

<b>REPORT TO:</b>		Cabinet
<b>DATE:</b>		19 November 2025
<b>PORTFOLIO:</b>		Councillor Vanessa Alexander – Resources and Council Organisation
<b>REPORT AUTHOR:</b>		Martin Dyson, Director of Finance
<b>TITLE OF REPORT:</b>		Revenue Budget Monitoring 2025/26 – Quarter 2 to end of September 2025
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:

## 1. Purpose of Report

1.1 This report updates Cabinet on the Council's financial performance up to the end of September 2025 for the 2025/26 financial year and outlines the projected impact on the Medium-Term Financial Strategy covering the period 2025/26 to 2027/28.

## 2. Recommendations

2.1 That Members of the Cabinet note the financial position of the Revenue Budget at Q2 of the 2025/26 financial year, as shown in **SECTION 3**.

2.2 That Members of the Cabinet note the financial pressures and risks facing the Council as at the end of September 2025, as shown in **SECTION 5**, and considers the potential longer-term impact on the Medium-Term Financial Strategy for 2025/26 to 2027/28.

## 3. Revenue Budget Forecast 2025/26

3.1 At the Full Council meeting on 27<sup>th</sup> February 2025, Full Council agreed the General Fund Revenue Budget for 2025/26. This set a budget for the Council's total spend in 2025/26 of £17.313m plus £0.121m use of reserves, in lieu of business rate receipts.

3.2 The current forecast spend to the end of the financial year in March 2026 is £17.426m. This brings the forecast underspend for the year against the budget to £0.009m. Further analysis of changes in forecast spend are shown in **SECTION 4** of the report.

3.3 **Table 1** below shows the working budget and forecast outturn by service area.

3.4 **Table 1: Forecast Outturn Variance - Summary by Service Area**

Service Area	Original Budget £'000	In-Year Budget Changes £'000	Working Budget £'000	Forecast Outturn £'000	Forecast Outturn Variance £'000
Environmental Health	941	-	941	963	22
Environmental Services	5,495	(14)	5,481	5,328	(153)
Legal and Democratic	1,896	-	1,896	1,939	43
Planning and Transportation	712	5	717	840	123
Regeneration and Housing	1,604	-	1,604	1,588	(16)
Resources	6,086	5	6,091	6,371	280
<b>Net Cost of Services</b>	<b>16,734</b>	<b>(4)</b>	<b>16,730</b>	<b>17,029</b>	<b>299</b>
Non-Service	865	4	869	397	(472)
Cabinet Approved Contributions	-	-	-	-	-
Corporate Savings Target	(164)	-	(164)	-	164
<b>Total Net Expenditure</b>	<b>17,435</b>	-	<b>17,435</b>	<b>17,426</b>	<b>(9)</b>
Funding	(17,435)	-	(17,435)	(17,435)	-
<b>(Under)/Overspend</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>(9)</b>

3.5 **Table 2** below shows the change in forecast by service area compared to the previous quarter.

3.6 **Table 2: Change in Forecast Outturn – Summary by Service Area**

Service Area	Quarter 1 Forecast Outturn £'000	Changes During Quarter £'000	Quarter 2 Forecast Outturn £'000
Environmental Health	933	30	963
Environmental Services	5,330	(2)	5,328
Legal and Democratic	1,887	52	1,939
Planning and Transportation	876	(36)	840
Regeneration and Housing	1,604	(16)	1,588
Resources	6,028	343	6,371
<b>Net Cost of Services</b>	<b>16,658</b>	<b>371</b>	<b>17,029</b>
Non-Service	772	(375)	397
Corporate Savings Target	-	-	-
<b>Total Net Expenditure</b>	<b>17,430</b>	<b>(4)</b>	<b>17,426</b>
Funding	(17,435)	-	(17,435)
<b>(Under)/Overspend</b>	<b>(5)</b>	<b>(4)</b>	<b>(9)</b>

3.7 **Table 3** below shows the most significant variances that impact the forecast outturn and how these have changed compared to the previous quarter.

### 3.8 Table 3: Change in Significant Variances

Main Variances / Movements	Changes From Previous Quarter		
	Quarter 1 Forecast Variance £'000	Quarter 2 Forecast Variance £'000	Movement in Variance £'000
Savings on staffing costs	(126)	(115)	11
Pay award pressures	-	25	25
Savings on utility costs	(108)	(136)	(28)
Movements in grant income	(78)	230	308
Additional costs of ICT and Software	85	109	24
Additional costs related to unrecoverable Housing Benefit Claims	175	198	23
Council Tax Recovery	17	65	48
Additional Fees and Charges Income	(46)	(100)	(54)
Planning - Refunds of planning application fees	13	13	-
Other	(4)	10	14
<b>Total Net Cost of Services</b>	<b>(72)</b>	<b>299</b>	<b>371</b>
<b><i>Non-Service</i></b>			
Additional Investment Income	(97)	(587)	(490)
Movement in Interest Payable	-	73	73
Movement in Minimum Revenue Provision	-	42	42
<b>Total Non-Service</b>	<b>(97)</b>	<b>(472)</b>	<b>(375)</b>
<b>Total Corporate Savings Target</b>	<b>164</b>	<b>164</b>	<b>-</b>
<b>Total (Under)/Overspend</b>	<b>(5)</b>	<b>(9)</b>	<b>(4)</b>

### 3.9 Staffing Costs and Pay Pressures

The forecasted savings on staffing costs have reduced by £11k since Quarter 1, from £0.126m to £0.115m. This change is largely attributable to an increased reliance on agency staff to maintain service delivery, which has offset some of the anticipated savings from vacant posts. In addition, a pay award of 3.2% has been agreed in-year, compared to the original budget assumption of 3% for 2025/26. This has created a pressure within staffing budgets of £0.025m.

### 3.10 Utilities and Operational Savings

The forecasted savings on utility costs have increased by £0.028m since Quarter 1, rising from £0.108m to £0.136m. This improvement is primarily attributed to the implementation of a new energy contract, which has helped to stabilise prices and reduce overall expenditure. The new contract has likely contributed to the additional savings now being forecast.

### 3.11 Grant Income and Housing Benefit

A significant adverse movement of £0.308m has been reported in relation to grant income, shifting from a forecasted surplus of £0.078m in Quarter 1 to a pressure of £0.230m in the current forecast. This change follows a comprehensive deep dive review of all budgets, which identified several grants that are no longer due to the Council. The forecast for unrecoverable Housing Benefit overpayments has also increased by £0.023m.

### 3.12 **ICT Costs**

ICT and software costs have increased by £0.024m since Quarter 1, bringing the total forecast pressure in this area to £0.109m. This increase is primarily due to additional licensing and support costs associated with the ongoing modernisation of the Council's ICT infrastructure and the growing reliance on cloud-based systems to support service delivery and secure remote working.

### 3.13 **Council Tax Recovery Costs**

The forecast for Council Tax recovery costs has increased by £48k since Quarter 1. This reflects updated assumptions around collection activity and associated costs, including potential increases in enforcement or administrative overheads linked to recovery processes.

### 3.14 **Fees and Charges Income**

Fees and charges income has improved by £0.054m compared to the previous quarter. This positive movement is primarily driven by increased income from commercial property rents, as well as higher-than-anticipated income from Building Control and Planning services. These uplifts suggest stronger market demand and improved performance in these service areas.

### 3.15 **Non-Service Budgets**

There has been a significant increase of £0.490m in forecast investment income since Quarter 1, bringing the total to £0.587m. This improvement is primarily due to the continuation of favourable interest rates and higher-than-anticipated cash balances, which have been sustained in part by delays in capital expenditure.

3.16 Offsetting this, there are new cost pressures within financing budgets, with interest payable increasing by £0.073m and the Minimum Revenue Provision (MRP) rising by £0.042m. These increases are largely attributable to a higher volume of vehicles being acquired through leasing arrangements, which has impacted borrowing costs and associated MRP charges.

## **4. Variance by Service Area**

4.1 The following section provides a breakdown of forecast outturn variances by service area. It highlights the key changes since Quarter 1 and compares the current forecast against the approved working budget.

4.2 This analysis aims to provide greater transparency on the financial position of individual services and to support ongoing monitoring and management of budget pressures and savings.

### 4.3 **Environmental Health**

4.3.1 **Table 4** below shows the forecast outturn position for Environmental Health and a small overspend of £0.022m. The forecast outturn position has increased by £0.030m since Quarter 1.

#### 4.3.2 Table 4: Environmental Health – Forecast Outturn 2025/26 Quarter 2

Service Area	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Environmental Health	365	361	30	391	26
Environmental Protection	576	572	-	572	(4)
<b>Total Environmental Health</b>	<b>941</b>	<b>933</b>	<b>30</b>	<b>963</b>	<b>22</b>

4.3.3 The variance within Environmental Health relates to staffing pressures.

#### 4.4 Environmental Services

4.4.1 **Table 5** below shows the forecast outturn position for Environmental Services and an underspend of £0.153m. The forecast outturn position has decreased by £0.002m since Quarter 1.

#### 4.4.2 Table 5: Environmental Services – Forecast Outturn 2025/26 Quarter 2

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Environmental Maintenance	(9)	(9)	-	(9)	-
Levelling Up	-	-	-	-	-
Other Environmental Services	152	142	(1)	141	(11)
Parks and Cemeteries	1,240	1,183	15	1,198	(42)
Town Centre and Markets	592	534	-	534	(58)
UK Shared Prosperity Funding	-	-	-	-	-
Waste Services	3,506	3,480	(16)	3,464	(42)
<b>Total Environmental Services</b>	<b>5,481</b>	<b>5,330</b>	<b>(2)</b>	<b>5,328</b>	<b>(153)</b>

4.4.3 Other Environmental Services is forecasting an underspend of £0.011m across Pest Control and Dog Warden services which relates to staffing.

4.4.4 Parks and Cemeteries are forecasting an underspend on salaries of £0.048m. However, the positions are filled as at quarter 2, therefore no further saving is expected in this area. In addition, the Council received additional income of £0.028m from Lancashire County Council for highways and mowing services. However, these favourable variances are offset by smaller additional costs in several areas including repairs and maintenance, £0.011m and utilities, £0.009m.

4.4.5 There is also an underspend on Town Centre and Markets related to funding received for utilities and NNDR. The gain, however, is offset by loss of Markets income.

4.4.6 Waste services have reported a saving on employee costs of £0.022m and additional income on trade waste collections of £0.020m.

## 4.5 Legal and Democratic Services

4.5.1 **Table 6** below shows the forecast outturn position for Legal and Democratic Services and an overspend of £0.043m. The forecast outturn position has increased by £0.052m since Quarter 1.

4.5.2 **Table 6: Legal and Democratic Services – Forecast Outturn 2025/26 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Democratic Services	790	774	8	782	(8)
Human Resources and Policy	676	677	2	679	3
Legal	304	311	41	352	48
Management - Legal and Democratic	126	125	1	126	-
<b>Total Legal &amp; Democratic</b>	<b>1,896</b>	<b>1,887</b>	<b>52</b>	<b>1,939</b>	<b>43</b>

4.5.3 The main variance within Legal relates to pressures within salaries, where expectations around external funding sources e.g. grants, have not aligned with conditions when funding has been finalised. This has resulted in a pressure for 2025/26.

## 4.6 Planning and Transportation

4.6.1 **Table 7** below shows the forecast outturn position for Planning and Transportation and an overspend of £0.123m.

4.6.2 **Table 7: Planning and Transportation – Forecast Outturn 2025/26 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Building Control	18	48	(16)	32	14
Engineers and Transportation	218	218	-	218	-
Green Infrastructure	75	47	-	47	(28)
Planning	406	563	(20)	543	137
Section 106	-	-	-	-	-
<b>Total Planning &amp; Transportation</b>	<b>717</b>	<b>876</b>	<b>(36)</b>	<b>840</b>	<b>123</b>

4.6.3 The forecast overspend of £0.014m on Building Control relates to the additional cost of two agency staff members, which is offset in part by vacant posts and additional fee income.

4.6.4 The underspend on Green Infrastructure is due to additional allotment income of £0.031m received during 2025/26, offset in part by an increased water charges for allotments of £0.005m and a small amount of additional income for garage rents of £0.003m.

4.6.5 The Planning team are forecasting an overspend on staffing costs following the engagement of agency workers in the Development Management and Planning Policy services of £0.219m. This is offset in part by savings on vacant posts of £0.069m, and additional fee income £0.018m. There is also an adverse variance in relation to refunds for delayed planning applications.

## 4.7 Regeneration and Housing

4.7.1 **Table 8** below shows the forecast outturn position for Regeneration and Housing and a small underspend of £0.016m.

4.7.2 **Table 8: Regeneration and Housing – Forecast Outturn 2025/26 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Economic Development	-	-	-	-	-
Facilities	604	604	-	604	-
Haworth Art Gallery	218	218	2	220	2
Housing Advice	297	297	-	297	-
Property	197	197	(18)	179	(18)
Selective Licensing	-	-	-	-	-
Strategic Housing	288	288	-	288	-
<b>Total Regeneration &amp; Housing</b>	<b>1,604</b>	<b>1,604</b>	<b>(16)</b>	<b>1,588</b>	<b>(16)</b>

4.7.3 As shown above, the favourable variance is within the Property service and relates to additional income generated on the Council's commercial property portfolio.

## 4.8 Resources

4.8.1 **Table 9** below shows the forecast outturn position for Resources and an overspend of £0.280m.

#### 4.8.2 **Table 9: Resources – Forecast Outturn 2025/26 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Assurance	590	524	(165)	359	(231)
Benefits and Customer Contact	1,534	1,618	428	2,046	512
Finance	1,280	1,246	107	1,353	73
ICT	829	826	(25)	801	(28)
Leisure	917	917	-	917	-
Management - Resources	941	897	(2)	895	(46)
<b>Total Resources</b>	<b>6,091</b>	<b>6,028</b>	<b>343</b>	<b>6,371</b>	<b>280</b>

4.8.3 The underspend across the Assurance service primarily relates to additional grant receipts during 2025/26 to support with the cost of External Audit processes.

4.8.4 The Benefits and Customer Contact service are forecasting additional spend of £0.512m, which is due primarily to non-recoverable Housing Benefit claims of £0.198m and the correction of forecasts for government grant income, which is no longer receivable.

4.8.5 The overspend across the Finance service primarily relates to the engagement of agency staff within Accountancy (£0.215m), which has been net down by savings across vacant posts (£0.139m).

4.8.6 The variance for ICT relates to underspends across employee costs of £0.066m net down by forecast overspends relating to additional software costs and additional cost of printer/copiers (£0.058m). This will be partially offset by a release of earmarked reserves.

4.8.7 The underspend across Management relates to savings on employee costs.

#### 4.9 **Non-Service and Corporate Savings Target**

4.9.1 **Table 10** below shows the forecast outturn position for Non-Service income and expenditure and an underspend of £0.472m.

#### 4.9.2 Table 10: Non-Service – Forecast Outturn 2025/26 Quarter 2

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Interest	(220)	(317)	(417)	(734)	(514)
Minimum Revenue Provision	1,085	1,085	42	1,127	42
Revenue Contribution to Capital	4	4	-	4	-
Movement in Bad Debt Provision	-	-	-	-	-
<b>Total Non-Service</b>	<b>869</b>	<b>772</b>	<b>(375)</b>	<b>397</b>	<b>(472)</b>
Corporate Savings Target	(164)	-	-	-	164
<b>Total Corporate Savings Target</b>	<b>(164)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164</b>

4.9.3 The Council is currently forecasting to receive additional treasury investment income of £0.490m compared to Quarter 1. This is due to interest remaining higher for longer than was forecast when preparing the budget. Also, cash levels have remained higher than expected due to slippage in the capital programme.

4.9.4 This is offset by increases in interest payable related to additional finance leases entered for the procurement of specialist vehicles. The forecast for MRP has also increased for the same reason.

4.9.5 When Council set the budget for 2025/26 in February 2025, savings of £0.164m were required to be able to set a balanced budget. In the forecast outturn, any underspends are included in the department areas and therefore no figure should be included in the savings target line.

#### 4.10 Funding

4.10.1 Table 11 below shows the forecast outturn position for Funding. There are currently no expected variances on the Council's funding.

#### 4.10.2 Table 11: Funding – Forecast Outturn 2025/26 Quarter 2

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Council Tax	(6,064)	(6,064)	-	(6,064)	-
Non-Domestic Rates	(8,568)	(8,568)	-	(8,568)	-
Government Grants	(2,803)	(2,803)	-	(2,803)	-
<b>Total Funding</b>	<b>(17,435)</b>	<b>(17,435)</b>	<b>-</b>	<b>(17,435)</b>	<b>-</b>

## 4.11 Reserves

4.11.1 The Council is currently forecasting a reduction of £11.228m in its usable reserves during the year, bringing them to £18.996m at the end of the year. Movements in reserves are shown in the table below.

4.11.2 **Table 12: Reserves – Forecast Outturn 2025/26 Quarter 2**

Reserve	Opening Balances £'000	Transfers to/From Reserves £'000	Capital Contributions £'000	Used for Capital Financing £'000	Closing Balances £'000
General Fund - Unallocated	(2,464)	577	-	-	(1,887)
<b>Total Unallocated Reserves</b>	<b>(2,464)</b>	<b>577</b>	<b>-</b>	<b>-</b>	<b>(1,887)</b>
Planning S106 Fund	(294)	62	-	39	(193)
Invest to Save	(696)	524	-	56	(116)
Communities for Health Funding	(53)	42	-	-	(11)
Dilapidations Reserve	(26)	(7)	-	-	(33)
Revenue Funding for Capital Schemes	(2,638)	(123)	-	1,284	(1,477)
Collection Fund Volatility Reserve	(545)	121	-	-	(424)
Climate Change Reserve	(548)	494	-	-	(54)
Balances Set Aside to Fund Specific Future Expenditure	(4,291)	(534)	-	708	(4,117)
Levelling Up and Leisure Investment	(6,592)	(1,883)	-	5,137	(3,338)
<b>Total Earmarked Reserves</b>	<b>(15,682)</b>	<b>(1,305)</b>	<b>-</b>	<b>7,224</b>	<b>(9,763)</b>
Capital Receipts Reserve	(2,422)	-	(592)	794	(2,221)
Capital Grants Unapplied	(9,656)	-	(8,474)	13,004	(5,126)
<b>Total Reserves</b>	<b>(30,224)</b>	<b>(728)</b>	<b>(9,066)</b>	<b>21,022</b>	<b>(18,996)</b>

4.11.3 As shown in the table above, the most significant movements in reserves are the forecast spending on the capital programme, this is in line with the Council's ambitious regeneration projects.

## 5. Pressures and Risks

5.1 The forecast underspend at Quarter 2 is relatively small at £0.009m. There are some real pressures and risks that need to be considered, which are not currently built into any financial forecasts.

The main pressures/risks to be considered are detailed below:

- **Waste Disposal Site/Transfer Station** – Negotiations are still underway with Lancashire County Council regarding their contract situation for the disposal of waste at the Whinney Hill site. This may require Hyndburn and the other East Lancashire districts to find alternative sites to dispose of their residual household waste. The assumption for any new arrangements is that any costs will be

contained within the budgets set aside within the Medium-Term Financial Strategy.

- **Oswaldtwistle Civic Theatre** – The closure of the theatre and return of the lease to the Council has resulted in the need to undertake surveys and compliance works to understand the condition of the building, prior to it being ready for potential future occupation. The Council has approved revenue costs for ensuring the site meets all annual safety requirements and has set aside capital budgets to undertake some of the works that would be required. The facilities management team continue to undertake surveys and will report back the potential costs once the surveys are complete.
- **Crematorium/Cremators** – There is a risk that there may be a change in legislation to enforce new systems for mercury abatement to be installed/retro fitted to the current incinerators at the crematorium. It is expected that these changes may come into place in 2 to 3 years' time and there will be a significant capital cost for works to ensure compliance. The parks team are currently investigating this further and will inform cabinet of the requirements as soon as the information is available. Cabinet have put £200,000 into reserves to date to be used for this purpose, and a further contribution of £150,000 is included in the budget for 2025/26.
- **Food Waste Collections** – From April 2026 the Council must provide a food waste collection for residents. A grant has been received from DEFRA to be used towards the capital costs of implementing the new collection (e.g. purchasing new vehicles, bins and food caddies), procurement has been undertaken to provide the capital resources, and it is expected that a further grant will be provided to assist with the additional ongoing revenue costs.
- **Hyndburn Leisure** – The Council has set aside funding within its Medium-Term financial strategy to provide financial assistance / subsidy to Hyndburn Leisure. This funding is part of an agreed process for reporting and monitoring and links to an efficiency savings plan with the trust to reduce this subsidy in future financial years. The budget subsidy approved in the Medium-Term Financial strategy is £700,000 in 2025/2026, £500,000 in 2026/2027 and £350,000 in 2027/2028. Prior to payment of any subsidy the Council must first complete a Subsidy compliance assessment and will then seek approval from Cabinet to make any payment(s).
- **Housing Benefit Supported / Exempt Accommodation** – The Council continues to feel pressures from unrecoverable benefit payments although it is expected to be managed in 2025/2026 within the overall revenue budget. The Council has started to take action to try to reduce these costs through introducing planning restrictions and supporting housing regulation although this does not have an immediate effect and without additional support from the government this will continue to be a pressure for most councils nationally.

5.2 These pressures/risks may need to be considered over the course of the Medium-Term Financial Strategy against the forecast underspend for the year.

**6. Alternative Options Considered and Reasons for Rejection**

6.1 Not Applicable. This report is for information purposes only.

**7. Consultations**

7.1 Not applicable.

**8. Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	As outlined in the report.
<b>Legal and human rights implications</b>	Not Applicable
<b>Assessment of risk</b>	Not Applicable
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	Not Applicable

**9. Local Government (Access to Information) Act 1985:**

**9.1 List of Background Papers**

General Fund – Revenue Budget, Council Tax Levels and Capital Programme 2025/26 – Council 27<sup>th</sup> February 2025

Revenue Budget Monitoring 2025/26 – Quarter 1 to end of June 2025 – 30<sup>th</sup> July 2025

**10. Freedom of Information**

10.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.