

Cabinet

Agenda Item 60

Subject: Targeted Budget Management (TBM) 2026/27 Month 5 (August)

Date of meeting: Thursday, 15 October 2026

Report of: Cabinet Member for Finance & City Regeneration

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Ward(s) affected: (All Wards)

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000 and is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions (wards).

For general release

1 Purpose of the report and policy context

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an indication of forecast risks as at Month 5 on the council's revenue and capital budgets for the financial year 2026/27. Effective financial management is a core component of providing a well-run council, a key priority within the Council Plan that demonstrates that the council manages within its finite resources and optimises the use of those resources.

2 Recommendations

- 2.1 Cabinet notes the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £23.835m
- 2.2 Cabinet notes the additional risks of £18.862m included in the table at Appendix 2 which are not included in the forecast figure above.
- 2.3 Cabinet notes the forecast overspend risk for the separate Housing Revenue Account (HRA), which is an overspend of £1.145m.
- 2.4 Cabinet notes the forecast overspend risk for the ring-fenced Dedicated Schools Grant, which is an overspend of £7.368m in year resulting in a cumulative deficit of £9.130m.
- 2.5 Cabinet notes the progress of transformation programmes shown in Appendix 6 and the delivery of savings as detailed at 3.8 and 3.9 of the report.
- 2.6 Cabinet notes the Treasury Management update at Appendix 3.

- 2.7 Cabinet approves the addition of new projects to the capital programme totalling £0.357m as set out in Appendix 4.
- 2.8 Cabinet approves the capital budget variations of £0.717m and reprofiling of £20.094m set out in Appendix 5.
- 2.9 Cabinet notes the forecast position on the Capital Programme at Appendix 5.
- 2.10 Cabinet notes the aged debt position shown at Appendix 7.

3 Overview

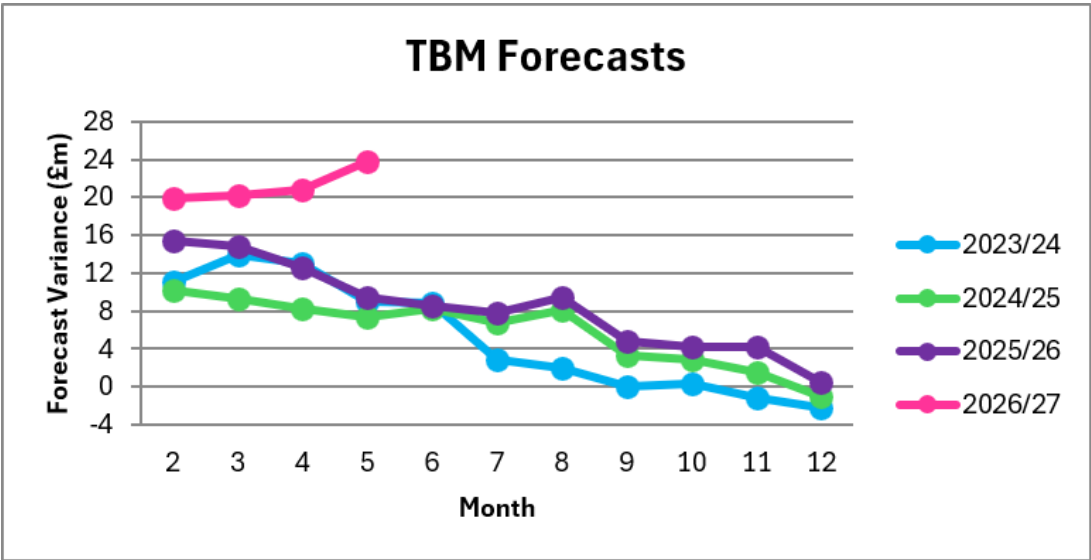
- 3.1 The forecast outturn position at month 5 for the current financial year 2026/27 is an overspend of £23.835m with an additional table of risks (Appendix 2) totalling £18.862m.

Directorate	TBM Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	Forecast Variance Month 4 £'000	Movement Month 4 to Month 5 £'000	Direction Of Travel ↑ / ↓
Families, Children & Wellbeing	92,536	96,114	3,578	3.9%	3,599	(21)	↑
Homes & Adult Social Care	160,867	173,862	12,995	8.1%	12,000	995	↓
City Operations	48,505	50,576	2,071	4.3%	2,139	(68)	↑
Central Hub	30,647	31,557	910	3.0%	562	348	↓
Sub Total	332,555	352,109	19,554	5.9%	18,300	1,254	↓
Centrally-held Budgets	16,806	21,087	4,281	25.5%	2,552	1,729	↓
Total General Fund	349,361	373,196	23,835	6.8%	20,852	2,983	↓

- 3.2 The forecast has deteriorated by £2.983m between month 4 and 5.
- 3.3 Centrally-held budgets have seen the largest change. This is primarily driven by the delay of savings in Organisational Transformation (£1.125m). Workshops have been held and data analysed but no significant opportunities have been realised that were not already in services' existing plans and savings targets. A delivery partner has been commissioned to do a more extensive analysis to facilitate these savings in the future but this delay in realisation impacts the 2026/27 forecast position. Council-wide organisational diagnostic work will provide insight and identify clear workstreams for the Organisational Transformation programme going into 2027/28. In addition, £0.550m of one-off costs to be met for schools reorganisation have now been quantified. These costs are expected to support a more financially sustainable schools provision in future years.
- 3.4 In City Operations, parking income remains above the equivalent period in 2025/26 but is currently below the 2026/27 budget target. The budget assumed growth of 8% compared with the previous year, whereas income to date is 6% higher than the same period last year, resulting in a forecast pressure against the target. Growth has been driven primarily by on-street parking income, while car park income has been lower than the previous year as a result of reduced occupancy levels. With the peak summer period now largely complete, there is limited scope for seasonal demand alone to bridge the remaining gap and performance will continue to be monitored closely throughout the remainder of the year.
- 3.5 In Families, Children and Wellbeing, the growth in the number of Education, Health and Care Plans (EHCPs) continues to place significant pressure on both home to school transport and the DSG High Needs Block. As more

children and young people require specialist provision, often outside their local area, transport demand has increased alongside a rise in overall unit costs. This is adding to existing budgetary pressures within local authority services, transport expenditure and the sustainability of the High Needs Block. While the Council continues to review transport arrangements and promote efficient use of resources, the underlying growth in EHCPs remains a key driver of demand-led cost pressure and represents a material financial risk.

- 3.6 In Homes and Adult Social Care, the figures highlight a worsening forecast and a worsening risk position with Adult Social Care continuing to account for the most significant financial pressures. Demand for community care, nursing and residential support remains above budgeted assumptions, while increases in the complexity and cost of care packages continue to drive expenditure growth. ASC remains on track to deliver over 80% of its planned savings and mitigations, and building on the learning from last year's management of provider fee uplift pressures, have undertaken an earlier assessment of the most likely impact of these and as a result, are recognising these risks more transparently at this stage of the financial year. Options for a more corporate response to support fully delivery of savings are being considered.
- 3.7 The below graph shows the trajectory of the forecast compared to previous years. Not only has this year's forecast position started higher than previous years, but has continued to rise through the first part of the year, which is inverse to the trajectory of previous years.



Savings & Transformation Delivery

- 3.8 All services continue to report good progress on their transformation programmes which are having a positive effect on their position but are currently unable to keep pace with the rise in numbers and costs. The transformation programmes are overseen by the Innovation and Savings Delivery Board which reports into CLT. An update on the current position of the projects is shown at Appendix 6.

3.9 Workstreams have two RAG ratings; one for project delivery and one for savings delivery. This is because it is entirely possible to have a well managed project which is delivering according to plan (and therefore RAG'd green) but because demand or other factors are overtaking the outcomes, the anticipated savings are not being realised. It should be noted that even when the anticipated savings are reduced, a successful project provides significant cost mitigation against a position which would have been worse. The performance below shows the RAG rating for savings delivery – paragraph 3.10 outlines what each RAG colour represents.

Directorate	● £'000	● £'000	● £'000	● £'000	● £'000	Total £'000
Families, Children & Wellbeing	0	204	239	155	423	1,021
Homes & Adult Social Care	0	829	6,723	7,383	300	15,235
City Operations	220	433	453	2,784	68	3,958
Central Hub	300	300	175	260	10	1,045
Centrally-held Budgets	1,125	0	0	0	0	1,125
Total General Fund	1,645	1,766	7,590	10,582	801	22,384

3.10 Savings in service budgets, not linked to transformation projects are also delivering well with 71% either already delivered or strongly expected to be.

Directorate	● £'000	● £'000	● £'000	● £'000	● £'000	Total £'000
Families, Children & Wellbeing	0	400	0	968	248	1,616
Homes & Adult Social Care	0	0	0	23	0	23
City Operations	375	0	265	356	268	1,264
Central Hub	0	0	404	1,008	213	1,625
Centrally-held Budgets	0	0	450	1,550	0	2,000
Total General Fund	375	400	1,119	3,905	729	6,528

3.11 Savings are RAG'd as follows:

- Grey – the actions required have not yet been planned.
- Red – the actions are understood but unlikely to happen or have an effect.
- Amber – the actions are underway but the outcome is still uncertain.
- Green – there is a strong expectation of a successful outcome.
- Blue – the saving has already been delivered.

3.12 Detailed reports on all areas are included in Appendix 1 which shows forecasts, explanations for notable variances, current and planned mitigations, savings delivery and supporting data for each service area.

3.13 Appendix 1 also shows the expected variances on the Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG) which, while outside the reported revenue position of the Council are still the responsibility of the Council to manage. These are showing overspends of £1.145m and £9.130m respectively with the large overspend in the DSG being driven by increased demand in the High Needs Block. The Department for Education continues to scrutinise closely the past expenditure on the DSG, as it is doing with all Councils currently in preparation for the partial write off of overspends. This is seen as a low risk as previous BHCC expenditure has been compliant and the overspends relatively low compared to other councils, but since the overall value of DSG expenditure is so high, this is acknowledged as a potential threat.

- 3.14 It's important to note that alongside the key factors this month, the overspend is caused by a number of underlying and ongoing pressures. We are a council that is committed to paying the living wage. Not only to our staff but in the organisations we contract with, and that has an impact on what we pay for our social care but as a values-led council, we stand by that commitment. Over the last few years we have budgeted for inflationary increases but global economic changes have caused costs to rise by more than expected inflation. In the same way that our residents are experiencing rapidly rising costs, so is the authority. This has impacted our borrowing costs as well and, as discussed in the Treasury update below and detailed in Appendix 3, we are highlighting a risk that when current debt is refinanced, and the projection of the timescales around that is shown clearly in Appendix 3, it may very well be at a higher cost than the debt which has expired, putting further pressure on our budget.
- 3.15 In 2025/26, very similar cost pressures existed in our budget but were offset by underspends in other areas or by the use of centrally held funds. Those underspends were reset in the 2026/27 budget with increased income targets which helped to balance the overall position. Those targets are largely being met but their inclusion in the budget means they are no longer available as unbudgeted surplus to offset the other overspends. In short, the council has been managing its finances closely and continues to do so but like so many councils, the underlying increases in demand and the increasing levels of complexity and therefore cost are overwhelming the savings being made, while at the same time, elements outside of our control such as rising fuel costs and inflation have materially increased the cost of service delivery. The Council continues to pursue its transformation agenda as the means of delivering true and long lasting financial sustainability for the future.

Treasury, Debt and Capital

- 3.16 The report may also include a Treasury Management update from time to time. This is required to comply with the updated Treasury Management Code which requires a minimum of quarterly reporting. Cabinet already receives mid-year and end-of-year reviews and therefore at least two additional interim reports will be provided via an appropriate TBM report to ensure compliance with reporting requirements. A Treasury Management update is included at Appendix 3 and reports that all activities have been within approved parameters but notes a concern that if interest rates continue to rise, due mainly to macroeconomic factors, there is a risk that our capital financing cost could exceed budget substantially. The treasury team estimate that for every 1% increase in interest rates, the council's borrowing costs would increase by £780k per annum. This takes account of loans that are fixed for the current year but over time the impact would be increased as those loans become due for repayment and new expenditure increases.
- 3.17 New project capital funding requested for Cabinet approval totals £0.357m over two projects. Further details are provided in Appendix 4.
- 3.18 Appendix 6 reports in detail on the performance of the capital programme and budget variances to existing projects. These are summarised below:

Summary of Capital Budget Movement	Reported Budget Month 5 £'000
Budget approved at TBM02	272,809
Changes reported at other committees and already approved, to be included for TBM5	9,082
New schemes to be approved in this report (see Appendix 6)	123
Variations to budget (to be approved)	717
Reprofiling of budget (to be approved)	(20,094)
Slippage (to be approved)	0
Total Capital	262,637

- 3.19 The notable variations not previously agreed, where budget is increasing, are £1.400m additional borrowing for the Madeira Terraces Regeneration project, and £0.524m for the Asbestos programme. There is in addition a reduction in budget and borrowing of £1.000m for the Valley Gardens Phase 3 project.
- 3.20 It is worth noting that the MTFS from 2027/28 onwards expects a saving in the revenue cost of the capital programme of £1.5m per annum. The graph at the bottom of the Treasury Management update shows the anticipated increase in these revenue costs over the life of the MTFS (an increase of £10m per annum) based on the current capital programme planned expenditure. Work is underway to identify capital expenditure that could be deferred or eliminated in order to achieve this reduction of £1.5m per annum from the current projection.

4 Analysis and consideration of alternative options

- 4.1 The forecast outturn on General Fund budgets is an overspend of £23.835m m with additional risks of £18.862m. This exceeds the Council's available reserves and likely ability to mitigate and therefore will require additional EFS.

5 Community engagement and consultation

- 5.1 No specific consultation has been undertaken in relation to this report.

6 Financial implications

- 6.1 The financial implications are covered in the main body of the report and appendices. Financial performance is kept under review on a monthly basis by the Corporate Leadership Team and Cabinet and the management and treatment of strategic financial risks is considered by the Audit, Standards & General Purposes Committee.
- 6.2 The financial position of the council remains challenging and while mitigations and further savings are constantly being developed and implemented, as evidenced by the tables above, external demand continues to overwhelm them. Going forward, the council is taking a transformational approach to the closure of the budget gap but the change required is and will continue to be, significant. The authority's reserves are insufficient to offset the overspend and further EFS will be required, while we acknowledge that this in itself is a short term solution and the repayment of it brings additional cost in the coming years. It provides single year mitigation for ongoing budget

pressures, meaning that unless additional funding and savings are found that exceed the current overspend, the budget gap will not close.

Finance Officer consulted: Elizabeth Griffiths Date: 02/10/2026

7 Legal implications

- 7.1 Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.
- 7.2 The Council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated Regulations. The recommendations contained in this report will assist in the discharge of that obligation. Cabinet will note the s151 officer's view that Exceptional Financial Support is required in order to achieve a balanced budget.

Lawyer consulted: Elizabeth Culbert Date: 05/10/26

8 Risk implications

- 8.1 The risk in the forecast figures has been outlined in Appendix 2 which contains estimates of further risk from all services that have not yet been included in the forecast figures because of their level of uncertainty.
- 8.2 The more significant risk is that if our request for further EFS is not approved, the Council's Chief Financial Officer would be forced to issue a S114 report on the grounds that expected expenditure in the current financial year cannot be met by expected income.

9 Equalities implications

- 9.1 There are no direct equalities implications arising from this report.

10 Sustainability implications

- 10.1 An inability to balance the budget in the current financial year would require the Council to issue a S114 report so the request for additional funds through EFS, in conjunction with continuing efforts to reduce this overspend must be pursued.

11 Health and Wellbeing Implications:

- 11.1 The council's budget includes many statutory and preventative services aimed at supporting vulnerable children and adults. The budget prioritises support to these core and critical services including management of any emerging in-year pressures to minimise impacts on statutory provision.

12 Conclusion and comments of the Chief Finance Officer (Section 151 Officer)

- 12.1 The position at TBM5 is a significant projected overspend driven by underlying pressures in service spending carried forward from 2025/26 and continuing into 2026/27. Savings have been evaluated based on current expectations of delivery, which has increased the forecast overspend but gives a more realistic and accurate expectation of the authority's year end position.
- 12.2 The reported financial position has required the Council to approach MHCLG to request more Exceptional Financial Support for 2026/27. This is expected to be a sum of up to £30m. It should be noted that this is additional borrowing, not additional funding.
- 12.3 The financial position of the council remains challenging and while mitigations and further savings are constantly being developed and implemented, as evidenced by the tables above, external demand continues to overwhelm them. Going forward, the council is taking a transformational approach to the closure of the budget gap but the change required is and will continue to be, significant. The authority's reserves are insufficient to offset the overspend and further EFS will be required, while we acknowledge that this in itself is a short term solution and the repayment of it brings additional cost in the coming years. It provides single year mitigation for ongoing budget pressures, meaning that unless additional funding and savings are found that exceed the current overspend, the budget gap will not close.

Supporting Documentation

Appendices

1. Forecast Dashboards by Service
2. Additional risks not included in the forecast
3. Treasury Management update
4. New capital schemes
5. Capital programme performance
6. Update on the progress of Transformation programmes and key risks
7. Aged Debt