



# Cabinet

**Title:** Quarter 1 Financial Monitoring 2025/26

Paper No. 25-328

**Date:** 22<sup>nd</sup> September 2025

**Cabinet Member for:** Finance

**Details of Executive Director:** Fenella Merry, Executive Director of Finance

1. **Executive Summary**

This report provides an overview of the Council's revenue budget forecast for 2025/26 across all General Fund services. The Council is currently projecting an overspend of £1.615m (or 1%) compared to the approved service committee budget of £293.167m as at Quarter 1.

2. **Recommendation:**

To note the content of this report, in particular the forecast outturn position and explanations.

3. **Details**

3.1. It is widely acknowledged that nationally the current financial landscape of local government is in an acute position and Wandsworth is not alone in being impacted by demand and cost pressures seen across the sector both nationally and more acutely in London. Cabinet receives a number of regular updates throughout the year on the Council's overall financial position and forward outlook.

3.2. As part of the Council's Constitution, the Budget and Policy Framework Procedure Rules (Part 4, Schedule B) outline that if the forecast in-year overspend above the budgeted net expenditure for the services for which a committee has overview and scrutiny responsibility exceeds £1m for any year, or if the forecast in-year overspend above budgeted expenditure exceeds £2m across the Council, a report must be presented to the relevant OSC.

**CURRENT FORECAST FOR 2025/26**

	<b>Q1 Budget</b>	<b>Q1 Projection</b>	<b>Q1 Variance</b>	<b>2024/25 Actual</b>
	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
Health	106,583	106,567	-16	104,950
Environment	52,593	53,000	407	51,310
Children's	100,103	100,103	0	97,496
Finance	2,829	3,142	313	-17,857
Housing	32,256	32,855	600	32,505
Transport	-1,197	-884	312	-728
<b>Total Committee Expenditure</b>	<b>293,167</b>	<b>294,782</b>	<b>1,615</b>	<b>267,676</b>

- 3.3. Current projections show that no individual Committees are breaching the £1m individual limit and overall the Council is not breaching the £2m limit. However, there continue to be significant service pressures, most notably in Housing and Health, and therefore this position may change as the year progresses. In the early months of Q2, further first time homeless admissions have been experienced resulting in the estimated overspend increasing further. Further work is ongoing to address this, and the new Transformation Programme will build on work to date to tackle the ongoing demand pressures.
- 3.4. Recognising the known service pressures – a mix of both increased costs and increased demand – a total of £16.1m (over and above inflation) was added to the budget across Council services to cover expected continuing demand pressures when the budget was set. However, even with this addition, the Council is currently projecting an overspend. The overall net position is made up of a number of service pressures, partly offset by additional investment income being generated by treasury investments.
- 3.5. In Health, whilst a small underspend of £16,000 against a budget of £106.583m is forecast at Q1, there continue to be a number of pressures and assumptions of savings in order to deliver this final position. The forecast includes £2.136m for demand growth in year and assumes that 2025/26 savings will be fully achieved as cashable savings including the in-year target for the reduced level of growth built into the budget. The most significant budget pressures currently relate to learning disability care

services, where the estimated cost of individuals transitioning from Children's Services during the final nine months of 2025/26 exceeds the total budgeted growth by £0.489m. This pressure is currently being offset by underspends in other service areas.

- 3.6. Within Housing, the £0.6m cost pressure is being largely driven by numbers of homeless people and therefore the total cost of temporary accommodation (TA) requirements. Whilst the pressure was largely driven by unit cost increases in 2024/25, these have now stabilised and it is numbers of homeless presentations that is causing the increased cost. Both presentations and first-time admissions into TA have been significantly higher in the current financial year than they were in the same period (April-July) in 2024/25: 1,692 vs 1,414 presentations and 478 vs 424 first time admissions respectively.
- 3.7. Despite navigating a very challenging environment of complex needs and continued growth in demand for children with special educational needs, the Children's Services OSC is currently forecasting a break-even position against a budget of £100.098m. The main pressure areas are not unique to Wandsworth and are predominately linked to rising complexity of need, continued growth numbers of children with special educational needs and disabilities, and a placements market unable to meet need and demand both locally and nationally.
- 3.8. Within this there are a number of significant offsetting overspends and underspends. Children's social care is forecasting a £2.355m overspend position due to a near 10% growth in numbers of children coming into care in the last year. In addition, the numbers of children diagnosed with SEND continues to grow above overall population levels. The increased demand has been accompanied by increased size of packages of support required. Demand for external fostering has increased with 80 current placements at Q1 compared to 62 at the same point last year, generating a £1.1m budget pressure. There is also a £0.658m overspend forecast on SEN transport. The largest offsetting underspends relate to increased grant income and management efficiencies (-£2.3m). The main risks around this forecast relate to the possibility that the needs of any of the children being supported increase, as happened last year, and that other children with disabilities not known to the service come into the service requiring high levels of support. There is also a high risk that the forecast will increase if service step-down plans do not materialise as planned. Step-down plans are specific plans to transition a child from a high supported placement to a lower support placement where it is appropriate and safe to do so.
- 3.9. In Environment OSC, an overall forecast overspend of £0.407m is forecast at Q1 against a budget of £52.593m. Unexpected higher contract costs

associated with the grounds maintenance contract, as well as the cost of additional safety inspections and remedial maintenance for trees within the borough following latest weather conditions, have led to a £0.220m overspend in Leisure. There is also a predicted overspend in Highways Operations and Street Scene which is driven by lower expected volumes through the year for various highway and street licenses, including skip and hoarding licenses.

- 3.10. Transport OSC is projecting a £0.312m overspend at Q1. The largest overspend is in Development Management (£0.332m) due to the continued cost of implementation of the new planning system, with an expected go live date of end of the calendar year 2025, with associated disruption to business-as-usual activities for staff involved in the rollout. There are also shortfalls of income associated with planning application fees linked to the level of activity in the market.
- 3.11. Within Finance OSC, there are a number of significant over and underspends and an overall net forecast overspend of £0.313m. The forecast overspend of £1.256m in the Change & Innovation Directorate is largely due to staffing in Customer Experience and HR & Organisational Development. The whole Directorate is currently undertaking a Decision Making and Accountability (DMA) review of team structure, composition and governance, with the aim to create efficiencies in working practices and ensure that services are contained within budgets moving forward.
- 3.12. The Coroner's Service is forecast to overspend by £0.536m. This is a shared service managed by Westminster City Council where extra capacity is needed to clear the backlog of cases, so the service is incurring additional staffing and property costs to achieve this. The Council has no control over the costs. There is also a £0.292m overspend forecast on Revenues within the Finance Directorate in relation to the need to use agency staff to cover vacant posts. These overspends are offset by a £1.827m underspend in Treasury in relation to the additional income expected to be received from investments.

### Housing Revenue Account (HRA)

- 3.13. The following table summarises the revenue position on the HRA framework for Q1.

	<u>Revised Budget £000s</u>	<u>Forecast £000s</u>	<u>Q1 Variance £000s</u>	<u>Last Year Outturn £000s</u>
<b>BALANCE B/F</b>	128,273	128,273		
<b>TOTAL EXPENDITURE</b>	<b>167,898</b>	<b>182,899</b>	<b>+15,001</b>	<b>212,775</b>
<b>TOTAL INCOME</b>	<b>-188,271</b>	<b>-187,525</b>	<b>+746</b>	<b>186,824</b>
<b>(SURPLUS) /DEFICIT</b>	<b>-20,373</b>	<b>-4,626</b>	<b>+15,747</b>	<b>+25,951</b>
<b>BALANCE C/F</b>	<b>148,646</b>	<b>132,899</b>		

- 3.14. The Q1 variance on the HRA shows an overspend of £15.747m and a continuation of the pressures experienced last year. Primarily this is linked to increased expenditure on repairs (+£12.391m) as a consequence of higher cost levels and a commitment to deal with necessary repairs in a timely manner. This is repeated across general maintenance prices throughout the sector, and within London more generally, and reflects the increased costs in both materials and labour/contractor rates. In addition to the general inflationary pressures, the increased levels of regulation, both from the Housing Regulator and the Building Safety Regulator, are having an impact both in high profile areas such as building safety (including fire safety) and damp and mould rectification. A full review of the condition of stock is being undertaken on a five year rolling programme. It should also be noted that the Council is carrying out full stock condition surveys over the next five years (starting 2025/26) to ensure decency levels are maintained and this will likely identify additional remedial repairs works, which will lead to an increase in costs.
- 3.15. A deep dive is underway across repairs expenditure to identify whether any of the costs charged to revenue budgets can be accounted for as capital investment where works are enhancing the value/useful life of the asset. The focus is initially on kitchens and bathrooms, boiler replacement and full rewires that are included as part of the package of works on void properties.

- 3.16. The overall position in terms of revenue reserves remains healthy due to continued sound financial management, and despite the reported forecast overspend, the account still has a surplus forecast in 2025/26. Consideration needs to be given to the scale of the overspend across repairs and maintenance to ensure this does not compromise the longer-term viability of the HRA alongside aspirations to deliver additional social housing units. This will continue to be kept under review with an update of the HRA business plan expected to be presented to the Cabinet meeting in November 2025.

#### Inflation Contingency

- 3.17. The Council's budget remains sensitive to inflation with 1% of inflation adding £5.0m to costs. When the 2025/26 budgets were set, an allowance was made for the expected levels of inflation to be incurred on expenditure including energy, pay awards and contracts. This budget was set at £19.651m based on an expected weighted average inflation level of 3.7% in 2025/26. A proportion of this has already been allocated to services where inflation costs are already known whilst the remaining budget of £16.026m remains in the centre at this particular point in the year. The national local government pay award has been finalised in July at a 3.20% increase. This is not yet reflected in service budgets, and is slightly higher than the provision (2.8%) allowed for when the budget was set – which will be incorporated within the Q2 forecast update.

#### **Future Outlook**

- 3.18. The detailed analysis of the future outlook for the Council's finances is included elsewhere on this agenda within the Medium Term Financial Strategy paper. This includes the potential impact of the Government's Fair Funding Review 2.0 and introduces the ambitious Transformation Programme which will include a demand management portfolio to look to address the increased numbers of homelessness being experienced in the borough as well as the increased adult and children's social care client numbers and options to manage that demand and cost.

#### Management Actions

- 3.19. In addition to the wider Transformation Programme, there continue to be actions taken within directorates as follows:
- 3.20. The ongoing adult social care pressures are being managed through the Transforming Social Care Programme, working to manage demand for services through:

- Helping people regain or maintain independence by increasing referrals to the reablement service. Between 2023/24 and 2024/25, total referrals rose by 50% (from 427 to 642), and the total number of hours of reablement provided increased by 69% (from 4,250 to 7,165).
- Expanding the use of care technology as an alternative to long-term services, now supporting over 1,300 people across the borough with devices such as falls buttons, smart watches, and robot hoovers. This has contributed to a reduction in care and support costs between 2022/23 and 2024/25.
- An Occupational Therapy automated calling pilot sought to enhance productivity and engagement through use of digital technology. The Council collaborated with an external technology partner to explore the potential for automated voice calling to automate tasks that currently require manual phone calls by council staff. During testing, calls were made to people waiting for a service, with 34 being answered. Each person was called to undertake a wellbeing check and identify potential changes in circumstances e.g. if the service is no longer required. The benefits of the pilot included reaching people more quickly, receiving positive reception from recipients, as well as efficiencies for staff. It is estimated that automated calls were able to complete wellbeing checks in around 30% of the time that a practitioner could. While the advantages are evident, it will always be essential to maintain an available phone channel for individuals who prefer speaking to a person.
- Scoping a project aimed at maximising the use of the Council's block contracts within Mental Health and Learning Disability services. The objective is to maximise the use of available resources by identifying suitable placements for individuals currently placed out of borough or in spot placements.

3.21. In Housing OSC, mitigating the rising trend in costs and spend on homelessness is problematic as the factors are in play across London, but the key challenge is to a) reduce the overall use of temporary accommodation but specifically b) to reduce the use of nightly paid accommodation, where numbers and costs have increased most sharply over recent years. Paper No. 25-257 set a forecast for overall use to fall by net 22 placements during this financial year and officers continue to work on a range of initiatives to achieve these twin aims, which include: procuring more private rented homes whether for leasing as temporary accommodation or as an housing option for those at risk of homelessness, preventing more homelessness through casework based interventions,

reducing casework backlogs, and rehousing significant numbers of accepted homeless households via 'permanent' offers under the allocation scheme. Officers have previously developed a range of new initiatives including large scale leasing schemes, either within the borough or elsewhere in London, more condition and occupancy inspections and greater and innovative use of digital technology within the service.

**4. Financial Implications**

These are included within the report.

**5. Legal Implications**

None specific to this report

**6. Equalities Implications**

None specific to this report

**7. Supporting the Wandsworth Environment and Sustainability Strategy (WESS)**

Both the revenue and capital budgets of the Council incorporate funding to meet the demands of improving the Council's environmental footprint.

**Background Papers**

The following papers were used in the preparation of this report:

- The Council's Management Accounts