month 9), 2025/26.</p>	

Date signed off by <u>Executive Director</u> & name	Rachel Spencer Henshall – 12 March 2026
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney – 12 March 2026
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Sam Lawton – 12 March 2026

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes. This report contains no information that falls within the scope of General Data Protection Regulations.

1. Executive Summary

1.1 The attached slides provide information on financial monitoring for General Fund, Revenue, DSG, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 3 (month 9), 2025/26.

1.2 Cabinet are advised that the projected overspend at Q3 of £4.1m for the General Fund is the lowest Q3 forecast overspend since COVID. The projected overspends in each of the last few years at the equivalent period and outturn are shown below.

	Q1 Projection (£m)	Q2 Projection (£m)	Q3 Projection (£m)	Outturn (£m)
2022/23	24.6	24.3	29.4	27.0
2023/24	20.3	16.1	9.9	7.3
2024/25	12.9	9.9	9.9	5.6
2025/26	5.9	5.1	4.1	-

1.3 It is evident that the additional resources that were included in Directorate base budgets as part of the 2025/26 budget are having the desired effect in that the majority of the projected overspends relate to delays in delivery of savings. It is recognised however that some significant demand pressures remain, in particular regarding children and adults social care. The 2026/27 budget addresses these demands with an additional £15.2m for adult social care and £5.5m for children who need extra support. A further £3.8m is also being added into the Budget Contingency Reserve in 2026/27 to provide resilience in services that are subject to volatility in demand and to mitigate against any unforeseen slippage in the delivery of agreed savings.

1.4 Whilst there is not a generic council wide recruitment freeze, there do remain internal controls whereby release of posts are still subject to review by Executive Directors and then the Head of People Services and the S151 Officer on a fortnightly basis.

- 1.5 All Directors have been reminded of the need to identify actions to reduce the projected overspend. Clearly this position will be kept under review as the year progresses, but should this overspend not be reduced by year end, then the overspend will require funding by reserves.

2. Information required to take a decision

- 2.1 The slides accompanying this report provide a more detailed breakdown of the projected outturn financial monitoring position, as follows:

Forecast General Fund revenue outturn position in 2025/26 by service area;

General Fund reserves and balances movements in-year;

Forecast HRA revenue outturn position including movements in HRA reserves in-year;

Forecast capital outturn position in 2025/26;

Treasury management prudential indicators.

3. Implications for the Council

3.1 Council Plan

N/A

3.2 Financial Implications

- 3.2.1 The forecast outturn position at Q3 is a projected overspend of £4.1m after the use of £5.5m of the budget contingency reserve. Within this position, an estimated £8.7m is due to slippage in the approved savings programme across the Council. There is a projected £4.6m of net underspends on business as usual activities.

3.2.2

2025/26 Forecast – Quarter 3

	Revised Budget £000	Forecast Q3 £000	Variance Q3 £000	Variance Q2 £000	Change from Q2 £000
Children and Families	90,026	97,072	7,046	4,754	2,292
Adults and Health	112,654	119,618	6,964	4,502	2,462
Place	59,844	63,728	3,884	3,724	160
Public Health & Corporate Resources	62,695	61,182	(1,513)	(680)	(833)
Central Budgets	63,925	57,121	(6,804)	(1,875)	(4,929)
General Fund	389,144	398,721	9,577	10,425	(848)
Use of Budget Contingency Reserve*		(5,500)	(5,500)	(5,282)	(218)
Adjusted General Fund Total	389,144	393,221	4,077	5,143	(1,066)

- 3.2.3 The key service variations (outlined in more detail in the slide deck) are summarised below.
- 3.2.4 The projected outturn position for **Children's Services** at Q3 is pressure of £7m (after use of central reserves), an increase of £2.5m since Q2. The main reasons for the current projected position are demand led pressures primarily in the cost and number of External Residential Placements (ERPs). As at Q3, there were 42 External Residential Placements, and the average placement cost has increased to £6.7K p/w. These are being managed carefully, but there is potential for the figures to rise. At Q3, the number of Looked After Children (LAC) was 645 (compared to 642 at Q2 and 652 at Q1).
- 3.2.5 The overall projected position for the **Adults & Health** Directorate is an overspend of £3.7m, after use of budget contingency/inflation reserves.
- 3.2.6 Within the Adult Social Care related portfolio, there is an overall variance on Business as Usual demand led activities (external provision) of £4.3m, before offset from central inflation reserves. Within this Residential and Nursing care home placements, and Independent Homecare are projecting overspends respectively of £7.8m and £1.1m, offset by underspends on Carers/Emergency Support/Persons From Abroad (£0.4m), and on Shared Lives/Self-Directed Support (£4.2m), the latter in relation to Commissioned Services and Direct Payments. An underspend is being projected across employee budgets (£1.2m).
- 3.2.7 The reported position is also inclusive of variance of £4.0m against the 2025/26 transformation savings programme. This variance relates to slippage (with the remainder expected to be achieved next year) in delivery rather than non-delivery. It is assumed this slippage is funded by the budget contingency reserve as a one-off solution. There is also a variance in relation to the previous year savings target around income/debt £1.8m not achieved.
- 3.2.8 There is also an adverse variance in relation to Castle Grange and Claremont House care homes which is being covered by one-off funding from the budget contingency reserve– the delay in their sale has resulted in a slippage in the expected saving against the assumed levels within Adult Social Care and Place.
- 3.2.9 The Communities and Access portfolio is projecting an underspend of £1.9m, with employee underspends contributing £1.5m of this.
- 3.2.10 The overall projected position for the **Place** directorate as at Q3 is an overspend of £1.6m after use of budget contingency reserves.
- In Development there is an overspend of £0.1m that largely relates to the management and maintenance of corporate buildings.
 - Highways & Street scene is forecast to overspend by £1.9m, with the main pressure areas being Parking £0.7m, Transport £0.4m, Highways £0.3m and Adverse Weather £0.65m.
 - Pressures of c£2.1m in relation to the cost of Home to School Transport are forecast. It is proposed that the Strategic Budget contingency reserve is used to mitigate this pressure in 2025/26 and additional budget provision will be made in 2026/27.
- 3.2.11 **Public Health and Corporate Resources** – The projected underspend forecast at Q3 is £1.5m. This is predominantly due to vacancies across the directorate. There are some demand pressures on Legal Services creating a £0.5m overspend, and Housing Benefit Subsidy loss is £0.7m over budget. Positive changes have taken place in terms of numbers of people in bed

and breakfast and temporary accommodation but impacts on the subsidy have not yet materialised.

3.2.12 At Quarter 3 there is a projected underspend of £6.8m in **Central Budgets**. Of this underspend, £2.7m sits within Treasury Management and is related to slippage in the in-year capital plan and a combination of interest rates on borrowing taken to date being lower than budgeted and interest income on balances. The remaining £4.1m is due to a rebate of energy charges relating to PPP schools.

3.2.13 Budget Contingency Reserve

The table below summarises the latest position on the budget contingency reserve.

	Q1 (£000)	Q2 (£000)	Q3 (£000)	Total (£000)
Opening Balance	(3,500)	(1,507)	(218)	(3,500)
Additional Contribution	-	(2,000)	-	(2,000)
Home to School Transport	1,560	500	-	2,060
Care Homes	433	216	218	867
Fund Slippage in ASC savings	-	2,573	-	2,573
Balance c/f	(1,507)	(218)	-	-

3.2.1 The remaining £0.2m was drawn down from the Strategic Budget Contingency reserve at Quarter 3 leaving a nil balance.

3.2.2 Controls on recruitment remain in place whereby all posts have to be approved for release by Executive Directors, the Head of HR and the S151 officer.

3.2.3 Total forecast usable reserves at 31 March 2026, excluding any impact of this projected overspend are £62.0m, of which £36.0m are identified as earmarked.

Dedicated Schools Grant

3.2.4 The projected outturn position for the DSG at Q3 is an in year overspend of £17.5m which will increase the cumulative deficit to £81.3m. The deficit position has increased by £2.9m from Q2. It should be noted that the overall projected in year deficit is lower than 2024/25 position of £21m. The service is working collaboratively with schools to change the way in which funding is allocated to mainstream schools for children with SEND through the introduction of “Cluster Working” and it is anticipated that over time this will lead to stabilisation of costs and reductions. A more robust approach to contract management has also been introduced and this is helping to mitigate the impact of provider increases although the cost of Independent School Places still continues to rise, as does demand.

3.2.5 As part of the Safety Valve agreement the Council will contribute a sum of £2.15m per annum for 5 years from 2025/26 to 2029/30. This is fully provided for in the budget. Members are reminded that the Statutory Override of DSG deficits has been extended to March 2028.

3.2.6 The deficit has a significant impact upon Council cash flows as it has to fund this deficit from existing balances, which it could have ordinarily used to help manage borrowing on the capital plan. This Council, along with others, has made representation to the DfE as to the cost of this which indicatively is £3.8m at 5%.

3.2.7 The Chancellor’s budget in November 2025 stated ‘that the government will set out substantial plans for reform of special educational needs provision early in the new year to deliver a

sustainable system. The 2025 Spending Review provided investment for SEND reform. Future funding implications will be managed within the overall government DEL envelope, such that the government would not expect local authorities to need to fund future special educational needs costs from general funds, once the Statutory Override ends at the end of 2027-28. The government will set out further details on its plans to support local authorities with historic and accruing deficits and conditions for accessing such support through the Local Government Finance Settlement'. Councils are expecting this White Paper in early 2026. Members will be provided updates on the implications.

- 3.2.8 The Government has confirmed in the final settlement that the Statutory Override will end in March 2028. They have also confirmed they will fund a significant proportion (90%) of the historic deficits accrued to March 2026 that are shown as negative unusable reserves on the Council's Balance Sheet. Payments for this deficit will be made during the second half of the next financial year after Government agrees management plans with Councils. Further updates will be provided once there is more information available from Government.

HRA

- 3.2.9 The projected outturn for the HRA at Quarter 3 is a forecast underspend of £921k. There are continued pressures around building safety and maintenance of housing stock and the resources required to support this. However significant Improvements have been made in relation to damp, mould and condensation cases and ongoing disrepair cases. Budgets are in place to address the requirements of Awaab's Law which was introduced in October 2025. Charges to tenants and leaseholders for recovery of costs for communal services continue to be monitored and future charges will be made to achieve a full cost recovery position.

Quarter 3 Capital

- 3.2.10 The budget for the Capital Plan was set at £239.4m within the Council Budget Report 2026/27, split between General Fund at £200.2m and HRA at £39.2m (Council 25.02.26). The Capital Plan is under a continual review in terms of re-profiling slippage into future years in line with Financial Procedure Rules 3.8-3.14, with the aim of narrowing the gap between the reported in-year capital budget and forecast outturn for 2025/26. Since the Council Budget Report the 2025/26 capital budget has reduced by a further £14.7m. This consists of identified slippage of £14.2m (General Fund £11.6m, HRA £2.6m) being re-profiled into subsequent financial years and a decrease in UKSPF grant allocation of £0.5m within the Highways Capital Plan. A detailed breakdown of the changes can be found in Appendix 3.
- 3.2.11 The Council's revised capital budget at Quarter 3 for 2025/26 is £224.7m.. summarised in the Table below and Appendix 1 slides 42-45:

2025/26 Capital Forecast – Quarter 3

	Budget Report £000	Re-profile / Change £000	Revised Budget £000	Actual Costs £000	Forecast M9 £000	Variance M9 £000
Children and Families	23,563	0	23,563	17,140	23,563	0
Adults and Health	4,829	(123)	4,706	2,631	4,706	0
Place	163,281	(11,197)	152,084	96,201	152,084	0
Public Health & Corporate Resources	8,484	(779)	7,705	1,633	7,705	0
General Fund	200,157	(12,099)	188,058	117,605	188,058	0
Housing Revenue Account	39,215	(2,596)	36,619	22,719	36,619	0
Council Total	239,372	(14,695)	224,677	140,324	224,677	0

3.2.12 The overall capital funding position will be updated at year end, based on the final actual spending for the financial year. It should be noted that early indicators of actual expenditure as at Quarter 3 are £40.8m ahead of last year (£140.3m for 2025/26 compared to £99.5m in 2024/25), which highlights the progress to date in delivering the capital plan. 26% of the General Fund spend to date relates to the Cultural Heart (£31m). Also, the current capital spend to date of £140.3m is roughly on par with the overall Capital Outturn position at the end of the last financial year at £140.6m (General Fund £105.7m, HRA £34.9m).

3.2.13 Officers will continue to review capital budget profiles in year, including any more detailed recommendations for potential re-profiling of scheme budgets between years (allowable under Financial Procedure Rules 3.8-3.14), as part of future financial monitoring. Any such recommendations would reflect the affordability, sustainability and prudence of the Capital Programme in the context of the Council's financial review.

Updated Multi-year Capital Plan

3.2.14 The multi-year Capital plan currently stands at £1.39bn overall split between General Fund at £961m and HRA at £429m. The capital plan is updated to take account capital slippage totalling £14.2m from 2025/26 into 2026/27 onwards and changes in the overall estimated levels of resources available of £0.5m in 2025/26 with remaining years status quo. There are no injections into the Capital Plan. The refreshed Capital plan and changes in funding across years are shown in Appendix 1 slides 46-48.

Refreshed Capital Plan 2025/26-2031/32 – Quarter 3

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029-30 £'000	2030-33 £'000	Total £'000
Children and Families	23,563	34,941	19,851	4,703	2,750	2,500	88,308
Adults and Health	4,706	1,014	1,000	0	0	0	6,720
Place	152,084	221,587	132,846	103,466	93,513	90,816	794,312
Public Health & Corporate Resources	7,705	8,422	5,861	10,418	10,826	28,374	71,606
General Fund	188,058	265,964	159,558	118,587	107,089	121,690	960,946
Housing Revenue Account	36,619	62,381	71,043	87,572	93,555	78,193	429,363
Council Total	224,677	328,345	230,601	206,159	200,644	199,883	1,390,309

3.2.15 Directorates will continue to be challenged, and the opportunity will be taken at year end to review the deliverability of the overall capital plan, prioritise schemes and amend budgets across years. The Capital Plan will be presented to Cabinet and Council as part of the Financial Outturn Report.

3.3 Legal Implications

Section 28 Local Government Act 2003 imposes a statutory duty, from time to time to carry out budget monitoring of expenditure and income against budget calculations during the financial year. If there is a deterioration in its financial position the council must take such action as it considers necessary to remedy the situation.

3.4 Climate Change and Air Quality

N/A

3.5 Other (eg Risk, Integrated Impact Assessment or Human Resources)

There is an ongoing risk around the volatility of demand budgets.

4 Consultation

This report has been prepared by the Service Director - Finance, in consultation with the Executive Leadership Team.

5 Engagement

N/A

6 Options

6.1 Options considered

N/A

6.2 Reasons for recommended option

N/A

7 Next steps and timelines

That Cabinet endorse the recommendations set out in this report.

8 Contact officer

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9 Background Papers and History of Decisions

Annual budget report 2025-27 to Budget Council, 5 March 2025
Budget Strategy Update Report to Council, 17 September 2025
Annual budget report 2026-28 to Budget Council, 25 February 2026
Quarter 1 Financial Monitoring report to Cabinet, 9 September 2025
Quarter 2 Financial Monitoring report to Cabinet, 2 December 2025

10 Appendices

Appendix 1: Financial Monitoring slides
Appendix 2: Savings Plan slides
Appendix 3: Breakdown of Capital Budget Changes Since Council Budget Report 2026/27

11 Service Director responsible Kevin Mulvaney, Service Director – Finance.