

BUDGET & SPENDING REPORT - SELECT COMMITTEE MONITORING

Committee name	Children, Families and Education Select Committee
Corporate Director(s) responsible	Julie Kelly, Corporate Director of Children's Services
Papers with report	Appendix A – Tables 1-8
Ward	All

RECOMMENDATION

That the Committee:

1. Note the 2024/25 outturn position; and
2. Note the 2025/26 Month 4 budget monitoring position.

HEADLINES

3. This monitoring report provides an update on the 2024/25 outturn position and 2025/26 Month 4 budget position relevant to the Select Committee. The Corporate Director, supported by their Head of Finance, will attend the meeting to provide further details and clarifications.
4. **2024/25 OUTTURN POSITION**
5. **Children, Families & Education** - The Committee is advised that the 2024/25 outturn position reflects an overspend of £2.5m against budget for the services within its remit.
6. The pressure nearly wholly related to care provision to looked after children as a result of demand outstripping the budget strategy growth for the service. Further pressures are included within the position across income streams including room hire with further pressures being driven by the Early Years Centres, however, these have been mitigated by service underspends within the Children in Need & Protection service from staffing underspends. There are no material movements in this area, with the outturn update including a number of minor changes.
7. Table 1 provides an overview of this Committee's 2024/25 outturn position by portfolio. It includes adjustments for Earmarked Reserves, Provisions and Transformation Capitalisation.
8. Table 2 provides a detailed breakdown of this Committee's outturn by service area. It also includes adjustments for Earmarked Reserves, Provisions and Transformation Capitalisation.
9. **Schools Budget** - The Dedicated Schools Grant (DSG) total Block for the Maintained Schools is reporting an in-year deficit of £15.0m at outturn, representing a significant improvement from the £28.7m reported at outturn 2023/24 as a result of a broad range of positive measures being deployed by the Council. The in-year deficit is largely driven by High Needs placement demand and cost pressures which continue to be significantly underfunded in the DSG settlement that the authority receives from the Department for Education (DfE). This position means that the cumulative deficit carried forward to 2025/26 is £65.6m.

10. There is currently a time-limited statutory override in place until 31 March 2028 effectively keeping the Schools Budget deficit behind a ringfence which ensures that this deficit does not impact upon general reserves, and the Council's General Fund budget strategy is predicated on the further continuation of this override throughout the life of the 5-year budget strategy. The Council is one of many local authorities managing a large deficit within the Schools Budget and this stood at £50.6m at 31 March 2024 and therefore exceeded General Fund reserve levels. Although ringfenced, this deficit is fully financed by the Council and thus impacts on our borrowing costs.

11. Table 3 provides an overview of the outturn position for the Dedicated Schools Grant (DSG).

12. 2024/25 SAVINGS

13. For the services overseen by this Committee, the savings requirement for 2024/25 was £1.643m, as set out in the Council's overall budget strategy.

14. At outturn, £0.286m (17%) of the savings and interventions are recorded as banked. A further £0.130m (8%) are on track for delivery, and another £0.462m (28%) are at the initial stages of delivery and have carried forward to 2025/26. Where appropriate, alternative delivery methods are being used, and it is still expected that the savings will be delivered in full in 2025/26. A further £0.765m (47%) of savings have been written out of the Council's budget from 2025/26 and now form part of the Corporate Items in the budget strategy approved by Cabinet and Council in February 2025.

15. Table 4 provides a detailed breakdown of the 2024/25 savings position by portfolio.

16. 2025/26 MONTH 4 BUDGET MONITORING POSITION

17. **Children, Families & Education** – As at Month 4, the forecast for service operating budgets within the remit of this Committee indicates an overspend of £3.9m, representing an adverse movement of £0.2m from Month 2. The pressure in this area is driven by additional demand for care, with this position being in part impacted by the Temporary Accommodation pressure leading to a lack of General Needs properties within the Housing Revenue Account (HRA), meaning that the service are supporting vulnerable adults in supported accommodation that are ready to move on to more appropriate tenancies of their own, however, the supply is not there to enable the service to step down these individuals.

18. Table 5 provides an overview of this Committee's Month 4 budget monitoring position by portfolio. It includes adjustments made to the forecast for Earmarked Reserves, Provisions and Transformation Capitalisation.

19. Table 6 provides a detailed breakdown of this Committee's Month 4 budget monitoring position by service area. It includes adjustments made to the 2024/25 outturn for Earmarked Reserves, Provisions and Transformation Capitalisation.

20. **Schools Budget** – As of Month 4 (July 2025), the Dedicated Schools Grant (DSG) is forecasting a deficit of £12.5m with no change from Month 2, representing an improvement from the £15m outturn for 2024/25. This in-year shortfall is entirely driven by continued demand and cost pressures in High Needs placements, which remain significantly underfunded in the DSG allocation from the Department for Education (DfE). These pressures are not unique to the local

authority; nationally, local authorities are facing similar challenges. Rising demand for specialist provision, a shortage of maintained special school places, and increasing reliance on costly independent non-maintained placements are contributing to widespread overspends in the High Needs Block. Despite efficiency targets and mitigation efforts, the structural underfunding of High Needs provision continues to place significant strain on DSG budgets across the country. The table below provides a summary of the Schools Budget and the current forecast.

21. Whilst the Safety Valve funding with the Department of Education (DfE) is currently suspended, work has continued and the Council are very successfully taking control of the market, managing unit costs down and beginning to see a significant reduction in the in-year deficit as a consequence.
22. A core target for the DSG Recovery Plan is to actively reduce unit costs by concentrating SEN support in-borough within our maintained schools and thereby reduce dependence on high cost independent and out-of-borough placements. Trend data shows clear evidence that the approach is now beginning to have a positive impact on spend.
23. The mounting DSG deficits remain a significant national issue, with projections indicating a substantial funding gap for English councils. Specifically, English councils face a £2.3 billion funding gap in 2025/26, rising to £3.9 billion by 2026/27, creating a £6.2 billion shortfall over two years, according to the Local Government Association (LGA). This deficit is primarily driven by increased demand for services for children with special educational needs and disabilities (SEND).
24. Table 7 provides an overview of the Month 4 position for the Dedicated Schools Grant (DSG).

25. 2025/26 SAVINGS

26. For the services within the remit of this Committee, the savings requirement for 2025/26 is £4.998m, as set out in the Council's budget strategy.
27. As of Month 4, £2.372m (48%) of the savings and interventions are being recorded as banked or on track for delivery, with a further £2.459m (49%) being at initial stages of delivery. In addition, £0.167m (3%) are being reported as having potential challenges in delivery, with alternative delivery methods being considered in-year where appropriate, with the savings ultimately expected to be delivered in full.
28. Table 8 provides a detailed breakdown of the 2025/26 Month 4 savings position by portfolio.

PERFORMANCE DATA

29. N/A

RESIDENT BENEFIT

30. Regular monitoring of financial performance is used to assess whether spending and savings targets are being met, thereby supporting the efficient delivery of services to residents. By closely tracking expenditure and identifying variances, the council can take timely corrective actions to address overspending and mitigate risks. This also enhances public transparency and accountability, providing residents with confidence that their Council is managing finances

prudently and prioritising their needs. Overall, regular monitoring supports safeguarding the Council's finances and the delivery of quality services to residents.

FINANCIAL IMPLICATIONS

31. This is primarily a finance report and the implications are set out in the main body of the report above.

LEGAL IMPLICATIONS

32. There are no direct legal implications arising from regular monitoring of the council's finances by select committees.

33. Democratic Services advise that effective overview and scrutiny arrangements require access to the information under the committee's purview and, in accordance with the 2024 Statutory Scrutiny Guidance, such information includes finance and risk information from the Council, and its partners where relevant.

BACKGROUND PAPERS

34. NIL

APPENDICES

Appendix A – Tables 1-8

Appendix 1 – Tables 1-8

Table 1: 2024/25 Outturn Position by Portfolio

Portfolio		Approved Budget	Underlying Forecast	EMR	Provisions	Transformation Capitalisation	Forecast Outturn	Variance	M10 Variance	Movement from M10
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Children, Families and Education	Expenditure	101,854	108,161	0	0	(4,521)	103,639	1,786	2,503	(718)
	Income	(24,326)	(24,008)	353	0	0	(23,655)	671	(374)	1,045
	Sub-Total	77,528	84,153	353	0	(4,521)	79,984	2,457	2,129	327

Table 2 – 2024/25 Outturn Position by Service

Portfolio	Service	Report Subjective	Approved Budget	Underlying Forecast	EMR	Provisions	Transformation Capitalisation	Outturn	Variance	M10 Variance	Movement from M10
			(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)
Children, Families and Education	R33 Head of Child & Family Development (CFE)	Expenditure	10,101	10,012	0	0	(214)	9,798	(302)	(141)	(161)
		Income	(949)	(1,704)	655	0	0	(1,048)	(100)	48	(148)
			9,152	8,308	655	0	(214)	8,750	(402)	(93)	(309)
	R3A A Head of Direct Care Provision (CFE)	Expenditure	15,421	14,133	0	0	(54)	14,079	(1,343)	(1,116)	(227)
		Income	(48)	(211)	0	0	0	(211)	(164)	(211)	48
			15,374	13,922	0	0	(54)	13,867	(1,506)	(1,327)	(179)
	R5C Director, Children Social Care	Expenditure	50,665	58,707	0	0	(1,425)	57,282	6,617	4,518	2,099
		Income	(12,947)	(13,633)	0	0	0	(13,633)	(686)	(209)	(477)
			37,718	45,074	0	0	(1,425)	43,649	5,931	4,309	1,622
	R5E Director, Education and SEND	Expenditure	13,440	13,270	0	0	(2,737)	10,533	(2,906)	(713)	(2,193)
		Income	(9,091)	(6,721)	(302)	0	0	(7,023)	2,068	598	1,470
			4,349	6,549	(302)	0	(2,737)	3,510	(839)	(116)	(723)
	R5S Director, SPQR	Expenditure	12,227	12,038	0	0	(91)	11,947	(280)	(44)	(235)
		Income	(1,292)	(1,739)	0	0	0	(1,739)	(447)	(599)	152
			10,935	10,299	0	0	(91)	10,208	(727)	(643)	(84)
	Total		77,528	84,153	353	0	(4,521)	79,985	2,457	2,130	327

Table 3: 2024/25 DSG Outturn Income and Expenditure Summary

Dedicated Schools Grant (DSG) Blocks	Budget 2024/25			Outturn £m	Variance £m	Change from Month 10 £m
	DSG Settlement £m	Academy Recoupment £m	LBH Maintained £m			
Schools Block	279.6	174.9	104.7	103.9	(0.8)	0.0
Early Years Block	37.4	0.0	37.4	37.4	0.0	0.0
Central Schools Block	2.5	0.0	2.5	3.6	1.1	1.1
High Needs Block	56.4	0.0	56.4	71.2	14.8	(3.4)
Total	375.9	174.9	201.0	216.0	15.0	(2.3)
Balance Brought Forward 1 April 2024					50.6	
Total Deficit at 31 March 2025					65.6	

Table 4 – 2024/25 Savings Position by Portfolio

Portfolio	Saving Description		RAG Rating 2024/25 & B/fwd savings							Total
		Total	B	G	A1	A2	R	W/O New	W/O Funded	2024/25
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children, Families & Education	Corporate Director Adult Services and Health Fees & Charges	(145)	(145)							(145)
Children, Families & Education	Review of Early Years Operating Model	(130)		(130)						(130)
Children, Families & Education	Corporate Director Children and Young People's Services Fees & Charges	9	9							9
Children, Families & Education	Improving and Modernising the Fostering Offer	(462)				(462)				(462)
Children, Families & Education	Stronger Families Programme	(450)							(450)	(450)
Children, Families & Education	Create Availability of Registered Care Beds in Children's Services	(150)	(150)							(150)
Children, Families & Education	Head of Hillingdon Music Service F&C Proposals	(192)							(192)	(192)
Children, Families & Education	Review of Adult Education	(123)							(123)	(123)
Grand Total		(1,643)	(286)	(130)	0	(462)	0	0	(765)	(1,643)

Table 5 – 2025/26 Month 4 Budget Monitoring Position by Portfolio

Portfolio		Approved Budget	Underlying Forecast	EMR	Provisions	Transformation Capitalisation	Forecast Outturn	Variance	Forecast Variance Prior Month	Change in Variance
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Children, Families and Education	Expenditure	98,800	105,300	200	0	(2,500)	103,000	4,200	3,500	700
	Income	(22,500)	(22,700)	(100)	0	0	(22,800)	(300)	200	(500)
	Sub-Total	76,300	82,600	100	0	(2,500)	80,200	3,900	3,700	200

Table 6 – 2025/26 Month 4 Budget Monitoring Position by Service Area

Portfolio	Service	Report Subjective	Approved Budget	Underlying Forecast	EMR	Provisions	Transformation Capitalisation	Outturn	Variance	Forecast Variance Prior Month	Change in Variance
			(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)
Children, Families and Education	R33 Head of Child & Family Development (CFE)	Expenditure	8,500	9,100	0	0	0	9,100	500	500	0
		Income	(100)	(300)	(100)	0	0	(500)	(400)	(300)	(100)
			8,500	8,700	(100)	0	0	8,600	200	300	(100)
	R3A A Head of Direct Care Provision (CFE)	Expenditure	15,500	15,400	0	0	0	15,400	(100)	0	(100)
		Income	(300)	(300)	0	0	0	(300)	0	0	0
			15,200	15,100	0	0	0	15,100	(100)	0	(100)
	R5C Director, Children Social Care	Expenditure	52,000	55,300	0	0	0	55,300	3,300	2,900	400
		Income	(15,200)	(15,300)	0	0	0	(15,300)	(100)	300	(400)
			36,800	40,000	0	0	0	40,000	3,200	3,200	0
	R5E Director, Education and SEND	Expenditure	9,600	12,200	200	0	(2,400)	10,000	400	(2,600)	2,900
		Income	(5,500)	(5,400)	0	0	0	(5,400)	100	3,000	(2,900)
			4,200	6,800	200	0	(2,400)	4,600	500	400	100
	R5S Director, SPQR	Expenditure	13,100	13,400	0	0	(100)	13,300	200	200	0
		Income	(1,400)	(1,400)	0	0	0	(1,400)	0	(300)	300
			11,700	12,000	0	0	(100)	11,900	200	(200)	400
	Total		76,400	82,600	100	0	(2,500)	80,200	4,000	3,700	300

Table 7: DSG Income and Expenditure Summary

Dedicated Schools Grant (DSG) Blocks	Budget 2025/26			Forecast £m	Variance £m	Month 4 £m	Change £m
	DSG Settlement	Academy Recoupment	LBH Maintained				
	£m	£m	£m				
Schools Block	299.4	187	112.4	112.4	0	0	0
Early Years Block	48.2	0	48.2	48.2	0	0	0
Central Schools Block	2.5	0	2.5	2.4	(0.1)	(0.1)	0
High Needs Block	84.1	8.7	75.4	75.5	0.1	0.1	0
Budgeted Use of Reserves	(12.5)	0	(12.5)	(12.5)	0	0	0
Total	421.7	195.7	226	238.5	0	0	0
Balance Brought Forward 1 April 2025					65.6		
Budgeted Use of Reserves					12.5		
Pressure					0		
Total Deficit at 31 March 2026					78.1		

Table 8 – 2025/26 Month 4 Savings Position by Portfolio

Portfolio	Description				RAG Rating 2025/26 & B/fwd savings						Total 2025/26
		B/fwd	2025/26	Total	B	G	A1	A2	R	W/O	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Children, Families & Education	Review of Early Years Operating Model	(130)		(130)	(130)						(130)
Children, Families & Education	Child and Family Support Service Staffing Review		(182)	(182)	(182)						(182)
Children, Families & Education	Review and change in the catering services offer for Extra Care, Day Resources & Early Years services		(217)	(217)		(123)	(20)		(74)		(217)
Children, Families & Education	Review of Early Years Operating Model (Additional) - Lease Income		(93)	(93)					(93)		(93)
Children, Families & Education	Review of Early Years Operating Model (Additional) - Residual EY Budget		(94)	(94)	(94)						(94)
Children, Families & Education	Improving and Modernising the Fostering Offer	(462)		(462)	(245)		(217)				(462)
Children, Families & Education	New Care Offer - (Operating Model)		(273)	(273)				(273)			(273)
Children, Families & Education	Semi / Shared Accommodation		(2,156)	(2,156)	(1,191)		(965)				(2,156)
Children, Families & Education	Social Care Delivery Model - Social Care Delivery Model		(495)	(495)	(111)		(384)				(495)
Children, Families & Education	Social Care Delivery Model - Repeat Pregnancies		(600)	(600)			(600)				(600)
Children, Families & Education	Social Care Delivery Model - Special Guardianship Orders		(296)	(296)	(296)						(296)
Grand Total		(592)	(4,406)	(4,998)	(2,249)	(123)	(2,186)	(273)	(167)	0	(4,998)