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|---|---|
| **Report Title** | Revenue and Capital Outturn 2025/26 |
| **Meeting** | Executive |
| **Meeting Date** | 23rd July 2026 |
| **Report Author** | Head of Finance |
| **Directorate** | Resources |
| **Lead Executive Member(s)** | Cllr Mohammed Hanif - Finance, Health and Leisure Portfolio |
| **Wards Affected** | All |
| **Public. Part Exempt, or Fully Exempt** | Public |
| **Appendices (if any)** | Appendix A |

## 1. Executive Summary

1.1 This report is provided to inform the Executive of the Revenue & Capital Outturn position for 2025/26, following the closure of accounts for the year.

## 2. Recommendations

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

2.1 Note the outturn position on the Council's Revenue Budgets for 2025/26 and the Reserve position as set out in the report.

2.2 Approve the proposals for revenue slippage of £272k from 2025/26 to 2026/27.

2.3 Note the outturn position on the Council's Capital Programme for 2025/26.

2.4 Approve the proposals for capital budget slippage of £16.349m from 2025/26 to 2026/27.

## 3. Information: the Rationale & Evidence for the Recommendations

3.1 The development of the revenue and capital budget is a key element of the Council's financial governance processes. The requirement for the Council to monitor its budget during the year is set out in s28 of the Local Government Act 2003, with s28(3) requiring the Council to act as it considers necessary if there has been a deterioration in its financial position.

3.2 This report presents the final revenue and capital outturn for 2025/26 and requests approval of slippage into 2026/27.

## 2025/26 Revenue Outturn

3.3 The net revenue expenditure for 2025/26 as agreed at Council on 20th February 2025 was £17.369m. This excludes the slippage from 2023/24 of £0.293m, and revenue grant brought forward of £1.901m which was agreed by the Executive on 17th July 2025. This brought the total approved revenue budget for 2025/26 to £19.563m.

3.4 Adding in corporate Income and expenditure and further funded virements plus adjusting for revenue grant carried forward into 2026/27 results in a revised budget of £16.873m. The virements are either funded from grant funding or Council reserves and shown in points (ii) to (v) below;

i. Corporate Income & Expenditure
ii. Grant Funding
iii. Use of Reserves
iv. Capital Adjustments
v. New Burdens Funding

3.5 The 2025/26 financial outturn has resulted in an underspend against budget. Some of this underspend relates to areas where budget slippage is requested to enable committed works to be carried out in 2026/27. The high-level outturn position and variances are included in the following pages.

3.6 The Finance team will be reviewing the outturn variances during the summer as part of the 2027/28 budget process. The major variances are increased costs in Property Services and Housing Benefits, underspends in Operational Services and higher returns on treasury investments.

3.7 A summary of the outturn position is shown in the table below;

**Table 1 – 2025/26 Revenue Outturn**

| Pendle Borough Council<br>General Fund Revenue Budget 2025/26 Outturn | Original Budget £000 | Revised Budget £000 | Actuals £000 | Variance Over/ (-) Under £000 | Slippage £000 | Final Over / (-) Under £000 |
|---|---|---|---|---|---|---|
| Directorate | (0) | (0) | (32) | (32) | 0 | (32) |
| Policy and Commissioning | 261 | 227 | 134 | (93) | 33 | (61) |
| Financial Services | 5,152 | 5,257 | 5,533 | 276 | 0 | 276 |
| Legal & Democratic Services | 1,246 | 1,396 | 1,135 | (261) | 154 | (107) |
| Planning, Building Control & Regulatory Services | 941 | 609 | 604 | (5) | 9 | 4 |
| Operational Services | 5,910 | 6,151 | 5,300 | (851) | 70 | (781) |
| Property Services | 1,145 | 1,241 | 1,667 | 426 | 2 | 427 |
| Economic Growth | 685 | 640 | 683 | 43 | 5 | 48 |
| Housing and Environmental Health | 1,540 | 1,235 | 1,136 | (98) | 0 | (98) |
| *Liberata Services:* | | | | | | 0 |
| Human Resources | 126 | 126 | 99 | (28) | 0 | (28) |
| Information Technology | (3) | 1 | 57 | 56 | 0 | 56 |
| Revenue Services | 1,808 | 1,808 | 2,328 | 519 | 0 | 519 |
| Customer Services | 0 | 0 | 18 | 18 | 0 | 18 |
| **Net Cost of Services** | **18,812** | **18,691** | **18,662** | **(29)** | **272** | **243** |
| Corporate Income & Expenditure | | | | | | |
| Capital Financing/Accounting | (1,157) | (968) | (916) | 52 | 0 | 52 |
| Servicing of External Debt | 714 | 714 | 591 | (123) | 0 | (123) |
| Investment Income | (1,000) | (1,000) | (1,550) | (550) | 0 | (550) |
| **Net Revenue Expenditure** | **17,369** | **17,437** | **16,787** | **(650)** | **272** | **(378)** |
| Planned contribution to/(-) from Earmarked Reserves | 0 | (218) | 56 | 274 | (272) | 2 |
| **BUDGET REQUIRMENT** | **17,369** | **17,219** | **16,843** | **(376)** | **0** | **(376)** |
| Council Tax | (7,724) | (7,724) | (7,724) | 0 | 0 | 0 |
| Business Rates inc S31 grants | (7,002) | (7,002) | (7,116) | (114) | 0 | (114) |
| Collection Fund Surplus/Deficit | 44 | 44 | 44 | 0 | 0 | 0 |
| Revenue Support Grant | (1,601) | (1,601) | (1,601) | 0 | 0 | 0 |
| Other Grants | (588) | (588) | (588) | 0 | 0 | 0 |
| **TOTAL Funding/Budget Requirement** | **(16,873)** | **(16,873)** | **(16,986)** | **(114)** | **0** | **(114)** |
| **Budget (-) Surplus/Deficit** | **497** | **346** | **(143)** | **(489)** | **0** | **(489)** |

3.8 The figures show a final overall surplus of £489k with a service overspend position of £243k against the latest budget. This takes into account slippage requests of £272k which are detailed in Appendix A for approval. The figures have also been adjusted for grant funding slippage of £1.743m which is to be carried over to 2026/27 in compliance with the terms of the grant. The surplus has been transferred into the Budget Strategy Reserve.

## Major Variance Analysis

3.9 The table below details the main variances:

**Table 2**

| Q4 Budget Variances | £000 |
|---|---|
| Additional Pay award | 21 |
| Additional pension costs | 93 |
| Contribution to the bad debt provision | 104 |
| Democratic Services | (101) |
| Pendle Rise | 225 |
| Colne Market | 65 |
| Property Rental Income | 70 |
| Utilities | 68 |
| Various Housing & Environmental Health Staffing savings | (98) |
| Trade Waste Income | (75) |
| Balance of Extended Producer Responsibility Grant | (331) |
| Purchase of Refuse Bins and Vaults Capitalised | (250) |
| Fleet Costs | (81) |
| Software Licences | 55 |
| Council Tax Support admin grant rolled into core funding | 204 |
| Rent Allowances | 476 |
| Servicing External Debt | (123) |
| Investment Income | (550) |
| Business Rates S31 grants | (114) |
| Various other minor variances | (147) |
| **Total** | **(489)** |

**Variance Explanations**

- **Financial Services -** £276k overspend mainly relates to a contribution to the bad debt provision and pension-related costs.

- **Legal & Democratic Services –** £101k underspend relating to recognition of Elections income.

- **Operational Services –** Several variances make up the variance as highlighted above. The Extended Producer Responsibility grant was £869k in 2025/26; the budget assumed a contribution of £538k. However, the whole grant must be allocated in year. 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. In addition, there were savings on fleet costs of £81k and additional trade waste income generated of £75k.

- **Property Services -** The base budget within Property Services for the revenue impact of Pendle Rise Shopping Centre ownership was set to fund costs until the end of September 2025. The Council obtained vacant possession in early November. At year end, costs exceeded the budget by £226k.

- Costs of running the temporary market sites in Colne exceeded the budget by £65k. The property rental income budget was £70k short, mainly due to the vacant Innovation Centre. In addition, the utility budgets overspent by £68k.

- **Housing & Environmental Health –** The £98k underspend is made up of various staffing savings including 2 staff moving to part time hours.

- **Revenue Services -** 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. Housing Benefit Subsidy has resulted in a £476k cost to the Council; this is mainly due to the cost of Supported Accommodation.

- **Servicing of External Debt –** The budget estimated that the Council would incur additional external borrowing; however, the slippage on capital schemes has meant that this has been delayed into future years, resulting in a £123k saving.

- **Investment Income –** additional investment income of £550k was achieved by the Council.

- **Reserves –** The revised budget anticipated a contribution of £346k from the Budget Strategy Reserve to enable a balanced budget; however, the final outturn has meant that, rather than taking from the reserve, a contribution of £143k has been made to the Budget Strategy Reserve.

**Budget Pressures**

3.10 Members were provided with an update to the Medium Term Financial Plan at the meeting of the Executive 25th June 2026. Below are some of the financial pressures which the Council needs to deal with over the coming financial years;

- Pay Award in 2026/27 and 2027/28 – for 2026/27, this was budgeted at 3.0%. In response to the trade unions' pay claim, the employers' pay offer was made during March 2026. The offer comprised an increase of 3.3% on all pay points SCP3 to SCP43 inclusive and, if accepted, would result in an overspend of £32k in 2026/27. As yet, however, the trade unions have not accepted the offer and, indeed, some of the unions, including Unison, will be conducting a ballot for industrial action;

- Weekly food waste collections – implemented in April 2026 with an assumed cost to the Council of £1.2m. It is still too early to tell what the actual cost will be, but the scheme has been implemented and take-up is in line with expectations.

- Waste Disposal arrangements – as directed by Lancashire County Council the Council's waste is now disposed of at the Transfer Station as Envirofuels in Burnley rather than the Transfer Station in Colne.

- Investment Income – over recent years, the Council has benefitted from relatively high cash balances due to external funding, which have been actively invested and generated significant returns that have helped support the budget. Whilst interest rates remain above the Bank of England's target, the Council's cash balances are reducing as the externally funded capital schemes are delivered.

- External Borrowing Cost – as the Council's cash balances reduce, there may be a need for the Council to borrow. The cashflow is being closely managed to delay external borrowing for as long as possible.

- Local Government Reorganisation (LGR) - At the time of writing, the Council was awaiting the Government's 'minded to' decision on the footprints of the new Unitary Councils. The Executive considered a report earlier this year on the Council's resourcing of the work on Local Government Reorganisation, both in terms of the direct costs to the Council (setting up the Programme Management Office, for example) and the financial contribution to the Lancashire-wide Implementation Reserve Budget. As the decision is taken by Government and the implementation of LGR progresses, there may be a need to review both the Council's own resourcing of this work and the contribution made to the Lancashire-wide work.

**Savings**

3.11 An update on the savings agreed by Council is provided below.

**Table 3 – 2025/26 Savings Update**

| Savings agreed by Council 20th February 2025 | Agreed Budget Savings £000 | Included in Outturn £000 | Difference £000 | Narrative £000 |
|---|---|---|---|---|
| Increase in Fees & Charges (Net of Volume Changes) | 52 | 52 | 0 | Achieved |
| Increased Investment Income | 250 | 550 | 300 | Exceeded |
| **Total** | **302** | **602** | **300** | |

- 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 £300k.

## Reserves

3.12 The original 2025/26 budget estimated a balancing contribution from reserves of £0.497m. The Revenue underspend and additional funding set out in table 1 means that rather than take from reserves the Council has made a contribution to reserves of £0.199m, this includes slippage and ringfenced grants.

3.13 With the assumed acceptance of both Grant and Budget slippage per Paragraph 3.8, **APPENDIX A** sets out the net movement in reserves during 2025/26. And, as previously reported to the Executive in June 2026 as part of the update of the Financial Strategy and Medium Term Financial Plan, details are also provided of the forecast future use of reserves.

## Pendle Joint Venture Companies

3.14 A summary table for the year end 2025/26 Long Term Debt position is shown below. The loans are all capital loans and the interest is fully provided for as it accrues.

**Table 5 – Joint Venture Debt Position**

| | B/fwd | | | | | | | C/fwd | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Loans Issued £000 | Accrued Interest £000 | Total B/fwd Long Term Debtor £000 | Q1 Net change £000 | Q2 Net change £000 | Q3 Net change £000 | Q4 Net change £000 | Loans Issued £000 | Accrued Interest £000 | Total C/fwd Long Term Debtor £000 | Basis of Interest Charge |
| PEARL 1 | 570 | 378 | 948 | 14 | 14 | 13 | 13 | 570 | 432 | 1,002 | *BOE Base +2%* |
| PEARL 2 | 1,192 | 538 | 1,731 | 26 | 25 | 24 | 208 | 1,373 | 640 | 2,014 | *BOE Base +2%* |
| PEARL Brierfield Mill* | 481 | - | 481 | - | - | - | - 181 | 300 | - | 300 | *BOE Base +2%* |
| PEARLTogether | 122 | 15 | 137 | 1 | 1 | 1 | 1 | 122 | 18 | 140 | *Fixed at 2.5%* |
| Penbrook Developments | 50 | 3 | 53 | 2 | 1 | 1 | 1 | 50 | 7 | 58 | *BOE Base +2%* |
| Joint Ventures | 2,415 | 934 | 3,350 | 43 | 40 | 39 | 42 | 2,415 | 1,098 | 3,514 | |

*Note that the previously accrued loan note interest in PEARL BM (c£122K) was reversed at the close of 2024/25, given that this company will not make sufficient profits to pay this.

3.15 **2025/26 Capital Programme**

3.16 A summary of the outturn position is shown below.

**Table 6 - 2025/26 Capital Programme**

| | Orignal Budget £000 | Virements £000 | Revised Budget £000 | Outturn £000 | Variance £000 | Slippage £000 | Revised Variance £000 |
|---|---|---|---|---|---|---|---|
| Housing Schemes | 2,777 | 296 | 3,073 | 1,790 | (1,282) | 1,281 | (1) |
| Regeneration Schemes | 16,222 | 1,259 | 17,481 | 8,587 | (8,894) | 8,894 | 0 |
| Engineering Schemes | 2,787 | (1,765) | 1,022 | 690 | (332) | 332 | - |
| Council Assets | 4,144 | (321) | 3,823 | 543 | (3,280) | 3,239 | (41) |
| IT | 100 | 47 | 147 | 158 | 11 | - | 11 |
| Operational Services | 3,920 | 35 | 3,955 | 1,653 | (2,302) | 2,473 | 172 |
| s106 schemes | 132 | 253 | 385 | 256 | (129) | 129 | |
| | **30,082** | **(196)** | **29,886** | **13,677** | **(16,209)** | **16,349** | **140** |

The £172k overspend shown above is expenditure moved from Revenue to Capital for replacement wheeled bins and the construction of Muslim burial vaults.

3.17 The outturn position is £13.677m. Full details are set out in **Appendix B**.

The capital programme is financed by various sources as set out in table 7 below, with the shortfall being met by Prudential Borrowing.

**Table 7 – 2025/26 Capital Programme – Financing**

| | Orignal Budget £000 | Virements £000 | Revised Budget £000 | Outturn £000 | Variance £000 | Slippage £000 | Revised Variance £000 |
|---|---|---|---|---|---|---|---|
| **Capital Programme (Table 6)** | **30,082** | **(196)** | **29,886** | **13,677** | **(16,209)** | **16,349** | **140** |
| Capital Grants | 19,874 | (739) | 19,135 | 9,794 | (9,341) | 9,341 | - |
| s106 Receipts | 132 | 253 | 385 | 256 | (129) | 129 | - |
| Revenue Contribution to Capital | - | 244 | 244 | 244 | - | - | - |
| **Total Capital Resources** | **20,006** | **(242)** | **19,764** | **10,294** | **(9,470)** | **9,470** | **-** |
| **Prudential Borrowing Requirement** | **10,076** | **46** | **10,122** | **3,383** | **(6,739)** | **6,879** | **140** |

The forecast Prudential Borrowing requirement is £3.383m.

3.18 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.

5.4 **Human Resources Implications**

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

5.5 **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

N/A

**8. Statutory Officer Sign off** (please put an x in the relevant box below)

| | |
|---|---|
| Section 151 Officer | X |
| Monitoring Officer | **X** |

## 9. Background Documents

N/A

**Contact Officers**

Author noted in report header