2025/26 Financial Performance: Provisional Outturn

Committee considering report:	Executive
Date of Committee:	2 July 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Toby Bradley and George Winterbourne

1 Purpose of the Report

1.1 To provide a provisional report on the financial performance of the Council's Revenue and Capital year-end for the 2025/26 financial year. The report also indicates the provisional impact on the Council's General Fund as at year-end.

1.2 The provisional outturn figures are subject to external audit scrutiny and are therefore subject to change. Any changes, if made, will be reflected in the figures that will form the basis of the Council's financial statements for the 2025/26 financial year.

2 Recommendations:

The Executive is informed of the following:

Revenue:

2.1 The Provisional Revenue Outturn is +£9.4m/ 5.1% adverse to Budget (Budget £183.4m, Provisional Revenue Outturn £192.9m). Several year-end adjustments are required to the Provisional Revenue Outturn because of specific reserve related transactions and obligations noted below. As a result of these adjustments, the Adjusted Provisional Revenue Outturn (the key Revenue outturn metric) is +**£5.5m/ 3.0%** adverse to Budget (Budget £183.4m, Adjusted Provisional Revenue Outturn £188.9m). The Adjusted Provisional Revenue Outturn is -**£3.0m/ 1.7%** favourable compared to the Q3 forecasts, (Q3 Outturn £192.0m, Adjusted Provisional Revenue Outturn £188.9m). Note: all values in this report are pre IFRS 16 (lease) adjustment – the impact of which is not expected to be material. The material year end adjustments are as follows:

a. A Dedicated Schools Grant (DSG) overspend of +£8.8m. The overspend is subject to a statutory override, enabling the Council to transfer this overspend to a separate reserve, thereby protecting the Council's General Fund. The DSG overspend was -£5m favourable vs the Budget. The year-end cumulative DSG reserve balance is £25m.

b. A Public Health Grant underspend of -£358k. Public Health funds are ringfenced and cannot be deployed in support of the Council's General Fund

position. This adjustment is required to transfer this value to the Public Health reserve.

c. A Capital Financing & Management Minimum Revenue Provision (MRP) adjustment of -£5.1m. MRP is a statutory capital financing adjustment between the General Fund and unusable reserves relating to the provision for the repayment of capital debt.

2.2 In accordance with the Council's policy on the use of flexible capital receipts, £4.3m of capital receipts has been applied to transformation expenditure in both the Provisional Revenue Outturn and Adjusted Provisional Revenue Outturn.

Capital:

2.3 The Provisional Capital Outturn is £44.2m of expenditure against an approved expenditure programme of £60.9m. Of the £44.2m capital expenditure incurred, £15.0m was funded by the Council. The remaining £29.2m was financed from external sources, primarily grants, the Community Infrastructure Levy (CIL) and Section 106 contributions.

2.4 Reprofiling planned capital expenditure between 2025/26 and 2026/27 results in an adjusted net underspend of £3.1m/ 5.1% against budget. The reprofiling adjustments are as follows:

a) £14.3m of planned expenditure to be reprofiled into financial years 2026/27 and 2027/28 – see Appendix A.

b) £0.7m of funding proposed to be brought forward from approved expenditure from financial year 2026/27 into financial year 2025/26 – see Appendix B.

2.5 The impact of required capital financing on the Council's Capital Financing Requirement (CFR) and liability benchmark which identifies the Council as a long-term borrower of funding can be found in the 2025/26 Annual Treasury Management Review which is due at Governance Committee on 28 July 2026.

3 Implications and Impact Assessment

Implication	**Commentary**
Financial:	General Fund Impacts and Exceptional Financial Support (EFS): The Provisional Outturn is expected to reduce the Council's General Fund by £5.2m. MHCLG have provisionally agreed to a maximum of £20m being applied to the Council's reserves to support the 2025/26 close of the accounts and underpin a minimum General Fund requirement to support the 2026/27 revenue budget (as detailed in the budget papers adopted by Council in February 2026). The final EFS funds allocated will be detailed in the draft financial statements report which will be presented to Governance Committee in July 2026 after final

	close of the accounts. The General Fund and reserves position is impacted by multiple factors, including the Revenue Outturn, therefore the final EFS requirement (which is capped at £20million by MHCLG) cannot be determined until final closure of the accounts. Shannon Coleman-Slaughter, 151 Officer, 20.5.2026
Human Resource:	None
Legal:	The CIPFA Prudential Code requires the Council to consider capital and investment opportunities alongside overall organisational strategy and be mindful of the need to ensure that decision-making is made having sufficient regard to the long-term financing implications and associated risks. To demonstrate that Local Authorities have satisfied these objectives, the Code specifies several indicators but does not define specific indicative limits or ratios. Local Authorities can set their own limits and ratios, subject to controls in Section 4 of the Local Government Act 2003. The capital programme is a key driver of the Council's treasury management activities.
Risk Management:	The Financial Review Panel (FRP) was relaunched in November 2025 to allow greater focus on the risks and opportunities in each service. This forum scrutinises each service's financial performance against Budget. FRP is also used as a mechanism to inform future budget builds and gain a more granular understanding of the expenditure and income drivers of each revenue service budget. Treasury Management Group continues to review the current borrowing levels against adopted Prudential Indicators (Investment & Borrowing Strategy), with a view to managing any longer-term interest rate risk exposure. Spend Panel launched in December 2025 to review expenditure incurred in the financial year. Spend Panel meets weekly and reviews: (i) new or extending contracts Purchase Requisition requests, (ii) new headcount requests, (iii) new or altered commissioning costs, and (iv) accounts payable requests not managed via Purchase Requisitions. This allows the Spend Panel to scrutinise all spend, to understand and develop a plan for financial sustainability moving forward. The Finance Improvement Group launched in March 2026. It meets on a regular basis to act as an advisory board providing challenge, advice and independent expertise to support sufficient pace and good governance to the financial

	improvement plan. It also provides assurance to stakeholders that the Council recognises its financial position, the requirement to have a strategic plan to enable a more financially resilient Council, and the Council continues to provide its Best Value duty alongside its other statutory duties. The Council is exposed to inflationary cost pressures across the capital programme. Furthermore, any rise in PWLB borrowing rates resulting from increases in bank rates will result in inflated interest costs on any new borrowing undertaken. Such external risks are largely outside of the Council's ability to influence. However, the Council will seek appropriate advice from its engaged external treasury specialist to determine the optimum time and structure for any new borrowings undertaken.			
Property:	The Council is currently reviewing its asset portfolio and refreshing its Asset Optimisation Plan to optimise the estate over the long term, reducing costs and risks while supporting service delivery and maximising income generation. The Council will also explore, where appropriate, the disposal of assets with the aim of generating capital receipts. These receipts may be used to support the Council's capital programme, reducing capital financing costs, and/or to fund transformation projects aimed at delivering future cost savings. This approach will be carefully balanced against the potential long-term loss of income from the disposal of revenue-generating assets.			
Policy:				
	Positive	**Neutral**	**Negative**	**Commentary**
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		

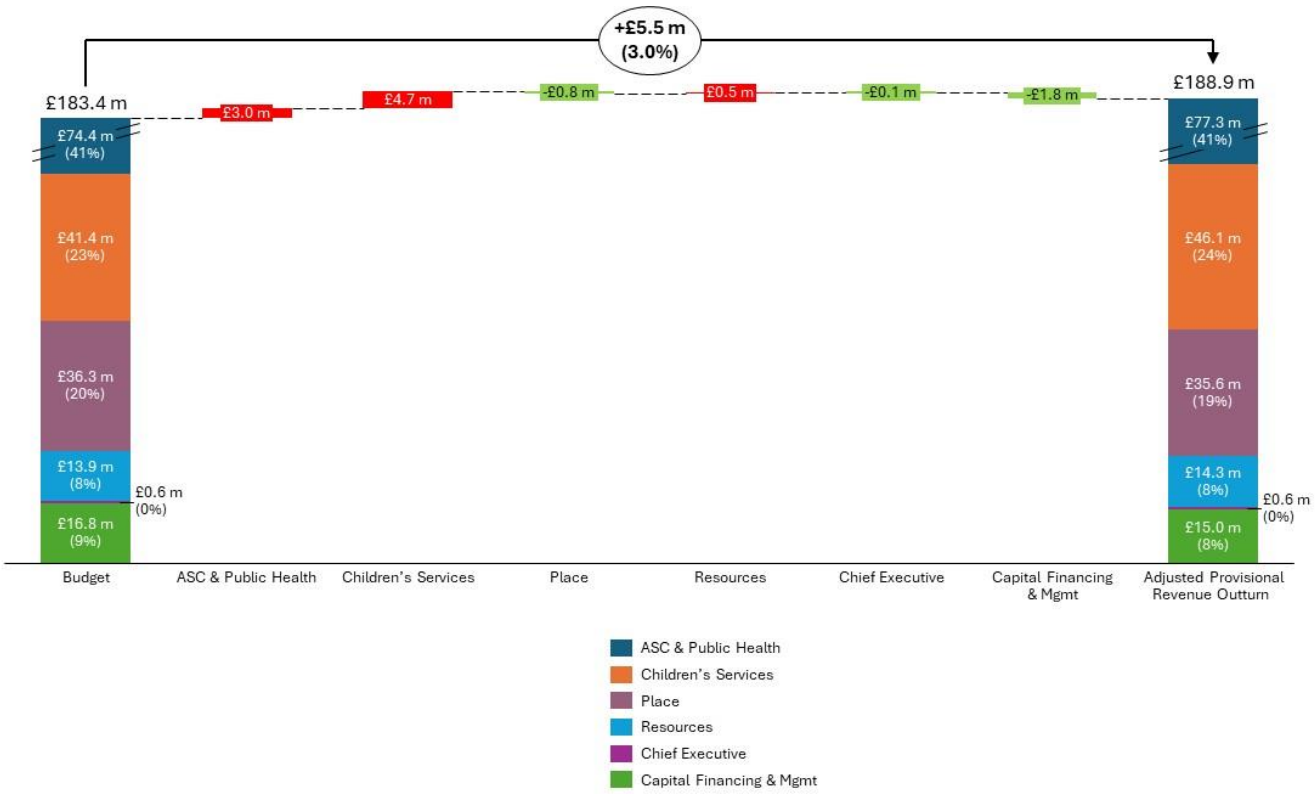
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		The proposal aims to continue to protect those characteristics
Environmental Impact:		X		Unlikely to have any long-term environmental impact.
Health Impact:		X		
ICT Impact:		X		N/A
Digital Services Impact:		X		N/A
Council Strategy Priorities:		X		All expenditure is aligned to the delivery of Council priorities, this report provides detail on the level of expenditure incurred.
Core Business:		X		
Data Impact:		X		N/A
Consultation and Engagement:	Service Directors, Executive Directors.			

4 Executive Summary - Revenue

4.1 As noted above, the Adjusted Provisional Revenue Outturn (the key Revenue Outturn metric) is +**£5.5m/ 3.0%** adverse to Budget (Budget £183.4m, Adjusted Provisional Revenue Outturn £188.9m).

4.2 The position continues to be driven primarily by social care demand pressures. Further detail on all services is below. To provide context on the scale of the social care pressures within the overall Council outturn, +**£3.0m/ 55%** of the adverse variance relates to Adult Social Care, while +**£3.6m/ 66%** relates to Children's Social Care. These percentages exceed 100% in aggregate due to favourable variances achieved across other service areas, which partially offset the above social care demand.

4.3 The waterfall below shows the Adjusted Provisional Revenue Outturn vs Budget, at Executive Director level:



4.4 The below table shows the 2025/26 financial cycles: Budget, Q3 Outturn and Adjusted Provisional Revenue, and the relevant variances, at Service Director level:

	Budget 2025/ 26	Q3 Outturn 2025/ 26	Adjusted Provisional Revenue Outturn 2025/ 26	Adjusted Provisional Revenue Outturn 2025/ 26 vs Q3 2025/ 26		Adjusted Provisional Revenue Outturn 2025/26 vs Budget 2025/ 26	
Executive Director People - Adult Social Care & Public Health	£0.3 m	£0.3 m	£0.2 m	£0.0 m	-7.9%	£0.0 m	-15.0%
Adult Social Care	£74.2 m	£78.3 m	£77.2 m	-£1.1 m	-1.5%	£3.0 m	4.1%
Public Health & Wellbeing	-£0.1 m	-£0.1 m	-£0.1 m	£0.0 m	0.0%	£0.0 m	0.0%
People - Adult Social Care & Public Health	**£74.4 m**	**£78.5 m**	**£77.3 m**	**-£1.1 m**	**-1.5%**	**£3.0 m**	**4.0%**
Executive Director People - Children's Services	£0.2 m	£0.2 m	£0.2 m	£0.0 m	-0.6%	£0.0 m	0.3%
Children's Social Care	£33.3 m	£36.9 m	£36.9 m	£0.0 m	0.0%	£3.6 m	10.8%
Education & SEND	£8.4 m	£8.9 m	£9.0 m	£0.1 m	1.3%	£0.6 m	7.6%
Education (DSG Funded) & Other Education Grants	-£0.4 m	-£0.4 m	£0.0 m	£0.4 m	100.0%	£0.4 m	100.0%
People - Children's Services	**£41.4 m**	**£45.6 m**	**£46.1 m**	**£0.5 m**	**1.3%**	**£4.7 m**	**11.3%**
Executive Director – Place	£0.3 m	£0.2 m	£0.2 m	£0.0 m	-1.4%	£0.0 m	-16.3%
Community Services	£5.5 m	£5.4 m	£5.1 m	-£0.2 m	-4.0%	-£0.4 m	-6.7%
Environment	£27.0 m	£27.2 m	£27.0 m	-£0.3 m	-1.0%	£0.0 m	0.0%
Development & Housing	£3.6 m	£3.7 m	£3.3 m	-£0.4 m	-11.2%	-£0.3 m	-9.6%
Place	**£36.3 m**	**£36.5 m**	**£35.6 m**	**-£0.9 m**	**-2.5%**	**-£0.8 m**	**-2.1%**
Transformation, Customer & ICT	£3.6 m	£4.6 m	£4.5 m	-£0.2 m	-4.4%	£0.8 m	22.5%
Executive Director - Resources	£0.8 m	£0.9 m	£0.7 m	-£0.1 m	-16.9%	-£0.1 m	-12.5%
Finance, Property & Procurement	£4.0 m	£4.8 m	£4.0 m	-£0.9 m	-21.4%	-£0.1 m	-1.9%
Strategy & Governance	£5.4 m	£5.5 m	£5.2 m	-£0.3 m	-6.3%	-£0.2 m	-3.0%
Resources	**£13.9 m**	**£15.8 m**	**£14.3 m**	**-£1.5 m**	**-10.9%**	**£0.5 m**	**3.4%**
Chief Executive	**£0.6 m**	**£0.6 m**	**£0.6 m**	**£0.0 m**	**-2.0%**	**-£0.1 m**	**-12.0%**
Capital Financing & Management	**£16.8 m**	**£15.0 m**	**£15.0 m**	**£0.0 m**	**-0.1%**	**-£1.8 m**	**-10.8%**
Total WBC	**£183.4 m**	**£192.0 m**	**£188.9 m**	**-£3.0 m**	**-1.7%**	**£5.5 m**	**3.0%**

Variance analysis key: positive numbers = adverse & negative numbers = favourable

Revenue Variance Analysis Detail: Covering Services with a greater than £0.25m variance

4.5 **Adult Social Care** has an adverse variance of +£3.0m. The primary drivers of the adverse variance are Own Care Homes +£2.1m, Short Term Services +£1.0m, Long Term Services +£0.5m, and Resource Centres +£0.5m. This is offset by a favourable variance of Team of -£1.1m:

a) Own Care Homes adverse variance of +£2.1m: Driven by +£1.5m, as the divestment saving target was not achieved due to the non-divestment of the properties, in addition to employee overspend of +£0.7m.

b) Short Term Services adverse variance of +£1.0m: Primarily +£0.8m driven by increased volumes motivated by a greater emphasis on short term services, in anticipation that returning cases reduce when care needs are established. Additional adverse spend of +£0.1m is reported in the Hospital Discharge Team - volume related.

c) Long Term Services adverse variance of +£0.5m: All rate driven, +£4.4m rate adverse and -£3.9m favourable on volume. All categories (4 of 11), bar Physical Support 18 to 64, Sensory Support 18 to 64, Sensory Support +65, and 'Other' show adverse rate movement vs Budget.

d) Resource Centres adverse variance of +£0.5m: +£0.2m driven by the decision to retain Resource Centres, and +£0.3m driven by transport.

e) Social Care & Management Team favourable variance of -£1.1m: Primarily vacancy management across the service at -£0.6m, plus higher than Budget capitalisation of staff related to the implementation of the new ASC IT system at -£0.3m.

4.6 **Children's Social Care** has an adverse variance of +£3.6m: The primary drivers of the adverse variance are Placements +£3.3m, and Child Care Lawyers +£1.0m. This is offset by a number of smaller favourable variances, the largest being Contact, Advice & Assessment Service -£0.2m:

a) Placements adverse variance of +£3.3m: +£2.4m/ 72% of this variance relates to volume and +£0.9m/ 28% to rate. Volume variance pressure is most extreme in Residential Care at +£2.5m, with 5 more children in care than Budget. Rate variance pressure is also most extreme in Residential Care at +£2.1m, with the average adverse rate delta being £123k vs Budget.

b) Child Care Lawyers adverse variance of +£1.0m: A small number of complex court cases have extended durations, leading to significantly higher costs. Also, average costs per case are increasing and the volume of children entering pre-precedings has increased.

c) Contact, Advice & Assessment Service favourable variance of -£0.2m: Primarily driven by vacancy management across the service at -£0.2m.

4.7 **Education and SEND** has an adverse variance of +£0.6m: The primary drivers of the adverse variance is Management and Strategy +£0.6m, School Improvement and SEN Services +£0.2m and Trading Services +£0.2m, offset primarily by favourable variances in Home to School Transport -£0.5m and Mental Health and Behaviours Support Services -£0.1m:

(a) Management and Strategy adverse variance of +£0.6m: Primarily driven by uncapitalised costs +£0.3m relating to a number of projects (Falkland Primary School, Brookfields School, Special Education Mental Health & Autism Spectrum Disorder Resourced Provision, Wrap around care, Thatcham Park, Kennet School, Brookfields Expansion, The Castle School, Westwood Farm, Spurcroft Primary School and the Education Capital Enhancement Programme), and an unmet savings challenge of +£0.1m.

(b) School Improvement and SEN Services adverse variance of +£0.2m: Primarily driven by an unmet savings challenge of +£0.1m and incremental staffing pressure to deliver statutory services +£0.1m.

(c) Trading Services adverse variance of +£0.2m: Full +£0.2m driven by staffing shortages in i) Educational Psychology services, and ii) additional statutory services in Education Welfare being delivered, resulting in no traded offer being available.

(d) Home to School Transport favourable variance of -£0.5m: Driven by cross council collaboration and cost management, between the Education and Transport teams.

(e) Mental Health and Behaviours Support Services favourable variance of -£0.1m: Driven by staff savings across vacancy management and redundancy cost savings vs Budget.

4.8 **Dedicated Schools Grant** has an adverse variance of +£0.4m: This follows a review on the accounting treatment of Support Service Recharges (SSRs). There is no impact on DSG income or expenditure as a result of this variance and change in policy.

4.9 **Community Services** has a favourable variance of -£0.4m: The primary drivers of the favourable variance are -Leisure £0.1m, Building Communities Together -£0.1m, Libraries -£0.1m and Registrars -£0.1m, offset by an adverse variance of +£0.1m in Management:

a) Leisure favourable variance of -£0.1m: Driven by -£0.1m savings in repairs and maintenance (lower costs due to recent leisure centre upgrades) and higher Parish contributions vs Budget.

b) Building Communities Together favourable variance of -£0.1m: Driven by additional grant income received in year, and lower partner organisation contributions.

c) Libraries favourable variance of -£0.1m: Driven by additional grant income received in year, higher Parish contributions and lower utility, repair and maintenance costs.

d) Registrars favourable variance of -£0.1m: Primarily higher income, with additional favourability driven by vacancy management.

e) Management adverse variance of +£0.1m: Primarily driven by a Shaw House related unmet savings challenge.

4.10 **Housing and Development** has a favourable variance of -£0.3m: The primary drivers of this favourable variance are Resettlement -£0.5m, Planning and Development -£0.1m and Housing -£0.1m. The favourable variances are offset by an adverse variance in Emergency Accommodation of +£0.5m:

a) Resettlement favourable variance of -£0.5m: Driven by grant funding for Ukraine and Afghan schemes exceeding costs incurred, and through proactive cost management.

b) Planning and Development favourable variance of -£0.1m: Driven by higher average income per planning application (£248 higher) vs Budget, despite a small decrease in the actual volumes vs Budget.

c) Housing favourable variance of -£0.1m: Driven primarily by unbudgeted Homelessness Prevention Grant income.

d) Emergency Accommodation adverse variance of +£0.5m: Primarily driven by adverse to Budget presentations (approximately double) driving incremental cost in both B&B and Serviced Apartments.

4.11 **Transformation, Customer and IT** has an adverse variance of +£0.8m: This is primarily driven by the unmet delivery of +£1.0m relating to TVI Transformation engagement. This is netted by a favourable variance of -£0.2m relating to employee expenses:

a) TVI Transformation adverse variance of +£1.0m: Transformation project delivery has experienced delays in execution on several projects, with others not proceeded beyond initial business case.

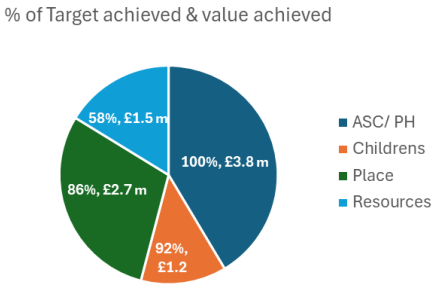
b) Employee related costs favourable variance -£0.2m: Driven by ICT, who have held vacancies pending restructure.

4.12 Executive Director - Resources, Finance, Property & Procurement, and Strategy & Governance all recorded favourable variances less than £250k.

5 Budgeted Savings - Revenue

5.1 Budgeted savings were largely achieved (Green) in the year with **£9.1m/ 85%** out of a possible £10.7m Budget Target. A number of Directorates achieved savings not in the original savings plan, with a particular overachievement in this area by Adult Social Care. Therefore, the sum of ‘Red’ (not achieved – from the Budget) plus the sum of ‘Green’ (achieved – actual savings) does not equal the original Target. The breakdown of ‘Red/ Not Achieved’ and ‘Green/ Achieved’ by Directorate is in the below table, in addition to a pie chart outlining the % achieved of the original Target, by Directorate.

Directorate	Target	Red	Green
ASC/ PH	£3.8 m	£1.7 m	£3.8 m
Childrens	£1.3 m	£0.2 m	£1.2 m
Place	£3.2 m	£0.5 m	£2.7 m
Resources	£2.5 m	£1.1 m	£1.5 m
Total	**£10.7 m**	**£3.4 m**	**£9.1 m**



5.2 The primary drivers of non-delivered/ red savings initiatives are:

(a) ASC - £1.7m: Primarily Care Home and Resource Centre related, as the divestment planned in the Budget did not occur.

(a) Children's - £0.2m: Primarily driven by establishment/ staff savings not being realised, with additional savings not realised in a reduced training budget.

(a) Place - £0.5m: Driven by solar farm income generation £0.1m, income generation at Shaw House £0.1m, Garden Waste subscription £0.1m, plus other smaller items.

(a) Resources - £1.1m: Driven by TVI Transformation non delivery £1.0m, and Strategy and Governance establishment staff savings not achieved £0.1m.

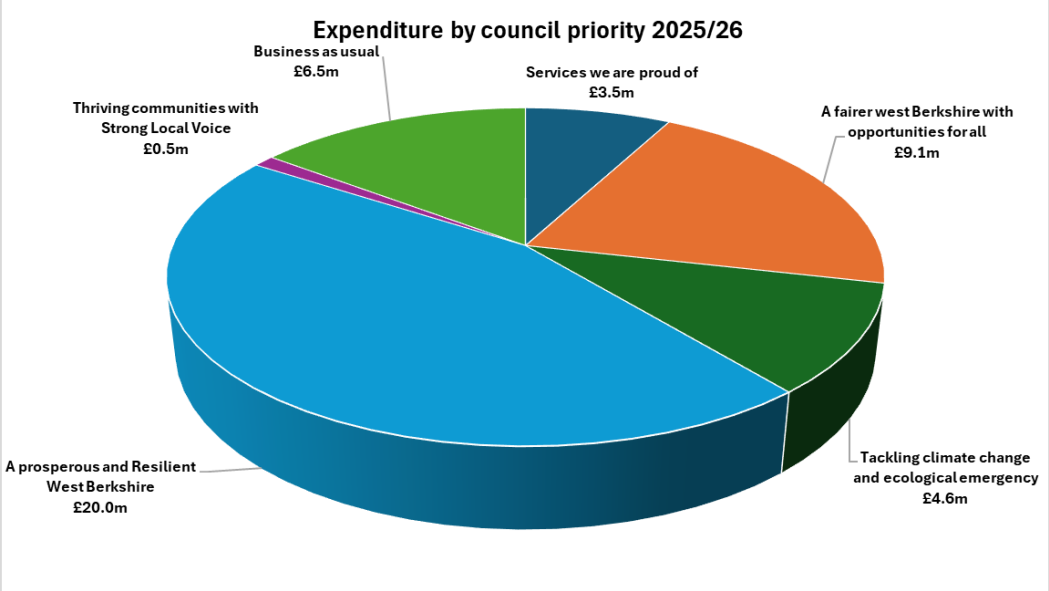
6 Transformation

6.1 Transformation costs were favourable at year-end by -**£1.0m/ 19.2%** vs Budget (£5.4m Budget, Outturn £4.3m). Transformation spend is funded through the application of capital receipts in accordance with the Council's flexible use of capital receipts policy.

Number of projects	Service	Approved budget 2025/26	2025/ 26 Actuals	Variance: Budget to Actuals 25/ 26
3	Strategy & Governance	£184 k	£182 k	-£3 k
7	Transformation, Customer & ICT	£540 k	£489 k	-£51 k
4	Finance, Property & Procurement	£466 k	£307 k	-£159 k
4	Adult Social Care	£1,788 k	£1,795 k	£6 k
2	Children's Social Care	£1,750 k	£1,049 k	-£701 k
1	Adult Social Care / Strategy & Governance	£94 k	£82 k	-£12 k
2	Education and SEND	£477 k	£264 k	-£213 k
1	Development & Housing	£29 k	£29 k	£0 k
1	Chief Executive	£0 k	£98 k	£98 k
1	Community Services	£47 k	£49 k	£2 k
26		**£5,376 k**	**£4,342 k**	**-£1,033 k**

7 Executive Summary – Capital Expenditure and Financing

7.1 The provisional outturn position for 2025/26 is **£44.2m** of capital expenditure incurred against the approved capital expenditure programme of **£60.9m**. This is compared to a Q3 forecast position of £50.8m. The capital programme is aligned to the approved Council Strategy (2023-2027, adopted in October 2023) and its key themes. This is demonstrated in the graph below, which splits the £44.2m of capital expenditure for 2025/26 by Council priority:



7.2 The table below summarises the capital outturn, budget and Q3 forecast position from a directorate and service level perspective:

	Outturn (£'m)	Budget (£'m)					Forecast (£'m)	
Service	Actual	Budget	Variance to budget	Slippage into 2026/27 & 2027/28	Slippage from 2026/27	Under/ (Over) spend	Q3 Forecast	Variance (Forecast-Actual)
People	**7.5**	**12.5**	**5.1**	**(2.7)**	**0.0**	**2.3**	**12.0**	**4.5**
Adult Social Care	0.7	2.9	2.2	(0.3)	0.0	1.9	3.1	2.4
Children's Social Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education & SEND	6.7	9.6	2.9	(2.5)	0.0	0.4	8.9	2.2
Place	**32.6**	**42.7**	**10.1**	**(11.0)**	**0.7**	**(0.2)**	**33.8**	**1.2**
Development & Housing	4.5	5.0	0.6	(0.6)	0.0	(0.0)	3.9	(0.6)
Community Services	3.0	4.5	1.5	(1.3)	0.0	0.2	3.5	0.5
Environment	25.2	33.2	8.1	(9.1)	0.7	(0.4)	26.4	1.2
Resources	**4.1**	**5.6**	**1.5**	**(0.5)**	**0.0**	**1.0**	**4.9**	**0.8**
Finance, Property & Procurement	0.9	1.9	1.1	(0.3)	0.0	0.8	2.0	1.1
Transformation, Customer & ICT	3.2	3.7	0.5	(0.3)	0.0	0.2	2.9	(0.3)
Total	**44.2**	**60.9**	**16.7**	**(14.3)**	**0.7**	**3.1**	**50.7**	**6.5**

Actual vs Budget / Forecast	**72.55%**	**87.15%**

7.3 Of the £44.2m capital expenditure incurred in 2025/26, **£15.0m** was funded by the Council. The remaining **£29.2m** was financed from external sources, primarily grants, the Community Infrastructure Levy (CIL) and Section 106 contributions. Upon determination of the final EFS requirement for financial year 2025/26, the EFS sum will become capitalised expenditure and reflected in the Council's CFR. The below table acknowledges this capitalisation process, although the final sum remains undetermined until final close of the accounts, the statutory deadline being the end of June 2026.

	£'m		
	2025/26 Budget	2025/26 Outturn	Variance
Externally funded - Capital expenditure			
Grants & Contributions	27.0	24.4	(2.6)
CIL	5.7	3.9	(1.8)
S106	1.1	0.9	(0.2)
Subtotal - externally funded	**33.8**	**29.2**	**(4.6)**
Council Funded			
Capital Expenditure	27.1	15.0	(12.1)
EFS	20.0	16.8	(3.2)
Subtotal - Council funded	**47.1**	**31.8**	**(15.3)**
Grand total	**80.9**	**61.0**	**(19.9)**

7.4 The capital net expenditure outturn position is **£16.7m** less than the approved 2025/26 capital programme. The primary drivers for this variance have been summarised by Directorate below.

7.5 **People** - capital expenditure within the People directorate was £5.1m lower vs. budget. This was mainly due to delays across several school infrastructure schemes arising from adverse weather, design development, site constraints and late-emerging technical issues, alongside delays to Occupational Therapy equipment investments. These variances reflect timing delays with most of the funding to be slipped in 2026/27 to complete delivery.

7.6 **Place** – capital expenditure within the Place directorate was £10.1m lower than budget and was driven mainly by delays in large infrastructure and regeneration schemes. Key factors include:

- Solar and environmental projects, namely the proposed solar farm at Grazeley (£5.8m), which requires further development and viability assessment, and the reprofiling of the Faraday Road football pitch (£1.1m), where work has begun but can only be completed following completion of the league season;

- Community and cultural projects such as the expansion of Berkshire Records Office (£0.7m) and West Berkshire Museum (£0.2m) which have experienced delivery delays; and

- Housing and grant-funded programmes impacted by delays in claims, planning processes and approvals.

7.7 **Resources** – the Resources directorate recorded capital expenditure of £1.5m less than budget. This was due to reduced staff costs in the project management team (£0.4m), driven by vacancies and the redeployment of staff to non-capital work, alongside delays in the delivery of several IT projects (£0.7m).

7.8 At outturn, **£14.3m** of the 2025/26 capital budget is proposed to be slipped into future years, with £9.2m slipping to 2026/27 and £5.1m to 2027/28. The main projects contributing to this total slippage are Grazeley Solar Farm (£5.8m), Faraday Road (£1.1m) and the Education Capital Enhancement Programme (£1.0m). A further **£0.7m** is proposed to be brought forward from approved expenditure from financial year 2026/27 into financial year 2025/26 to finance project overspends. A breakdown of these slippage requests have been consolidated into Appendix A and Appendix B respectively. Should all slippage requests be approved, the variance to budget will fall from £16.7m to **£3.1m**, which will represent the final net underspend position for 2025/26.

Capital Financing - Minimum Revenue Provision (MRP)

7.9 The Council makes an annual Minimum Revenue Provision (MRP) charge in respect of its underlying need to borrow for capital purposes. For capital expenditure funded from Council resources, MRP is charged from the financial year following the acquisition or construction of the asset and is spread over its estimated useful life. The Council applies the annuity method in calculating MRP, which results in lower charges in the earlier years of an asset's life, increasing progressively over time. Whilst this differs from the straight-line method, which applies an equal charge each year, the annuity approach ensures that the full capital cost of the asset is ultimately charged to revenue over its lifetime.

7.10 As the annuity methodology has been adopted relatively recently, the Council's existing MRP profile reflects a position where annual charges, although already material, are expected to increase over the medium term. The MRP charge for 2025/26 was £6.6m versus a MRP charge of £4.5m in 2024/25. This is forecast to increase to approximately £9.2m by 2032/33. This rising trajectory represents an important consideration in assessing the ongoing affordability of the capital programme.

7.11 MRP is an accounting adjustment between the General Fund and the Capital Adjustment Account (unusable reserves) that reduces the Council's underlying borrowing requirement (CFR). The impact of required capital financing on the Council's CFR and liability benchmark which identifies the Council as a long-term borrower of funding is included in the 2025/26 Annual Treasury Management Review.

8 Conclusion – Financial Position and Future Impacts

8.1 In respect of revenue, cost control across the organisation has been embedded across 2025/26, as outlined above. The revenue outturn is favourable compared to forecasts during the financial year, demonstrating cost control measures are having an impact across the organisation. As revenue pressures reduce, the Council's reliance on EFS should also reduce over time.

8.2 In respect of capital, the 2025/26 capital outturn demonstrates that the Council has continued to deliver a significant capital programme in a highly constrained financial environment. Capital expenditure of £44.2m has been incurred against an approved programme of £60.9m, with variances largely attributable to timing, programme slippage, and phased delivery rather than systemic cost overruns.

8.3 The financing of the capital programme has been actively and prudently managed. External funding has been maximised where available, internal resources have been utilised to defer borrowing, and treasury activity has focused on maintaining flexibility and minimising financing costs in a sustained, high-interest-rate environment. Gross borrowing remains below the Capital Financing Requirement, demonstrating compliance with the Council's Treasury Management Strategy and the Prudential Code. However, with the cost of borrowing continuing to increase, the reprofiling of £14.3m of capital expenditure into 2026/27 and 2027/28 is expected to increase the overall cost of delivering the capital programme, as this expenditure will be financed at higher rates than originally assumed. For example, in May 2025, the PWLB 25-year certainty rate for annuity loans was c. 5.8%. At the start of May 2026, this rate had increased to c. 6.2%. The Council's current weighted average cost of borrowing is approximately 3.92%, which remains below prevailing market rates, further emphasising the potential cost pressure associated with delayed delivery. Looking ahead, affordability must remain the overriding consideration in all capital and investment decisions. The scale and phasing of the capital programme will need to be kept under close review, with robust challenge applied to new schemes, re-scoping where necessary, and a continued focus on delivery within approved budgets and timescales.

8.4 Overall, the Council's financial position remains challenging. The ongoing requirement for EFS highlights the structural imbalance within the revenue budget between funding statutory obligations and funds available. The ongoing requirement for EFS comes with longer term cost implications through what is effectively the capitalisation of revenue

overspends, demonstrated through a rising MRP profile, increasing borrowing costs, and limited capacity to absorb further financial shocks.

8.5 Strong governance arrangements remain critical. Boards and Panels will continue to rigorously assess business cases, financial viability, and deliverability, ensuring that investment either supports statutory obligations, delivers clear service benefits, or generates sustainable long-term savings or income. Ultimately, the Council's ability to rebuild financial resilience will depend on the successful delivery of transformation, sustained savings, and income generation across the organisation.

9 Appendices

Appendix A – Slippage Capital Programme 2025/26

Appendix B – Slippage Capital Programme from 2026/27 to 2025/26

Background Papers:

Quarter One, Two and Three Revenue Reports

Subject to Call-In:

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval	☐
Delays in implementation could have serious financial implications for the Council	☐
Delays in implementation could compromise the Council's position	☐
Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months	☐
Item is Urgent Key Decision	☐
Report is to note only	☒

Wards affected:

Officer details:

Name: Shannon Coleman-Slaughter
Job Title: Service Director – Finance, Property & Procurement, s151 Officer.
Tel No: 01635 503225
E-mail: Shannon.ColemanSlaughter@westberks.gov.uk