

APPENDIX 2: Section 151 Officer Review of the Budget – Section 25 Statement (2026/27)

1. Statutory Context and Purpose of this Statement

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) to provide Members with an independent, professional judgement on:

- **the robustness of the estimates** within the proposed budget; and
- **the adequacy of the Council's reserves.**

Members must have regard to this statement when approving the budget and precept.

This statement has been prepared with explicit reference to CIPFA's **Practice Oversight Panel Advisory Note 6: *The Section 25 Notice – Additional Support (10 December 2025)***, which provides current national expectations for such judgements in a period of elevated and systemic financial risks across local government.

2. Professional Independence and Assurance of the Section 151 Officer

This report represents **my personal and professional judgement**, made independently in my statutory capacity as the Council's Chief Finance Officer.

In forming this judgement, I have drawn upon:

- My professional duties under Section 151
- CIPFA's Statement on the Role of the CFO
- The latest CIPFA guidance and national warnings on risks to local government financial sustainability, including SEND deficits, inflation volatility and structural underfunding, all highlighted by CFOs nationally.

3. How I Have Reached My Assurance Judgement

CIPFA expects CFOs to clearly explain their *assurance process* rather than provide conclusions alone. Accordingly, I have relied on:

3.1 Internal assurance processes

- Corporate budget challenge panels and cross directorate reviews
- Detailed validation of savings plans, risk ratings and deliverability
- Updated cost forecasts incorporating inflation, National Living Wage (NLW), pay award data and commissioning risks
- Revised contingency assessment following the late notification of reduced funding

3.2 External assurance sources

- Peer benchmarking across similar authorities
- Insights from the Department for Education's Delivering Better Value (DBV) programme
- Sector warnings from CIPFA and local government bodies that SEND deficits, inflation and demand volatility are among the most material risks facing councils in 2026/27.

3.3 Stress testing and scenario analysis

- Adverse movements in demand, NLW, inflation, interest rates and pay
- Particular focus on:
 - High risk adult and children's social care placement markets
 - High needs SEND growth
 - Interest rate sensitivity linked to cashflow depletion and increased borrowing (noted by CIPFA as a growing sector wide risk).

4. CFO Opinion (Required by Section 25)

4.1 Robustness of Estimates – *Increased Risk but Still Sufficient, Subject to Controls*

In my professional judgement, the estimates supporting the 2026/27 budget are robust, subject to strengthened in year management, and subject to the specific conditions and caveats outlined in this statement.

However, GCC's risk profile has increased materially for 2026/27 due to:

- Late government notification of reduced funding, requiring rapid budget adjustments
- Reduced corporate contingencies for pay and inflation
- Continuing volatility in demand led services
- A severe structural imbalance in national SEND funding (see Section 6)

CIPFA's guidance warns CFOs to recognise where late funding announcements or constrained contingencies materially heighten the probability of overspends. This risk is now significant for GCC.

Consequently, the budget will require disciplined in-year controls, monthly forecasting, and prompt corrective actions.

4.2 Adequacy of Reserves – *Adequate for 2026/27, but With Very Limited Headroom*

Based on the risk assessment in Annex 5:

- General Reserves remain above the **minimum 5% policy**, consistent with CIPFA expectations of risk based justification.

- Net planned use of £1.1m unearmarked reserves to balance the 2026/27 budget is *acceptable* but not sustainable.

The reduction in inflation and pay contingencies means reserves now carry a **greater burden** in managing volatility and must be preserved for genuine risk events. CIPFA guidance emphasises this explicitly when CFOs identify heightened risk exposure.

5. Financial Context and Key Assumptions

CIPFA's 2025 advisory note stresses the need to situate estimates within the broader economic and sector context.

The 2026/27 estimates reflect:

- Inflation, remaining above long term norms
- Pay awards, NI and pension pressures
- National Living Wage increases impacting care markets
- Interest rate volatility, particularly relevant due to cashflow depletion linked to SEND deficits (a risk highlighted nationally)

Impact of reduced contingencies and late funding announcement

The Council reduced corporate contingencies for pay and inflation following late notification of a reduced funding settlement, requiring rapid adjustment.

This increases the probability of:

- In year overspends
- Less flexibility for emerging pressures
- Higher dependence on reserves and management discipline

To mitigate this, the Council will rely on:

- Rigorous monthly forecasting
- Directorate accountability and escalation
- Potential in year spending controls if risks materialise

6. SEND / DSG Deficit – The Council’s Most Material Financial Risk

6.1 Local Position

By March 2026, Gloucestershire County Council (GCC) is forecast to hold approximately £124.1 million of cumulative DSG/SEND deficit arising from unfunded expenditure on statutory SEND duties. This represents the Council’s single most significant financial risk.

The deficit has grown largely because of the statutory duties placed on local authorities under the Children and Families Act 2014, which significantly expanded entitlement to Education, Health and Care Plans (EHCPs). Demand and complexity have increased substantially since 2014, while national funding levels have not kept pace. As a result, most education providing local authorities now hold substantial SEND deficits.

6.2 Statutory Override and National Context

The ability to set a balanced budget currently depends on the national DSG Statutory Override, which allows SEND deficits to be excluded from council General Funds. This accounting mechanism — extended to March 2028 — prevents the deficit appearing on the Council’s balance sheet but does not address the underlying funding gap.

Despite local efforts to control costs, including participation in the Delivering Better Value (DBV) and Safety Valve programmes, national SEND deficits continue to rise. Sector modelling indicates cumulative national SEND deficits, without Government intervention, could reach approximately £14bn by March 2028, when the override is scheduled to end.

Without a national solution before the end of the override, most affected authorities would face immediate and unsustainable pressure on their General Funds, with many at risk of having to issue a Section 114 notice.

The statutory override is widely regarded as inconsistent with principles of sound financial management. It defers recognition of liabilities that exceed the sector’s capacity to manage, while SEND overspends place increasing pressure on councils’ cash balances, reduce investment income, and increase reliance on borrowing, heightening exposure to interest rate volatility.

6.3 Government Intentions and Financial Implications

The Autumn 2025 Budget signalled Government’s intention to assume responsibility for future SEND funding from April 2028, alongside wider SEND reforms. As part of announcements associated with the Local Government Financial Settlement on 9 February 2026, Government confirmed its intention to provide High Needs Stability Grant (HNSG) during 2026/27. The HNSG recognises the historic underfunding of High Needs pressures, and will provide up to 90% of the Council’s eligible ring-fenced cumulative deficit as at 31 March 2026. The HNSG is expected to be received in Autumn 2026, subject to GCC submitting and securing the Department of Education’s approval of a local SEND reform plan. This commitment by Government is hugely welcomed, although further detail is required around expectations of the local plan. Government has also stated that it will take an appropriate approach for 2026/27 and 2027/28 deficits, ‘though it will not be unlimited’.

Given the uncertainty with quantification at this stage, the MTFS projections have not been adjusted to reflect receipt of HNSG.

If Government required local authorities to borrow to finance historical DSG deficits, GCC estimates that such an arrangement could impose ongoing annual revenue costs of approximately £10.8 million. The commitment from Government to fund up to 90% of eligible cumulative deficit is welcomed and would therefore substantially reduce this projected borrowing requirement. But there will still be a borrowing requirement on the unfunded elements of the historic deficit, until such point in the future when the SEND reforms reduce these on-going pressures.

If Government fully funds both the legacy deficit and any associated revenue costs, the Council's financial position would remain sustainable. If not, GCC's medium term financial resilience would be significantly compromised.

6.4 CFO Conclusion on SEND

My Section 25 assurance is explicitly conditional upon:

1. The DSG Statutory Override remaining in place until March 2028; and
2. Government implementing a fully funded national solution to both:
 - historic SEND deficits, and
 - revenue costs arising from whatever repayment mechanism is adopted.

If these assumptions are not met, GCC's ability to remain financially sustainable in the medium term would be fundamentally undermined, and alternative approaches to maintaining solvency would need to be considered. Building on the progress GCC have made through the Delivering Better Value Programme, we will continue to robustly review the expenditure in this area to reduce costs as far as possible whilst operating within the SEND framework.

7. Savings Delivery and Risk

CIPFA emphasises the need to explicitly address savings risk.

The Council's savings programme is supported by:

- Detailed delivery plans
- Programme management discipline
- Enhanced scrutiny of high risk proposals

However, due to reduced contingencies:

- Any slippage will have immediate and material in year impacts
- Higher risk savings (e.g. demand management, commissioning redesign) require monthly monitoring
- The Council must prepare contingency actions against potential slippage

8. Stress Testing and Scenario Analysis

The following “severe but plausible” scenarios have been modelled:

- 1% higher pay award → £2–3m additional pressure
- NLW uplift beyond forecast → significant impact on external care costs
- SEND placement growth exceeding trend → £5–10m additional DSG pressure
- 50bps interest rate increase → reduced investment income and cost pressure on borrowing

These scenarios are consistent with what CIPFA expects CFOs to consider.

9. Governance, Monitoring and Financial Management

To ensure effective in year risk control, the Council will:

- Conduct monthly forecasting
- Maintain robust savings tracking
- Enforce expenditure discipline where required
- Refresh the FM Code assessment annually
- Update the risk based reserves assessment at least annually or more frequently if warranted

These measures align with CIPFA's expectations for strong financial governance.

10. Final Section 25 Judgement

Robustness of estimates

The estimates for 2026/27 are robust subject to strengthened in year management, disciplined controls, and the specific statutory and national funding assumptions set out in this statement.

Adequacy of reserves

Reserves are adequate for 2026/27 but with limited headroom. They must be protected due to heightened volatility from reduced contingencies, late funding notification, and demand led pressures.

Critical caveat – SEND/DSG

My assurance is conditional upon the statutory override remaining to March 2028 and the Government implementing a fully funded national solution for historic and accruing DSG deficits. Without this, the Council's ability to remain financially sustainable would be compromised.