COUNCIL BUDGET – 2025/26 BUDGET MONITORING – MONTH 10

Cabinet Member & Portfolio	Cllr Eddie Lavery Cabinet Member for Finance & Transformation
Responsible Officer	Steve Muldoon Corporate Director of Finance
Report Author & Directorate	Jon Alsop Interim Head of Finance Business Partnering
Papers with report	None

HEADLINES

Summary

This report provides a summary of the Council's General Fund and Housing Revenue Account forecasts for revenue budgets as at the end of January 2026 (Period 10) for the financial year 2025/26.

General Fund - Revenue

The Council has an approved gross expenditure budget of £974m, comprised of £552m within the General Fund and £422m within the Dedicated Schools Grant. As at the end of January 2026 (Period 10), the General Fund forecast shows an overspend of £36.3m, an adverse movement of £0.3m from Month 9.

The forecast overspend for the year is mainly driven by service operations and reflects the ongoing pressures and risks local authorities face in homelessness, children's and adults social care provision, as well as challenges in the delivery of savings in year.

On 23 February 2026 the Ministry of Housing, Communities and Local Government (MHCLG) announced that they have agreed in-principle to provide the council with Exceptional Financial Support (EFS) of £88.0m in 2025/26 to help manage its financial pressures. This funding will cover the expected overspend in year and support the Council to replenish its depleted reserves back to a sustainable level.

Dedicated Schools Grant (DSG)

The in-year deficit relating to DSG forecasts a favourable movement against budget of £3.3m, resulting in a lower £9.2m increase in the forecast deficit reserve position for the year. Recent Government announcements on the Local Government Funding Settlement indicate that the Government will cover 90% of the DSG deficit, subject to conditions. Grants to cover this are expected to be paid sometime in the autumn of 2026.

Housing Revenue Account (HRA)

The 2025/26 HRA revenue budget consists of £85.7m expenditure matched by an equivalent level of income (rents, service charges and other contributions). The Month 10 forecast shows expected expenditure of £85.3m. In year variances include a £1.6m pressure against service expenditure and £0.4m against rental income, offset by a reduction of £2.0m in the revenue contribution to the capital programme.

Putting our Residents First **Delivering on the Council Strategy 2022-2026**	This report supports our ambition for residents / the Council of: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents This report supports our commitments to residents of: A Digital-Enabled, Modern, Well-Run Council.

Financial Cost	N/A

Select Committee	All

Ward(s)	N/A

RECOMMENDATIONS

That the Cabinet:

1) **Notes the revenue budget monitoring positions as at January 2026 (Month 10) as set out in the report, noting the actions proposed by officers.**

2) **Agrees the virement of £3,696k from the current allocated budget for the Madison Brook Residential Property Acquisitions budget to the In-House team's capital budget.**

3) **Agrees that the planned fee increases for the Imported Food Office as set out in the 2026/27 budget be put on hold until further notice, pending a review.**

Reasons for recommendation(s)

Recommendation 1 is to measure performance against the Council's budgetary objectives, providing Cabinet with an update on performance to date against the 2025/26 revenue budgets as approved by Council on 27 February 2025.

Recommendation 2 is to seek Cabinet approval for the virement that will enable the release of capital funds to purchase and repair residential property acquisitions as a part of the GLA CHAP indicative scheme. This scheme has a funding deadline of 31/3/2026.

Recommendation 3 – following approval of the 2026/27 budget, officers intend to review the full cost of the Imported Food Service at Heathrow Airport, including recharges, to ensure the service remains cost neutral. Therefore, it is recommended that such planned fee increases are put on hold at this time, until further notice.

Alternative options considered / risk management

1) There are no other options proposed for consideration.
2) The risks associated with the overspend forecast for the year are as set out in the main body of the report.

The overspend risk is substantially mitigated by the announcement by Government on 23 February 2026 to agree in-principle to provide the council with EFS support of £88.0m in 2025/26 to manage its financial pressures.

Select Committee comments

Select Committee regularly monitor the Council's in-year budget position following Cabinet consideration.

SUPPORTING INFORMATION

GENERAL FUND REVENUE

1. As at Month 10, the Council is forecasting a net overspend of £36.3m on its core operating activities. This includes overspends of £26.0m across Service Operating Budgets, a £4.2m pressure against the budgeted use of reserves and a £6.5m pressure across centralised and Corporate Budgets including Corporate Funding. These pressures are partially mitigated by £0.5m of interventions, which are expected to benefit the revenue position through measures such as spend control measures and increased grants.

Table 1: Period 10 (January) Revenue Forecast

Directorate	Budget £000	Forecast £000	Forecast Variance £000
Children & Young Peoples Services	57,231	63,339	6,108
Adult Services & Health	100,893	107,394	6,501
Residents Services	52,147	60,466	8,319
Chief Operating Officer	18,580	18,293	(287)
Finance	34,100	39,328	5,228
Chief Executive's Office	9,112	9,266	154
	272,064	**298,087**	**26,023**
Corporate Budgets	(272,064)	(261,337)	10,727
	0	**36,750**	**36,750**
Expected Interventions	0	(500)	(500)
Total Forecast Variance	**0**	**36,250**	**36,250**

2. This position has remained stable overall since month 6 (September), but with a number of underlying favourable and unfavourable movements. Much of the overspend relates to adverse variances on savings delivery, unbudgeted growth and inflation, assumed use of reserves and reduced application of flexible capital receipts against transformation expenditure, offset by the release of contingency.

Table 2: General Fund Overview

	Approved Budget £'m	Forecast Outturn £'m	Underlying Variance £'m	Forecast Variance Prior Month £'m	Change in Variance £'m
Service Operating Budgets	272.1	298.1	26.0	26.1	(0.1)
Development & Risk Contingency	1.8	0.0	(1.8)	(1.8)	0.0
Unallocated Budget Items: Unallocated Savings	(7.1)	0.0	7.1	7.1	0.0
Budgeted Use of Reserves	(4.2)	0.0	4.2	4.2	0.0
Total Net Expenditure	**262.6**	**298.1**	**35.5**	**35.6**	**(0.1)**
Corporate Funding	(262.6)	(261.3)	1.3	1.3	0.0
Net Total	**0.0**	**36.8**	**36.8**	**36.9**	**(0.1)**
Interventions	0.0	(0.5)	(0.5)	(1.0)	0.5
Total	**0.0**	**36.3**	**36.3**	**35.9**	**0.4**
Opening General Reserve			**1.5**	**1.5**	0.0
Less: Underlying Variance			(36.3)	(35.9)	0.4
Closing General Reserve			**(34.8)**	**(34.4)**	**0.4**
Opening Earmarked Reserves			**3.2**	**3.7**	**(0.5)**
Less: Use of Earmarked Reserves			(2.0)	(2.0)	0.0
Closing Earmarked Reserves			**1.2**	**1.7**	**(0.5)**

3. As part of the Month 10 review, the Council has continued its analysis of exposure to risks and opportunities. The updated risks total is £5.8m against identified opportunities of £2.6m. Risks not able to be quantified include the cost of redundancies that may arise from any savings implementation (redundancies would precede any savings generated).

4. Opportunities reflect £2.6m within Residents Services which includes additional Waste funding not budgeted for.

5. The risk of further overspend against homelessness costs remains high given the rising levels of homeless presentations and the challenges in securing suitable alternative accommodation to prevent homelessness, particularly in the private rented sector. This position continues to be reviewed.

6. The Council is seeing exceptional homelessness demand-related costs as a result of being a port authority. This includes the arrival of UK nationals, which remains an unknown pressure at this time as costs incurred by the Council are not fully funded by the Government. The Council's forecast is based on the current run rate. A review commissioned by London Councils identified a "Funding Gap" of £740m for London Councils between homelessness costs incurred and funding provided by Central Government in 2024/25.

7. The Council's opening reserves position, comprising both General and Earmarked Reserves, stands at £1.5m of General Reserves and £3.2m of (controllable) Earmarked Reserves. In arriving at the net £36.3m overspend projected above, the forecast assumes a £2.0m drawdown from Earmarked Reserves to support service-level requirements, bringing the forecast usable General Reserve position to £34.8m overdrawn whilst Earmarked Reserves are forecast to close at £1.2m.

8. Following the decision by MHCLG to agree (in-principle) Exceptional Financial Support for the Council of £88.0m for 2025/26, plus a further £62.0m of support (in-principle) for 2026/27, the S151 Officer no longer considers it likely that a S114 notice will be required.

9. The agreement of EFS will require the Council to undergo an external assurance review, which is to be undertaken by CIPFA in the coming weeks. This may then lead to a number of recommendations which the Council will need to take steps to implement. The Council will need to demonstrate progress on these before MHCLG finally issues the required capitalisation direction. These will be actively pursued to ensure that the Council is heeding the advice and expectations needed to conclude the capitalisation direction.

10. The Council continues to review options to address the current financial pressure and the forecast negative reserves position. Central to this is the delivery of the 2025/26 savings programme, totalling £34.0m. In addition, £4.8m of unresolved savings from previous years have been carried forward, increasing the total savings requirement for 2025/26 to £38.8m. To date, slippage of £19.1m (M9 was £18.8m) has been identified and built into the forecast position, of which £7.1m in cross-cutting savings have been written off as part

of the 2026/27 budget approved at Full Council on 26 February 2026. The £7.1m write out relates to £5.0m of savings from the proposed Target Operating Model, £0.7m from Legal Services, £0.6m from procurement, £0.2m from zero-based budgeting and £0.6m from sundry other initiatives. In addition, the remaining £7.8m of service-related savings have also been written out of the 2026/27 budget as approved by Council on 26 February 2026.

11. Under Government guidance, councils may fund transformation activity using capital receipts from asset disposals. Given the scale of the savings programme, the Council will use capital receipts to support transformation where appropriate. The Council is reviewing the pipeline of assets which can be targeted with a view to delivering capital receipts. Any receipts will be verified to assure that they qualify under relevant regulations. The Council has a level of capital receipts brought forward from previous years which, along with known 2025/26 disposals (including the recent disposal of the former Uxbridge Library building), will be sufficient to fund the 2025/26 and 2026/27 programme in full.

12. The Council remains firmly committed to achieving a sustainable financial position. Its services continue to be run efficiently, with spend per capita on frontline services below that of comparable authorities, specifically Outer London boroughs. Despite the financial pressures, the Council has consistently delivered high-quality, well-regarded services in a cost-effective manner, while maintaining one of the lowest Council Tax levels in its comparator group.

13. The Council's forecast of overdrawn reserves by year-end reflects a range of national challenges, compounded by insufficient funding from central government to meet rising demand. Whilst the receipt of EFS will help the council replenish its reserves, a key pressure continues to be the delivery of temporary accommodation and homelessness support. This is particularly acute in Hillingdon, due to the presence of Heathrow Airport - a major port of entry into the UK - which places additional strain on local housing supply and demand, driving up costs. This housing pressure also affects Children's Social Care, where vulnerable young people in supported accommodation are unable to transition into independent tenancies due to a shortage of general needs housing. At the same time, demand for Adult Social Care remains consistently high following the pandemic, with funding from the Department of Health and Social Care failing to keep pace with increasing client demand volume and complexity and market pressures.

14. The Council is taking steps to address the rising cost of temporary accommodation by seeking to make acquisitions which can then be used to address the issue and mitigate the impact of high rental costs in the private sector. For this reason, Cabinet recently approved the forward phasing of future years' HRA capital contingency budget alongside a virement of £20m from the General Fund capital programme to the HRA to support developments and acquisitions. These acquisitions are now progressing at pace.

15. Hillingdon will benefit from a net growth in funding from 2026/27 and beyond as announced in the recent Local Government Funding Settlement. Whilst the borough was aware of the current year's level of Government funding at the time of setting the 2025/26 budget, the

review indicates that Hillingdon has been significantly underfunded by Government over an extended period of time and had this review taken place in line with the original timescale, Hillingdon's financial position is likely to have been far more favourable.

16. The pressures reflected in this report therefore present a challenge for the Council, with Table 2 above setting out this position against service operating budgets, corporate budgets and the use of reserves.

17. The Council's forecast position continues to be highly challenging and is highly dependent on the assumptions built into the forecast being deliverable. It is of critical importance that all areas of the Council aim to deliver on, and give support to, all of the savings commitments made to ensure they are delivered on time and to the value and scale planned in the budget. Equally, it is important that any savings falling short are still pursued so that they can be delivered in full and on time in order to deliver the maximum benefit to 2026/27 and the MTFS, and mitigations to the overspend continue to be sought.

18. The risks and upsides not included within the forecast will also need to be carefully monitored and addressed in order to mitigate and prevent or limit the impact they may present. Any further impacts may have consequences for the EFS requirement and add pressure to the Council's finances in repaying this over time. The Council will have to continue to focus on identifying options to address these risks as the increase in funding to be received through the Local Government Finance Settlement over the next 3 years will be phased in over three years, and based on the MTFS projections the Council still has a significant budget gap to close by 2028/29.

19. As at Month 10, the Council's General Fund is reporting an overspend of £36.3m after allowing for the anticipated delivery of £0.5m through interventions including tighter spend controls, and the remaining £1.8m contingency. This position includes a £14.9m write out against the total £38.8m savings target, and a reduction in the level of capital receipts being used to fund transformation activity.

20. The movement in the interventions line from the M9 position reflects a rebate of c£0.5m from the West London Waste Authority (WLWA), and leaves just £0.5m of further interventions to identify by year end in order to deliver the forecast as set out. This indicates that some £1.5m in mitigations have been identified since month 6.

21. The forecast position also includes the deployment of £2.0m from Earmarked Reserves, primarily to support insurance claims and homelessness related pressures. The main use of Earmarked Reserves relates to a £1.2m draw down from the Public Health ringfenced reserve, accumulated from prior year underspends against the Public Health Grant.

22. The Council anticipates using EFS to replenish general fund reserves by £40.0m in the final year end closure. It will also be necessary to undertake a review of earmarked reserves considering the depletion both in this and last financial year when finalising the 2024/25 accounts. Some of the balances are particularly low and will need to be addressed

to put the Council back on a stable footing. This work will be undertaken fully as part of the end of year processes when there is greater clarity on what will be required heading into the 2026/27 financial year. Subject to the final outturn position, this may add to the balance that will need to be funded through EFS. The £88m in-principle figure is sufficient to cover the £36m deficit forecast, £40m in general fund reserves replenishment, and further £12m of contingency to cover any subsequent outturn slippage, rebuild of earmarked reserves and adverse audit or closedown adjustments that may be as yet unidentified.

23. To support the delivery of the savings programme, the Council is using £5.7m of capital receipts to fund transformation costs, in line with Government guidance. Asset disposals in 2025/26 plus previously unspent capital receipts are available to support this transformation activity in the current financial year.

Progress on Savings

24. The savings requirement for 2025/26 is £34.0m as set out in the Council's budget strategy. This was increased by a further £4.8m of savings carried forward from 2024/25 as set out in the outturn report presented to July Cabinet, resulting in an overall programme target of £38.8m savings for the year:

Table 3: Savings Tracker

Corporate Director	**Blue Banked £'m**	**Green Delivery in progress £'m**	**Amber I Early stages of delivery £'m**	**Amber II Potential problems in delivery £'m**	**Red Serious problems in delivery £'m**	**Write Out £'000**	**Total £'m**
Finance	(0.8)	0.0	0.0	0.0	(0.2)	(0.1)	**(1.1)**
Adult Services & Health	(3.5)	(0.2)	(0.1)	(0.1)	(2.7)	(1.7)	**(8.3)**
Children & Young People's Services	(4.5)	0.0	0.0	0.0	0.0	0.0	**(4.5)**
Place	(3.5)	(0.6)	0.0	(0.6)	(0.8)	(1.1)	**(6.6)**
Homes & Communities	(1.7)	(0.3)	(0.1)	(0.2)	(0.1)	(4.8)	**(7.2)**
Corporate Services	(2.8)	(0.3)	0.0	0.0	(0.4)	(0.1)	**(3.6)**
Chief Executive Office	(0.1)	(0.3)	0.0	0.0	0.0	0.0	**(0.4)**
Cross-Cutting	0.0	0.0	0.0	0.0	0.0	(7.1)	**(7.1)**
Total 2025/26 Savings Programme	**(16.9)**	**(1.7)**	**(0.2)**	**(0.9)**	**(4.2)**	**(14.9)**	**(38.8)**
	44%	4%	1%	2%	11%	38%	100%
M9	**(16.1)**	**(2.6)**	**(0.2)**	**(1.1)**	**(3.9)**	**(14.9)**	**(38.8)**
	41%	7%	1%	3%	10%	38%	100%
Change	**(0.8)**	**0.9**	**0.0**	**0.2**	**(0.3)**	**0.0**	
	3%	-3%	0%	-1%	1%	0%	

25. As of Month 10, £18.6m (48%) of the savings and interventions are being recorded as banked or on track for delivery. A further £1.1m (3%), shown as amber, are in delivery but may not deliver in full this financial year. Of this, £0.9m is currently anticipated to slip but deliver in 2026/27. There are £4.2m (11%) of savings reported as red and now likely to slip into 2026/27 but still ultimately expected to be delivered. A further £14.9m of

savings are now considered to be undeliverable and have been written out of the Council's budget from 2026/27 – this comprises £7.1m of cross-cutting savings and £7.8m of service held savings.

26. Where savings are at risk of not being delivered in full during 2025/26, the associated pressures have been factored into the monitoring position with compensating actions being implemented where possible to offset the impact.

Service Operating Budgets

27. Service Operating Budgets represent the majority of the Council's investment in day-to-day services for residents. With the Council continuing to operate in an environment driven by national pressures and exceptionally high demand, these budgets have been supplemented with £5.5m of funding to meet forecast inflationary pressures and £17.8m for demographic growth and other drivers impacting on demand for services.

28. Table 4 below represents the position reported against normal activities for the Service Operating Budgets. Significant variances within directorates are summarised in the paragraphs below.

Table 4: Service Operating Budgets

		Approved Budget	Underlying Forecast	Earmarked Reserves	Provisions	Transform'n Capitalis'n	Forecast Outturn	Final Forecast Variance	Forecast Variance Prior Month	Change in Variance
Finance	**Expenditure**	113.8	118.1	0.4	0.0	(0.4)	118.1	4.3	4.8	(0.5)
	Income	(79.7)	(78.8)	0.0	0.0	0.0	(78.8)	0.9	0.5	0.4
	Subtotal	**34.1**	**39.3**	**0.4**	**0.0**	**(0.4)**	**39.3**	**5.2**	**5.3**	**(0.1)**
Adult Services and Health	**Expenditure**	185.2	194.3	0.0	0.0	(0.1)	194.2	9.0	8.3	0.7
	Income	(84.3)	(86.3)	(0.5)	0.0	0.0	(86.8)	(2.5)	(2.7)	0.2
	Subtotal	**100.9**	**108.0**	**(0.5)**	**0.0**	**(0.1)**	**107.4**	**6.5**	**5.6**	**0.9**
Children and Young Peoples Services	**Expenditure**	79.0	86.4	(0.4)	0.0	(0.7)	85.3	6.3	6.5	(0.2)
	Income	(21.8)	(21.3)	(0.7)	0.0	0.0	(22.0)	(0.2)	0.1	(0.3)
	Subtotal	**57.2**	**65.1**	**(1.1)**	**0.0**	**(0.7)**	**63.3**	**6.1**	**6.6**	**(0.5)**
Residents Services - Place	**Expenditure**	79.2	78.0	(0.3)	0.0	(0.3)	77.4	(1.8)	(0.7)	(1.1)
	Income	(34.8)	(33.3)	0.1	0.0	0.0	(33.2)	1.6	1.5	0.1
	Subtotal	**44.4**	**44.7**	**(0.2)**	**0.0**	**(0.3)**	**44.2**	**(0.2)**	**0.8**	**(1.0)**
Residents Services - Homes and Communities	**Expenditure**	47.3	75.2	(0.2)	0.0	(0.6)	74.4	27.1	26.7	0.4
	Income	(39.6)	(58.1)	0.0	0.0	0.0	(58.1)	(18.5)	(18.9)	0.4
	Subtotal	**7.7**	**17.1**	**(0.2)**	**0.0**	**(0.6)**	**16.3**	**8.6**	**7.8**	**0.8**
Central Services	**Expenditure**	19.2	22.6	0.0	0.0	(3.1)	19.5	0.3	0.7	(0.4)
	Income	(0.6)	(1.2)	0.0	0.0	0.0	(1.2)	(0.6)	(0.7)	0.1
	Subtotal	**18.6**	**21.4**	**0.0**	**0.0**	**(3.1)**	**18.3**	**(0.3)**	**0.0**	**(0.3)**
Chief Executives Office	**Expenditure**	10.8	11.6	0.0	0.0	(0.4)	11.2	0.4	0.2	0.2
	Income	(1.7)	(2.0)	0.0	0.0	0.0	(2.0)	(0.3)	(0.2)	(0.1)
	Subtotal	**9.1**	**9.6**	**0.0**	**0.0**	**(0.4)**	**9.2**	**0.1**	**0.0**	**0.1**
Total Service Operating Budgets	**Expenditure**	**534.5**	**586.2**	**(0.5)**	**0.0**	**(5.6)**	**580.1**	**45.6**	**46.5**	**(0.9)**
	Income	**(262.5)**	**(281.0)**	**(1.1)**	**0.0**	**0.0**	**(282.1)**	**(19.6)**	**(20.4)**	**0.8**
	Subtotal	**272.0**	**305.2**	**(1.6)**	**0.0**	**(5.6)**	**298.0**	**26.0**	**26.1**	**(0.1)**

29. As shown in table 4 above, Service Operating Budgets are forecasting a £26.0m overspend for the year. Significant contributors to this overspend are as follows:

- Finance – As at Month 10 (M10) the service is reporting a pressure of £5.2m, which reflects a favourable £0.1m movement from month 9 (M9). The variance includes a £1.7m pressure against the Council's Treasury budget due to increased levels of interest payable This pressure is partly offset by a reduction in the Minimum Revenue Provision (MRP) and higher than expected interest earned on balances. This position is compounded by staffing pressures of £2.5m due to the use of agency staff and the associated cost uplift incurred. The directorate position also includes a £1.8m adverse variance due to a reduction in the assumed level of capital receipts used to pay for transformation costs. The £0.1m favourable movement from the M9 forecast is made up of a receipt of £522k from the West London Waste Authority (WLWA) and an additional £362k of grant funding relating to asylum administrative functions, offset by a reduction of c£800k in forecast recharges. The WLWA receipt was shown previously (in M9) as an expected intervention, hence the interventions forecast has been reduced by £500k this month.

- Adult Social Care & Health – is forecasting an overspend of £6.5m for the year, with overall pressures of £8.0m offset by a £1.5m underspend against SEND transport and mitigations of £2.0m achieved through effective vacancy management. The overspend is driven by ongoing growth in demand for all service areas. Client numbers continue to rise above the budgeted assumption, particularly in Learning Disabilities and Mental Health services. The underspend in SEND transport is due to more economical procurement of personal assistants and maximising efficiencies through the mix of delivery options. The £0.9m adverse movement in month is due to £0.5m of placement growth as a result of client capital depletions and backdated support plans, £0.3m being the impact of DfE guidance that disallows the use of DSG for Personal Transport costs, and £0.1m contingent labour and one to one support in Direct Care Services.

- Children & Young People's Services – As at Month 10, services within this directorate are reporting a pressure of £6.1m, down £0.5m from £6.6m in Month 9 due to an increase in contributions from the Integrated Care Board (ICB) towards cared for children placements. The overall forecast pressure in this area is driven by additional demand for Children's Social Care, including for Mother and Baby placements and an underlying pressure on Asylum costs due to a previously highlighted budget shortfall of £2.5m. Further pressure results from a £2m reduction in the use of flexible capital receipts previously assumed to fund transformation costs.

- Resident Services: Place – Are reporting an underspend of £0.2m at Month 10, representing a c£1.0m favourable movement from Month 9 following effective management actions, use of earmarked reserves and transformation capitalisation. Pressures are faced within Property and Estates, Waste Services and on Cemetery income, but these have been mitigated by underspends in Staffing, Waste Disposal costs and on National Non-Domestic Rates (NNDR) on the corporate estate.

- Resident Services: Homes & Communities – The forecast outturn position for the year shows a significant overspend against the expenditure budget of £27.1m offset by a favourable variance of £18.5m against the income budget. The expenditure variance is largely caused by a staffing forecast overspend of £719k and non-staffing pressures of £23.2m relating to Temporary Accommodation and placements into the private sector. This is partially offset by additional rental income and grants of £17.5m contributing to the forecast income variance. The net overspend of £8.6m, represents an adverse movement of £0.8m compared with month 9. The main drivers for the overspend are an increased demand for Temporary Accommodation, reduced on-street parking income and increased support for clients. These impacts are partially offset by additional income from Food Safety and specific additional grant allocations including Homeless Prevention and Rough Sleeper grants. The Month 10 movement has seen additional staffing pressures within Housing of £270k and Community Safety and Enforcement of c£190k, an adverse movement of £50k in car parking income and a £500k adjustment to reflect S106 recharges no longer being deliverable. These adverse variances are partially offset by c£214k additional charge of agency staff to transformation funding and by the removal of contingency of £75k in the Community Services budget.

- Central Services – Is forecasting an underspend for the year of £0.3m following the transfer of the Human Resources (HR) Service line to the Chief Executive's Office. The underspend is due to lower variable costs against technology contracts (c£180k) and an increase in income from recharges net of additional related staffing costs (c£385k), offset by a £277k shortfall in planned savings relating to the Residents Hub.

- Chief Executive's Office – Is reporting an overspend on Human Resources costs of £262k but offset in part by favourable variances across Legal (exceeding income targets - £28k), Democratic Services (£32k) and Communications (£48k).

Collection Fund

30. The Collection Fund at M10 is reporting a surplus of £4.8m against 2025/26 activity (M9 was £4.6m), before the prior year deficit variance of £10.1m takes the Collection Fund to an overall deficit of £5.2m - an improvement of £227k from M9's position. The in-year surplus is made up of surpluses of £1.9m and £2.9m in Council Tax and Business Rates respectively. The overall improvement in the Collection Fund position is driven by Council Tax and the continuation of the debt write-off exercise enabling a further forecast release of the Bad Debt Provision of £879k. However, Business Rates income collection continues to show a pressure of around £3m, mitigated by a reduction in the Council's levy against retained business rates above the Government determined baseline level of £4m and additional Section 31 Grant income of £1.9m, which, excluding the prior year deficit, then takes Business Rates to an in-year surplus.

GENERAL FUND CAPITAL EXPENDITURE

31. The Council updates its capital forecasts on a quarterly basis. At Month 9, the position presented to Cabinet showed a £61.8m forecast underspend against the General Fund Capital Programme budget for the year of £138.4m. £11.8m of this variance represented cost savings including £8.3m transformation and DSG capitalisation support, whilst £50.0m is due to the rephasing of projects into future years. Budgeted expenditure on projects that are expected to slip into future years include Hillingdon Water Sports Facility (£7.0m), School Building Condition Works (£6.8m), the Corporate Technology and Innovation Programme (£4.5m), SRP/SEND capital expenditure (£12.5m), Secondary School Expansions (£5.7m) and Investment in Home Care capacity (£3.0m). Slippage from 2025/26 is to be reviewed and approved in quarter 1 2026/27.

SCHOOLS BUDGET

32. The Dedicated Schools Grant (DSG) total Block for Maintained Schools is forecast to have an in-year deficit of £9.2m, representing a £0.4m favourable movement compared to month 9 and a £3.3m favourable variance against the £12.5m budgeted use of reserves. The DSG deficit is forecast to rise to £75.1m by the end of the financial year, but which will be mitigated by the High Needs Stability grant due to be paid in autumn 2026.

33. The favourable movement relates to High Needs expenditure and the service's ongoing work to reduce reliance on costly independent placements through increased local provision and early intervention. The in-year shortfall is driven by continued demand and cost pressures in High Needs placements. Rising demand for specialist provision, a shortage of maintained special school places, and increased reliance on costly independent non-maintained placements are contributing to widespread overspends in the High Needs Block. This position will be significantly improved following the final local government funding settlement announcement made on 9 February 2026 setting out the Government's plans to support local authorities with their DSG deficits. The announcement included the following statement: "All local authorities with SEND deficits will be eligible in 2026/27 to receive a grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025-26. This grant will be paid in Autumn 2026, subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan." Table 5 below provides a summary of the Schools Budget and the current forecast.

34. In the November 2025 budget, the Government confirmed that starting from the 2028-29 financial year, future special educational needs and disabilities (SEND) costs will be managed within the overall central government spending envelope, shifting the responsibility from local authorities.

Table 5: DSG Income and Expenditure Summary

Dedicated Schools Grant (DSG) Blocks	Budget 2025/26			Month 10 Forecast	Variance	Month 9 Variance
	DSG Settlement	Academy Recoup-ment	LBH Maintained			
	£m	£m	£m	£m	£m	£m
Schools Block	297.9	(187.0)	110.9	110.8	(0.1)	0.0
Early Years Block	48.3	0.0	48.3	48.1	(0.2)	0.0
Central Schools Block	2.5	0.0	2.5	2.5	0.0	0.0
High Needs Block	86.8	(13.1)	73.7	70.7	(3.0)	(2.9)
Budgeted Use of Reserves	(12.5)	0.0	(12.5)	(12.5)	0.0	0.0
Total	**423.0**	**(200.1)**	**222.9**	**219.8**	**(3.3)**	**(2.9)**
Balance Brought Forward 1 April 2025					**65.9**	
Budgeted Use of Reserves					**12.5**	
Pressure/(Reduction)					**(3.3)**	
Total Deficit at 31 March 2026					**75.1**	

35. There is currently a time-limited statutory override in place until 31 March 2028, ringfencing the Schools Budget deficit such that this does not impact upon general reserves. The Council, like many other local authorities, has a large Schools Budget deficit which stood at £65.9m on 31 March 2025, exceeding the level of General Fund reserves held. During the course of this year, the Council has successfully reduced the in-year spend against the Schools Budget and continues to make good progress. The Final Local Government Settlement announced on 9 February 2026 set out the Government's plans to fund circa 90% of existing DSG deficits which will significantly reduce the deficit but will leave the Council with a residual balance to address in 2028/29.

36. The Council is actively progressing a range of strategic initiatives aimed at improving outcomes for children and young people with Special Educational Needs and Disabilities (SEND), while ensuring more sustainable use of resources. These efforts include reducing the overall number of Education, Health and Care Plans (EHCPs), lowering the average top-up funding required per EHCP, and decreasing the average cost of education placements. In parallel, the Council is working to enhance the value for money of commissioned services and to increase financial contributions from partner agencies towards the support of children and young people with SEND. The Council is beginning to see a significant reduction in the in-year deficit as a consequence.

37. A core target for the revised High Needs Safety Valve 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 which has been in place since early 2024/25 is now beginning to have a positive impact.

HOUSING REVENUE ACCOUNT

38. The Housing Revenue Account (HRA) continues to forecast a breakeven position. Operating costs are showing an in-year pressure of £2.0m, before financing charges, representing a £0.3m increase from Month 9. The pressures are primarily driven by staffing costs – higher agency and contingent labour costs offset by vacancy savings, increased reactive and void repairs, together with an under-recovery of rents due to delays in acquisitions becoming operational. These pressures are offset by a reduction in the revenue contributions to the capital programme, ensuring the HRA remains balanced.

39. The 2025/26 closing HRA General Balance is forecast to be £15.0m, in line with the target level set out in the Council's budget strategy. The table below presents key variances with a £1.6m pressure against operating costs being compounded by a £0.4m adverse variance against rental income. This position is kept to breakeven by a reduction in the capital financing costs, with the Council opting to reduce the revenue contribution to capital schemes in order to maintain the target level of balances. This position represents a £0.3m adverse operating cost movement since Month 9 offset by a corresponding movement in revenue contributions to capital.

Table 6: Housing Revenue Account

Service	Budget £m	Forecast Outturn £m	Variance £m	Prior Month £m	Change £m
Rent & Other Income	(85.7)	(85.3)	0.4	0.4	0
Net Income	**(85.7)**	**(85.3)**	**0.4**	**0.4**	**0.0**
Operational Assets	16.2	16.1	(0.1)	(0.2)	0.1
Director of Housing	9.7	11.4	1.7	1.4	0.3
Other Service Areas	1.0	1.3	0.3	0.3	0
Contribution to Shared Services	11.9	11.6	(0.3)	(0.2)	(0.1)
HRA Operating Costs	**38.8**	**40.4**	**1.6**	**1.3**	**0.3**
Capital Programme Financing	31.0	26.7	(4.3)	(4.0)	(0.3)
Interest and Investment Income	15.9	18.2	2.3	2.3	0
Total Capital Programme Financing	**46.9**	**44.9**	**(2.0)**	**(1.7)**	**(0.3)**
(Surplus) / Deficit	**0.0**	**0.0**	**0.0**		
General Balance 01/04/2025	15.0	15.0	0		
General Balance 31/03/2026	**15.0**	**15.0**	**0.0**		

40. The detail behind the service delivery of the blocks included in Table 6 are as follows:

- Operational Assets budget funds the services provided for repairs and maintenance, void repairs, compliance and inspections.

- The Director of Housing budget includes tenancy management and tenants' services. The budgets include utility costs, and these will continue to be monitored given the volatility of the electricity and gas markets in recent times.

- The Other Service Areas budget includes the Careline contract, HRA specific ICT costs and the revenue regeneration costs.

- The Contribution to Shared Services budget includes the development and risk contingency, overheads and corporate and democratic core charges, and the bad debt provision.

41. Rental and other income has a forecast pressure of £0.4m. The annual void loss was budgeted at £0.8m (1% of dwelling rent) but is now expected to be £1.1m (1.4% of dwelling rent) for the year. At M10, there were 108 standard voids completed against an annual budget of 106, indicating higher volumes being done. Acquisitions and buybacks (59) are taking longer to process to lettable status, with 60% being void for over 120 days. All of the 72 new build properties have been void for over 120 days.

42. In addition, there has been a higher than forecast number of Right To Buy properties. The current forecast for the year is 90 against an original expectation of 25.

43. The revised HRA Operating Costs budget is £38.8m and at Month 10 is forecast to overspend by £1.6m, due to staffing pressures including in tenancy management where there are also increased gas and electricity costs, removal costs and council tax levies on empty properties.

44. The staffing variance of £523k is mainly due to agency staff covering posts whilst restructures are being implemented. This variance should reduce by the first quarter in 2026/27. Energy cost variance of £382k is mainly due to an expectation that electricity and gas prices would each reduce by 25% in 2025/26. Electricity £392k and gas £268k budgets were reduced in M8 however these reductions are proving to have been overestimations. Moving tenants into and out of Bed and Breakfast accommodation is costing an additional £259k in hotel costs and £95k in removal costs. Empty properties are incurring a council tax levy of £330k, part of which may be reimbursed.

45. Operational Assets are forecast to underspend by £100k in the year. This is due to higher levels of capitalisation for void properties (c£600k) and of gas maintenance works (c£300k) offset by overspend pressures including higher reactive repairs spend (c£800k).

46. At Month 10 the capital programme financing budget of £46.9m is forecast lower by £2.0m. This budget includes £31.0m (depreciation and revenue contributions) to fund the HRA capital programme, and £15.9m for repayments of loans and interest on borrowing. This position is closely monitored throughout the year with clear linkages to the commissioning plan.

Financial Implications

Financial implications are included in the main body of the report.

RESIDENT BENEFIT & CONSULTATION

The benefit or impact upon Hillingdon residents, service users and communities?

All activities and Services provided by the Council and funded through the budget setting process have a direct impact on Hillingdon residents, service users and communities.

Consultation & Engagement carried out (or required)

The draft budget 2025/26 was subject to a consultation exercise conducted by the Council from 13 December 2024 to January 2025. The results of the consultation including a summary of key findings was published on the council's website as an appendix to the 2025/26 Budget setting report that was considered by Cabinet on 20 February 2025.

CORPORATE CONSIDERATIONS

Corporate Finance

This report is produced in conjunction with Corporate Finance and comments are included throughout the report.

Legal

It is in keeping with the principles of good governance for a regular monitoring report to be brought to Cabinet, in relation to the Council's budget position. Any relevant legal implications are referred to the financial implications section within this report, or elsewhere within the body of this report.

BACKGROUND PAPERS

Previous budget monitoring reports to Cabinet and approved budget