

Report Title	Quarter 2 – Revenue and Capital Budget Monitoring 2025/26
Meeting	Executive
Meeting Date	20 th November 2025
Report Author	Gemma-Louise Wells
Directorate	Director of Resources
Lead Executive Member(s)	Leader’s Portfolio, Cllr D Whipp
Wards Affected	All
Public. Part Exempt, or Fully Exempt	N/A
Appendices (if any)	Appendix A – Q2 Detailed Capital Monitoring

1. Executive Summary

1.1 The purpose of this report is to provide a revenue and capital forecast outturn, as at Quarter 2 2025/26. The position at Q2 indicates a projected overspend on revenue budgets of £0.742m, which increases 2025/26 use of reserves to £1.238m. The Capital update includes details of adjustments to the programme, including the removal of the Earby FAS scheme. As at Quarter 2 the prudential borrowing required to fund the capital programme for this financial year is £9.060m.

2. Recommendations

For the reasons set out in this report, EXECUTIVE is recommended to:

- 2.1 Note the Quarter 2 position on the Council’s Revenue Budgets for 2025/26.
- 2.2 Note the loss of Earby FAS GIA funding allocation and, as a result, the deletion of the Scheme from the Programme
- 2.3 Note the Quarter 2 position on the Council’s revised Capital Programme for 2025/26.
- 2.4 In light of the significant projected overspend, request officers to bring back proposals to mitigate the projected overspend thereby reducing the reliance on reserves.

3. Information: the Rationale & Evidence for the Recommendations

2025/26 Quarter 2 Revenue Budget

3.1 The net revenue expenditure budget for 2025/26 agreed at Council on 20th February 2025 was £17.369m. Budget slippage of £0.293m agreed at executive 17th July 2025 and revenue grant brought forward of £1.901m. This brings the total revenue budget to £19.563m

3.2 At the end of quarter 2 the year end position is forecast to be an overspend of £0.742m. Details of budget pressures and risk areas are highlighted below.

3.3 Table 1 – 2025/26 Quarter2 Revenue Monitoring

Q2 2025/26 Revenue Monitoring	Budget to Date	Actual to Date	Over/ (Under) Spend	Full Year Budget	Project Outturn	Project Over/ (Under) Spend
	£'000	£'000	£'000	£'000	£'000	£'000
Directorate	269	270	0	(0)	(11)	(11)
Policy and Commissioning	478	397	(82)	249	211	(38)
Financial Services	2,079	2,067	(12)	5,306	5,630	324
Legal & Democratic Services	743	596	(146)	1,402	1,384	(18)
Planning, Building Control & Regulatory Services	251	101	(150)	1,034	908	(126)
Operational Services	2,700	2,539	(162)	6,329	6,095	(234)
Property Services	893	895	3	1,423	1,656	233
Economic Growth	199	214	15	737	741	4
Housing and Environmental Health	780	739	(41)	2,599	2,498	(100)
Human Resources	237	241	4	121	150	28
Information Technology	582	769	188	(3)	200	202
Revenue Services	310	539	229	1,808	2,412	604
Customer Services	0	0	0	0	0	0
Net Cost of Services	9,521	9,367	(154)	21,006	21,873	867
Interest Payable	350	280	(70)	700	560	(140)
Interest Receivable	(500)	(741)	(241)	(1,000)	(1,125)	(125)
MRP	0	0	0	542	682	140
Other Technical Adjustments	8	8	0	(1,685)	(1,685)	0
Corporate Income & Expenditure	(142)	(453)	(311)	(1,443)	(1,568)	(125)
Net Revenue Expenditure	9,379	8,914	(465)	19,563	20,305	742
Funded by;						
Council Tax				(7,724)	(7,724)	0
Business Rates retention (Inc S31 Grant)				(6,959)	(6,959)	0
Other Grants				(2,190)	(2,190)	0
Use of Revenue Expenditure Reserve (Budget Slippage)				(293)	(293)	0
Use of Revenue Grants Reserve (Grant Carried Forward)				(1,901)	(1,901)	0
(-)Surplus/Deficit				497	1,238	742
Use of Budget Strategy Reserve				(497)	(1,238)	(742)

The table below details the main variances:

Table 2

Q2 Budget Variances	£'000
Additional Pay Award	21
Software Licences	200
Council Tax Support admin grant rolled onto core funding	204
Exempt Accomodation/Temporary Accomodation	343
Pendle Rise	165
Colne Market	40
Investment Income	(125)
Trade Waste Income	(109)
Other Minor Variances	3
Total	742

- 3.4 2025/26 pay award was agreed for Chief Officers and 'Green Book' employees in late July. The pay increase is 3.2% and represents an overspend of £0.021m corporately, as the budgeted award was 3.0%
- 3.5 Software License increases are leading to budget pressures in Information Technology.
- 3.6 The revenue Services budget included an anticipated service specific government grant of £0.204m, however this grant has been rolled into core funding, and will therefore not be received.
- 3.7 The Rent Allowances account held within Revenue Services has been reviewed in light of a mid-year update on the Housing Subsidy reclaim estimates. The Council cannot recover Housing Benefit on the total cost of Exempt Accommodation or Temporary Accommodation, the growth in this area has resulted in the Council having to subsidise the service. The budget shortfall is estimated to be £0.343m for 2025/26.
- 3.8 Property Services –
- The base budget within Property Services for the revenue impact of Pendle Rise Shopping Centre ownership was set to fund costs until end of September 2025. The date for vacant ownership is now set to be early November, and costs are currently estimated to exceed the budget by approximately £0.165m, however work is underway to try to decommission units to allow the Council to recover some of the business rates and utilities costs.
 - Progress in returning stall holders to the Market building at Colne has been delayed. The costs of running temporary sites are set to exceed the budget in this area by £0.040m.
- 3.9 Due to interest rates not reducing as fast as anticipated, investment income is expected to exceed the budget by c£125k.
- 3.10 There has been an increase in the take up of the trade waste service which has resulted in a forecast increase in net income of c£109k
- 3.11 The Directorate service area is projecting an underspend of £0.029m on agency cover, however this is outweighed by the initial costs of Local Government Reorganisation preparation, currently £0.032m for Pendle's contribution to the development of a Five Unitary Council proposal. It is likely that these costs will continue to grow.
- 3.12 Financial Services holds a centralised Vacancy Allowance of -£0.236m. at the time of writing this is set to be met by vacancy savings across all service areas.

Savings

- 3.13 An update on savings agreed by Council is provided in the table below;

Table 2 – 2025/26 Q2 Savings Update

<u>Savings Agreed by Council 20th February 2025</u>	<u>Agreed Budget Reduction</u> £'000	<u>Included in Projected Outturn</u> £'000	<u>Difference</u>	<u>Narrative</u>
Increase Fees & Charges (Net of Volume changes)	52	52	0	Met
Increased Investment Income Budget	250	375	0	Exceeded
TOTAL	302	427	0	

- RED = not met
- AMBER = Some progress towards the saving met
- GREEN = Saving made or exceeded

Use of Reserves

3.14 The 2025/26 base budget set out a contribution from the reserves balance of £0.497m. Current projections as shown in Table1 would see this figure change to £1.266m

3.15 Whilst the 2025/26 outturn is as yet uncertain, the Council will need to take steps to control existing spend as well as future growth.

Pendle Joint Venture Companies

3.16 A summary table of the Quarter 2 Long Term Debt position is shown below. The loans are all capital loans and the interest is fully provided for as it accrues.

	B/fwd			Q1 Net change £000	Q2 Net change £000	C/fwd			Basis of Interest Charge
	Loans Issued £000	Accrued Interest £000	Total B/fwd Long Term Debtor £000			Loans Issued £000	Accrued Interest £000	Total C/fwd Long Term Debtor £000	
PEARL 1	570	378	948	14	14	570	406	976	BOE Base +2%
PEARL 2	1,192	538	1,731	26	25	1,192	589	1,781	BOE Base +2%
PEARL Brierfield Mill*	481	-	481	-	-	481	-	481	BOE Base +2%
PEARL Together	122	15	137	1	1	122	18	140	Fixed at 2.5%
Penbrook Developments	50	3	53	2	1	50	6	56	BOE Base +2%
Joint Ventures	2,415	934	3,350	43	40	2,415	1,018	3,434	

**Note that the previously accrued loan note interest in PEARL BM (c£122K) was reversed and offset against the provision as part of the 2024/25 closure of accounts, following notification that this company will not make sufficient profits to pay this.*

2025/26 Q2 Capital Programme

3.17 A summary table showing the Quarter 2 position is shown in table 3 below. The funding of the revised budget is shown in Appendix A.

- 3.18 The Council received notification in early October that the Government had withdrawn the remaining allocation of £2.32m for the Earby FAS3 scheme. This has been reflected in the table below.

Table 3 – 2025/26 Q2 Capital Programme

	Opening Budget £000	Revised Budget £000	Spend to Date £000	Budget Remaining £000
Housing	1,971	2,895	821	2,074
Regeneration	132	16,563	3,462	13,101
Engineering Schemes	210	1,022	188	834
Council Assets	2,772	4,074	223	3,851
Resources	100	113	108	5
Environmental Services	1,307	3,920	202	3,718
Planning	0	142	0	142
Total Capital Programme	6,491	28,729	5,004	23,725

- 3.19 The 2025/26 budget has increase from £6.491m to £28,729m, £23.590m of this increase is slippage from the 2024/25 capital programme. The other changes include the following;
- i) (£2.320m) Removal of Earby FAS3 Scheme
 - ii) £0.032m Additional amount in DFG allocation
 - iii) £0.420m UKSPF Funding
 - iv) £0.319m Agreed for additional works on Colne LUF
 - v) £0.197m Various small grant funded schemes
- 3.20 Other minor changes have been made to reflect actual spend expected in year and to reflect grant claims made on some schemes. Full details are set out in Appendix A.
- 3.21 In total the capital programme for 2025/26 is now to be funded by Prudential Borrowing of £9.060m.
- 3.22 The affordability of this level of prudential borrowing will lead to the need to borrow additional funds in the coming years. The Council is currently 'under-borrowed', and high cash balances have prevented the need for external borrowing in this and the previous financial year. The timing of any external borrowing to support these large spends will need to be carefully considered, to ensure the best possible borrowing rates are attained.
- 4. Link to Council Plan Priorities: (Providing High Quality Services and Facilities, Proud and Connected Communities and Places, Good Growth and Housing and Healthy Communities)**
- 4.1 This report seeks to inform councillors of the Council's Financial position to fulfil the Council's plan in the High-Quality Services and Facilities priority, maintaining financial stability.

5. Implications

5.1 Financial Implications

The financial implications arising are as set out in the report.

5.2 Legal and Governance Implications

The legal implications arising are as set out in this report.

5.3 Climate and Biodiversity Implications

There are no Climate and Biodiversity implications arising directly from the contents of this report.

5.5 Human Resources Implications

There are no Human Resources implications arising directly from the contents of this report.

5.6 Equality and Diversity Implications

Information contained in this report does not give rise to the need for an Equality Impact Assessment (EIA).

6. Consultation

6.1 n/a

7. Alternative Options Considered

7.1 n/a

8. Statutory Officer Sign off (please tick)

Section 151 Officer	X
Monitoring Officer	X

9. Background Documents

9.1 n/a

Contact Officers

Author noted on report header.