

Report Title	Quarter 3 – Revenue and Capital Budget Monitoring 2025/26
Meeting	Executive
Meeting Date	19 th February 2026
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 –Capital Programme Monitoring Appendix B – Capital Resourcing

1. Executive Summary

- 1.1 The purpose of this report is to provide a revenue and capital forecast outturn, as at Quarter 3 2025/26. The position at Q3 indicates a projected overspend on revenue budgets of £78k, which increases 2025/26 use of reserves to £575k. The Capital update includes details of adjustments to the programme. The Capital Programme forecast outturn is £18.521m, with the prudential borrowing required to fund the capital programme for this financial year being £4.874m.

2. Recommendations

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

- 2.1 Note the Quarter 3 position on the Council’s Revenue Budgets for 2025/26.
- 2.2 Note the Quarter 3 position on the Council’s revised Capital Programme for 2025/26.
- 2.3 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 3 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 3 the year end position is forecast to be an overspend of £78k. Details of budget pressures and risk areas are highlighted below.

3.3 Table 1 – 2025/26 Quarter 3 Revenue Monitoring

Q3 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	404	415	12	(0)	(13)	(13)
Policy and Commissioning	658	558	(100)	249	211	(38)
Financial Services	3,205	3,405	200	5,306	5,555	250
Legal & Democratic Services	1,074	919	(155)	1,402	1,404	1
Planning, Building Control & Regulatory Services	378	142	(236)	1,034	1,097	63
Operational Services	4,016	3,234	(782)	6,329	5,451	(878)
Property Services	1,173	1,223	50	1,423	1,648	225
Economic Growth	328	303	(25)	737	735	(2)
Housing and Environmental Health	1,336	1,206	(130)	2,599	2,479	(119)
Human Resources Liberata	352	347	(5)	121	164	43
Information Technology Liberata	872	1,183	311	(3)	171	173
Revenue Services Liberata	566	2,353	1,787	1,808	2,424	615
Customer Services Liberata	871	880	9	0	9	9
Corporate Income & Expenditure	(217)	(643)	(426)	(1,443)	(1,693)	(250)
Total Net Revenue Expenditure	15,018	15,527	509	19,563	19,641	78
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
Budget (-)Surplus/Deficit				496	575	78
Use of Budget Strategy Reserve				(497)	(575)	(78)

3.4 The table below details the main variances:

Table 2

Q3 Budget Variances	£'000
Additional Pay Award	21
Software Licences	200
Council Tax Support admin grant rolled onto core funding	204
Exempt Accommodation/Temporary Accommodation	347
Pendle Rise	165
Colne Market	40
Investment Income	(250)
Trade Waste Income	(109)
Balance of the Extended Producer Responsibility (EPR) Grant	(331)
Purchase of Refuse Bins and Vaults capitalised	(250)
Other Minor Variances	41
Total	78

- 3.5 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 £21k corporately, as the budgeted award was 3.0%
- 3.6 Software License increases are leading to budget pressures in Information Technology.
- 3.7 The revenue Services budget included an anticipated service specific government grant of £204k, however this grant has been rolled into core funding, and will therefore not be received.
- 3.8 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 £347k for 2025/26.
- 3.9 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 Council obtained vacant possession in early November. Costs are currently estimated to exceed the budget by approximately £165k, however work is ongoing 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 £40k.
- 3.10 Due to interest rates not reducing as fast as anticipated, investment income is now expected to exceed the budget by c£250k.
- 3.11 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
- 3.12 The Council has received EPR grant of £869k in 2025/26, the budget assumed a contribution of £538k, however the whole grant must be allocated in year.
- 3.13 Following a review of all revenue expenditure, the purchase of refuse bins and vaults has been moved to the capital programme as this is allowable capital expenditure. This has had a slight adverse impact on the capital programme, which is highlighted later in the report.
- 3.14 The Directorate service area is projecting an underspend of £29k on agency cover, however this is currently offset by the initial costs of Local Government Reorganisation preparation, currently £32k for Pendle's contribution to the development of a Five Unitary Council proposal. Although we are anticipating a contribution from the central pot towards this cost.

3.15 Financial Services holds a centralised Vacancy Allowance of -£236k. at the time of writing this is set to be met by vacancy savings across all service areas.

Savings

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

Table 3 – 2025/26 Q3 Savings Update

<u>Savings Agreed by Council 20th February 2025</u>	<u>Agreed Budget Reduction</u> <u>£'000</u>	<u>Included in Projected Outturn</u> <u>£'000</u>	<u>Difference</u>	<u>Narrative</u>
Increase Fees & Charges (Net of Volume changes)	52	52	0	Achieved
Increased Investment Income Budget	250	500	250	Exceeded
TOTAL	302	552	250	

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

The fees and charges volume changes have achieved the target and as stated in 3.10 above the investment income has exceeded the target budget by £250k.

Use of Reserves

3.17 The 2025/26 base budget set out a contribution from the reserves balance of £497k. Current projections as shown in Table1 would see this figure change to £575k

3.18 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

3.19 A summary table of the Quarter 3 Long Term Debt position is shown below. The loans are all capital loans and the interest is fully provided for as it accrues.

Table 4 – Joint Ventures debt position

	B/fwd			Q3 Cumulative 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	41	570	419	989	BOE Base +2%
PEARL 2	1,192	538	1,731	75	1,192	613	1,806	BOE Base +2%
PEARL Brierfield Mill*	481	-	481	-	481	-	481	BOE Base +2%
PEARL Together	122	15	137	3	122	18	140	Fixed at 2.5%
Penbrook Developments	50	3	53	4	50	7	57	BOE Base +2%
Joint Ventures	2,415	934	3,350	123	2,415	1,057	3,473	

*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 Capital Programme

- 3.20 A summary table showing the forecast outturn as at Quarter 3 is shown in table 5 below.

Table 5 – 2025/26 Capital Programme - Forecast Outturn

	Revised Budget £0	Forecast Outturn £0	Variance £0	Forecast Slippage £0	Revised Variance £0
Housing Schemes	2,975	1,740	(1,234)	1,234	0
Regeneration Schemes	17,483	12,113	(5,370)	5,370	0
Engineering Schemes	1,022	1,011	(11)	17	6
Council Assets	3,822	1,417	(2,405)	2,364	(41)
IT	147	152	5	-	5
Operational Services	3,920	1,946	(1,974)	2,174	200
s106 schemes	142	142	-	-	
	29,511	18,522	(10,989)	11,159	170

- 3.21 The 2025/26 budget has increase from £6.491m to £29.511m, £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) £0.369m Agreed for additional works on Colne LUF
 - v) £0.750m Pride in Place Impact Fund
 - vi) £0.080m Purchasing Empty Properties
 - vii) £0.099m Various scheme adjustments – see appendix A
- 3.22 The forecast outturn is £18.522m. Full details are set out in Appendix A.
- 3.23 The capital programme is financed by various sources as set out in table 6 below, with the shortfall being met by Prudential Borrowing.

Table 6 – 2025/26 Capital Programme – Financing

	Revised Budget £0	Forecast Outturn £0	Variance £0	Forecast Slippage £0	Revised Variance £0
Capital Programme (Table 5)	29,511	18,522	(10,989)	11,159	170
Capital Receipts	832	584	(247)	207	(41)
Capital Grants	19,002	12,871	(6,132)	6,132	(0)
s106 Receipts	142	142	-	-	-
Revenue Contribution to Capital	51	51	-	-	-
Total Capital Cash Resources	20,027	13,648	(6,379)	6,338	(41)
Prudential Borrowing Requirement	9,484	4,874	(4,610)	4,821	211

The forecast Prudential Borrowing requirement is £4.874m.

3.24 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.