

## **CABINET (SPECIAL MEETING)**

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**Wednesday, 19th November, 2025**

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|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Present:</b>       | Councillor Munsif Dad BEM JP (in the Chair), Councillors Scott Brerton, Stewart Eaves, Melissa Fisher, Clare Pritchard and Kimberley Whitehead |
| <b>In Attendance:</b> | Councillors Zak Khan, David Heap and Steven Smithson                                                                                           |
| <b>Apologies:</b>     | Councillors Vanessa Alexander and Ethan Rawcliffe and standing invitee Danny Cassidy as Joint Deputy Leader of the Opposition                  |

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### **222 Apologies for Absence**

Apologies for absence were submitted on behalf of Councillors Vanessa Alexander, Ethan Rawcliffe and standing invitee Danny Cassidy, as Joint Deputy Leader of the Opposition.

### **223 Declarations of Interest and Dispensations**

In connection with Agenda Item 3 – Local Government Reorganisation Proposals, Councillors Scott Brerton and Kimberley Whitehead made the meeting aware that their terms of office expired in 2026, at which time they would be eligible for re-election. The report at Item 3 included a recommendation to request the Secretary of State to postpone the local elections due to be held in May 2026. The Executive Director (Legal and Democratic Services) advised that it was useful to note this connection on the record, but that it was unlikely to be considered a disclosable pecuniary interest or a conflict of interest, as the final decision on this matter would be for the Government to make.

There were no formal declarations of interest or declarations of dispensations submitted.

### **224 Local Government Reorganisation Proposals**

*With the approval of the Mayor in advance of the meeting, the following decision was exempted from the Council's Call-In procedure in accordance with Overview and Scrutiny Procedure Rule C14, on the grounds that the decision was reasonable in all the circumstances and was an urgent decision not subject to Call-In, in view need to finalise the submission of the proposals to the Government by 28<sup>th</sup> November 2025.*

Members considered a report of Councillor Munsif Dad BEM JP, Leader of the Council, updating Cabinet on preparations to submit a proposal for Local Government Reorganisation to the Government and presenting the business case that had been prepared to support the creation of three unitary authorities in Lancashire (3UA).

The Leader provided a brief introduction to the report, highlighting the overall aim of the proposals, the work undertaken in Hyndburn to date, the key messages from the case for a 3UA model and the disadvantages of the other models being proposed. Councillor Dad also summarised the discussions which had taken place at the Resources Overview and Scrutiny Committee on 11<sup>th</sup> November and at the Council meeting on 13<sup>th</sup> November 2025.

He also outlined the case in favour of postponing the local elections in 2026 and the next steps in the overall process and timescales.

Councillor Kimberley Whitehead spoke in favour of the 3UA model, which was conterminous with NHS and Police area footprints. Councillor Zak Khan noted that most points had been discussed at the Council meeting. He also agreed with the 3 UA model, but his main concerns centred around the consultations and evidence base and a sense that the matter was being rushed through without clarity about what the people of Hyndburn wanted. Information available at the Resources Overview and Scrutiny Committee had only showed the postcodes of consultation respondents. He asked whether more detailed information on views from particular areas was known, whether young people's views had been taken into account and whether the 3UA preferred option discussed some 12 months ago had always been the end goal. He also queried the Government's purpose in asking councils for their views on the local elections, if this was a matter solely for the Government to determine. He expressed a view that councillors serving, even for a short period of time, could still achieve much during their tenure.

Councillor Dad responded that, councillors whose term of office was due to expire in 2026 had been consulted about the elections issue. There were precedents elsewhere for the postponement of local elections due to reorganisation, such as for Surrey County Council in 2025 and in Cumbria (for Cumbria County Council, Carlisle City Council and South Lakeland District Council) in 2021. The decision was for the Government to take. Hyndburn was submitting its comments on this matter and believed that postponement was the right decision. On the question of the 3UA model, this had initially been considered to be the best option and the public and Opposition members had been engaged in subsequent discussions. In addition, the Resources Overview and Scrutiny Committee and Council had been consulted. The Government would carry out its own consultations on their preferred option later in the process. To date, there was no detailed breakdown available of consultation responses by area. However, it was known that some authorities, including Burnley, Pendle and Fylde had undertaken their own additional local consultations.

Approval of the report was not deemed a key decision.

### *Reasons for Decision*

The Minister of State for Local Government and English Devolution had introduced the English Devolution and Community Empowerment Bill on 10<sup>th</sup> July 2025, following the publication of the English Devolution White Paper on 16<sup>th</sup> December 2024.

The new Bill announced how the Government would facilitate a programme of local government reorganisation (LGR) for two-tier areas and for those unitary councils where there was evidence of failure or where their size or boundaries might be hindering their ability to deliver sustainable and high-quality services for their residents.

The Government had set a timeline for Lancashire councils to produce a preferred option for local government reorganisation by the end of November (28<sup>th</sup>), asking for proposals to move from the current two-tier system of a county council, two smaller unitary councils and 12 districts councils, to a simpler model of fewer councils.

The Government's aim with LGR was to improve efficiency savings, service delivery, provide stronger local leadership, economic growth, community identity and foster effective local partnerships, while not hindering the ability to deliver sustainable and high-quality services for residents.

## Government Guidance

Government guidance (the Statutory Invitation) set out the following criteria which would be used to assess proposals for reorganisation:

- A proposal should seek to achieve for the whole of the area concerned the establishment of a single tier of local government;
- Unitary local government must be the right size to achieve efficiencies, improve capacity and withstand financial pressures;
- Unitary structures must prioritise the delivery of high quality and sustainable public services to citizens;
- Proposals should show how councils in the area have sought to work together in coming to a view that meets local needs and is informed by local views;
- New unitary structures must support devolution arrangements;
- New unitary structures should enable stronger community engagement and deliver genuine opportunity for neighbourhood empowerment.

The criteria above were not weighted, but the intention was to provide guidance to areas to develop proposals that addressed the criteria and were supported by data and evidence. Decisions on the most appropriate option for each area would have regard to the guidance and the available evidence.

Under the Local Government and Public Involvement in Health Act 2007, the Council would have to submit a proposal based on whole Local Authority Districts, but could request that the Secretary of State used his modification power in sections 7 and 11 of the 2007 Act to adjust the boundary subsequently. In the guidance, the Secretary of State had also expressly allowed for the submission of proposals that suggested boundary changes.

## Proposals

Councils in Lancashire had worked together to identify possible options for reorganisation. The Government had provided funding to develop a shared evidence base across Lancashire councils, including both socio-economic baseline data for the options, a public and stakeholder engagement process and finance data.

It was intended that a joint letter would be sent to the Minister by Lancashire Leaders to accompany the various business cases that were being submitted.

The various cases would be taken to councils throughout Lancashire ahead of the deadline for submission of proposals on 28<sup>th</sup> November 2025.

Currently there were five proposals based on the following models:

- Model 1 consisted of Lancashire being split into 2 large unitary councils with a North / South divide
- Model 2 consisted of 3 unitary councils (Coastal / Central / Pennine)
- Model 3 consisted of 4 unitary councils (North / South / East / West)
- Model 4 consisted of 5 smaller unitary councils (North / South / Middle / East / West)
- Model 5 was the Blackpool proposed four unitary model

The report included colour-coded maps of the five models referred to above and an explanation of the make-up of each of the unitary authorities proposed and population sizes for each model. The 3UA model preferred by Blackburn with Darwen, Fylde, Hyndburn,

Rossendale and Wyre would see new authorities based upon the following district council footprints;

- Coastal Lancashire (Blackpool, Fylde, Lancaster and Wyre)
- Central Lancashire (Chorley, Preston, South Ribble and West Lancashire)
- Pennine Lancashire (Blackburn with Darwen, Burnley, Hyndburn, Pendle, Ribble Valley and Rossendale)

### Timeline

Delivering LGR in Lancashire would be a complex and far-reaching programme of change. The proposed timeline was intended to allow sufficient time to plan, implement and embed the new arrangements while maintaining service continuity and public confidence.

The indicative timeline below set out the key phases and milestones for implementation. It was designed to ensure a smooth transition from the decision to proceed with reorganisation through to the establishment of fully operational new councils.

The decision on the preferred option had been discussed at Resources Overview and Scrutiny Committee on 11<sup>th</sup> November and Council on the 13<sup>th</sup> November 2025, with the final decision being considered at today's Cabinet meeting.

The timeline for Local Government Reorganisation was currently as follows:

- 28<sup>th</sup> November 2025: Councils to submit proposals to Government;
- Early 2026: Government-led public consultation on proposals for new unitary councils;
- Summer 2026: Government would select the preferred unitary council option;
- May 2027: Elections would take place for a Shadow Authority for each of the new unitary councils;
- 1<sup>st</sup> April 2028: "Vesting Day", when new unitary councils would start to operate all services and the existing 15 authorities would be abolished.

The report included a pictorial representation of the above timeline in the style of a Gantt chart.

### Findings and Recommendations

On 16<sup>th</sup> January 2025, following the publication of the English Devolution White Paper the Council had recommended supporting the creation of a Pennine Lancashire Unitary Authority (which included Blackburn with Darwen, Burnley, Hyndburn, Pendle, Ribble Valley & Rossendale).

Currently, the Council's preferred option was the three-unitary model for Lancashire. The business case prepared in respect of the options suggested that this was the only configuration that met all six of the Government's criteria for local government reorganisation, while reflecting the way Lancashire's economy, services and communities already worked and providing the best platform for the future.

The three-model business case had been developed following a detailed options appraisal, including data analysis and assessments of the evidence base.

It was considered that other options all would fall short of what Lancashire needed. A two-council model would be too large and remote, misaligned with key service boundaries and

financial risk. A four-or five council model would fragment economic corridors, create uneven capacity and weaken the devolution case.

The business case concluded that only the three-council model aligned with real economics and service footprints, balanced risk, kept decision-making local and met every Government test without compromise.

The benefit of the three-model business case was making services clearer without creating councils that were too large and remote or too small to make a difference. Matching NHS and Police footprints, which none of the other options did, meant a much greater ability to work collaboratively with strategic leadership.

The business case indicated that the three unitary model delivered a sustainable future for Lancashire through a stronger, more balanced financial case than any of the other proposed options, combining credible savings with the capacity to invest in services, work with partners, support economic growth, unlock deeper devolution, and connect at a local level to places people live, work and learn in.

A table was provided within the report summarising the different options by government criteria. As stated previously, the findings indicated that the three unitary model was the only configuration that met all six of the Government's criteria for local government reorganisation.

The report also set out an infographic, which showed the vision behind the case for three unitary authorities for Lancashire, which included the following statement:

“Our vision is for three new unitary councils, balanced in scale and rooted in real places, to create the capacity and clarity needed to unlock Lancashire's potential. They will deliver stronger services for geographies that reflect places, communities and key partner footprints, give businesses and government credible partners for growth and devolution, and reconnect decision-making to the places people live, work and learn in.”

### Consultations

Communities and stakeholders across the county had been invited to have their say on local government reorganisation in Lancashire. Two surveys had been conducted across September 2025 to understand which council services Lancashire residents saw as most important, priorities for local government to focus on in the future and initial thoughts on moving to larger unitary councils.

The community survey had been promoted across the county to ensure a broad range of voices contributed to the discussion. 13,414 respondents had filled out the survey, including 67,784 individual written comments in answer to the open text questions, showing a genuine interest and high level of engagement from Lancashire.

A total of 409 responses had been received for the stakeholder survey, representing over 200 unique organisations and individuals. Respondents had included parish and town councils, businesses, voluntary and community groups and public sector organisations.

Two reports had been produced, summarising the results of the surveys which had been undertaken by Cratus Group, an independent agency on behalf of Lancashire's local authorities. This information would now be used to inform the developing proposals for submission to government in November 2025.

What people had highlighted across the engagement was that services that mattered most to local people were those that touched daily life and wellbeing, such as good health and care services, reliable and accessible transport, affordable housing and good schools and opportunities for children. Community identity and connection remained strong. Clarity and simplicity were recurring themes in written feedback. Residents and businesses wanted less duplication, clearer responsibility for services that were more consistent and reliable, and a stronger link between local decisions and visible outcomes. Partnership working and fairness had also been emphasised, with many respondents highlighting the importance of tackling inequalities across Lancashire and ensuring all areas had equal access to good quality local job opportunities, services and investment.

#### *Alternative Options considered and Reasons for Rejection*

Models 1, 3, 4 and 5 had been considered but were not recommended for the reasons set out in section 4.8 of the report and in the 3UA business case, which had been circulated separately to members.

*Note: With the agreement of the meeting, the Chair invited the Cabinet to vote on the recommendations at Paragraphs 2.1 and 2.2 separately. Both Motions were CARRIED.*

#### **Resolved**

#### **- That Cabinet:**

- (1) Approves the preferred option to establish a three-unitary authority structure in Lancashire (3UA), and the submission of the preferred option to Government by 28<sup>th</sup> November 2025.**
- (2) Agrees to write to the Secretary of State asking to postpone the local elections due to be held in May 2026 for the following reasons:**
  - i) Members being elected for short terms;**
  - ii) Additional expense and costs to the taxpayer;**
  - iii) Risk of disruption and additional pressure to the council; and**
  - iv) Impact on transition to the new shadow authority;**

#### **225 Accrington Neighbourhoods Board Regeneration Plan**

*With the approval of the Mayor in advance of the meeting, the following decision was exempted from the Council's Call-In procedure in accordance with Overview and Scrutiny Procedure Rule C14, on the grounds that the decision was reasonable in all the circumstances and was an urgent decision not subject to Call-In, in view need to finalise the submission of the Plan to the Government by 28<sup>th</sup> November 2025.*

Councillor Whitehead declared a personal interest in this item as a member of the Board representing the Police and Crime Commissioner for Lancashire.

Members considered a report of Councillor Munsif Dad BEM JP, Leader of the Council, presenting the Accrington Neighbourhoods Board's Regeneration Plan before this was submitted to the Ministry of Housing, Communities and Local Government (MHCLG).

The Leader of the Council gave a brief introduction to the report, including a summary of the Board's membership, the Government's Pride in Place agenda and funding streams and the Plan's foundations building on the existing Masterplan for Accrington. He also highlighted the four pillars, as set out within the Plan, and noted that the first payment for project delivery was due to be received in April 2026.

Councillor Khan welcomed the additional funding and thanked the Leader for his role in the appointment of a new independent Chair to the Board. He placed on record his thanks to the previous Chair, whom he knew personally and whom he respected, and wished him well for the future. Councillor Khan then enquired about the following:

- What reassurance was there that the Board and its processes would remain independent and would it be free to make its own recommendations;
- Whether the Board's recommendations would be taken forward as submitted, or would they be subject to alteration;
- How consultations with residents would be supported;
- Whether previous plans would be acknowledged and how previously identified projects could be prioritised so that some could commence straight away;
- How the Council would attract in additional private investment to add to the £20M Fund; and
- Whether the Board's actions would be subject to the Council's overview and scrutiny arrangements.

Councillor Dad responded that the original appointee to the role of Chair was also an independent person, as stated on previous occasions. He added that the Board itself was independent, but was supported by a range of stakeholders including the Borough Council. The Council would consider the Board's proposals favourably but, as the accountable body, had certain obligations. It was hoped to be able to improve marketing of the Board's work, in conjunction with publicity for the other town centre projects. Consultations had already taken place with schools, colleges and businesses and a video had recently been produced. Use would be made of existing plans and work undertaken previously. The intention was to attract in other money wherever possible. The Board's work would be monitored by the Cabinet, but the Cabinet's decisions would then be subject to scrutiny in the usual way.

Councillor Whitehead reiterated the independence of the Board, but noted that 'independent' was not defined in the governance documents applicable to the Board. The Council was a crucial partner, as well as being the accountable body and the importance of its role should not be understated. The Board itself was a good example of key partners working collaboratively for the benefit of the community. David Welsby, Chief Executive, added that the Council was working hard to foster a good working relationship with the Board, respecting its independence, while exercising the authority's statutory duties and carrying out due diligence. The Board was not a corporate body and, accordingly, the Council would have to take responsibility for any actions requiring the involvement of a legal entity. On the matter of public engagement, councillors themselves had the mandate to represent the views of the community as elected members.

Councillor Dad thanked the officers involved in supporting the Board, particularly the Head of Policy and Organisational Development, Kirsten Burnett.

Approval of the report was deemed a key decision.

### *Reasons for Decision*

#### The Fund

The Plan for Neighbourhoods fund had allocated 10-year investment across 75 areas in the UK, with up to £20 million per place to regenerate communities, strengthen social infrastructure, and empower local decision-making. This funding would be given over a 10 year period, starting in the 2026/27 financial year.

The objectives of the funding were stated as follows:

- Thriving Places: Revitalise high streets, improve public services, and enhance physical infrastructure.
- Stronger Communities: Foster social cohesion, reduce crime, and rebuild trust.
- Taking Back Control: Boost skills, employment, and local economic opportunities.

A similar funding stream was previously known as the Long-Term Plan for Towns fund. Plan for Neighbourhoods had replaced this. The UK Government had subsequently announced the Pride in Place Strategy and Programme, which extended this investment to additional areas. At the time of writing the report, the Plan for Neighbourhoods guidance still applied to Accrington.

The Pride in Place Programme had also recently allocated a further £1.5M to Hyndburn via its new Impact Fund. This was not covered within this report and was not a matter for the Neighbourhoods Board.

#### Governance and the Neighbourhoods Board

The guidance stated that funding would be managed through a “partnership” between the:

- Neighbourhoods Board, responsible for co-producing the Regeneration Plan for their place, which constituted a 10-year vision and 4-year investment plan, and delivering in the interests of local people to improve the physical and social infrastructure of their community.
- Local authority, who would support the Neighbourhoods Board to develop and deliver the plan.
- Local community, who would engage on the place's priorities and hold the Neighbourhoods Board and local authority to account.

#### Board Membership

The Board was required to have an independent chair, who was approved by the Ministry of Housing, Communities and Local Government (MHCLG). The chair was Sami Smithson.

There were 4 mandated Board members: the MP, a representative of the Police and Crime Commissioner, a local district councillor and a Lancashire County Council councillor. The named members were:

- Sarah Smith MP;
- Kimberley Whitehead, Deputy Police and Crime Commissioner;
- Councillor Munsif Dad BEM JP; and
- County Councillor Ashley Joynes.

In addition, there were a number of other Board members, representing a range of skills and areas of work, for example community, health, education and business. They in turn might work with small focus groups or relevant community representatives to discuss aspects of the work or specific projects.

An updated list of Board members, with short profiles, was maintained at <https://accringtontownsquare.com/plan-for-neighbourhoods/>

### Funding Profile

The funding was 75% capital, 25% revenue, with the first delivery payment due in April 2026. Subsequent funding would be released in phases.

| Grant<br>£000       | 2023-<br>25 | 2025-<br>26 | 2026-<br>27 | 2027-<br>28 | 2028-<br>29 | 2029-<br>30 | 2030-<br>31 | 2031-<br>32 | 2032-<br>33 | 2033-<br>34 | 2034-<br>35 | 2035-<br>36 |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Capacity<br>Funding | 250         | 200         | 150         |             |             |             |             |             |             |             |             |             |
| Revenue             |             |             | 232         | 256         | 432         | 432         | 432         | 437         | 450         | 450         | 450         | 450         |
| Capital             |             |             | 360         | 1736        | 1605        | 1605        | 1605        | 1605        | 1605        | 1605        | 1605        | 1605        |

The 10 year period was divided into 3 investment periods

- Period 1: the 2026 to 2027 financial year to the 2029 to 2030 financial year (4 years)
- Period 2: the 2030 to 2031 financial year to the 2032 to 2033 financial year (3 years)
- Period 3: the 2033 to 2034 financial year to the 2035 to 2036 financial year (3 years)

Within each investment period, the Board would have to forecast to spend at least 25% of the cumulative allocation for that investment period. By the end of Year 7 (financial year 2032 to 2033 and the end of the second investment period), the Board must have spent at least 50% of the cumulative total allocation. Underspensing risked delayed or reduced future payments.

The table above also showed the capacity funding available for governance and planning. Some of this (£50k) had been spent in 2024, when the existing Towns Board was planning for the Long Term Plan for Towns Fund. In the current financial year, some funding had been allocated to staff costs and some Board expenses. The Board would receive budget updates at each meeting.

It should be noted that Board positions, including chair, were unpaid.

MHCLG had designated the Council as the accountable body for all funding received and recommendations from the Board, once proposed projects had been fully scoped, would be brought to Cabinet for formal approval.

### Community Engagement

A number of engagement exercises had been carried out in recent years, asking people about their views on the regeneration of Accrington town centre. This had included representative polling. The Board had more recently conducted a series of workshops and drop-ins, to communicate and seek further views on the plan. Community engagement would be an ongoing priority for the Board.

### Geographical Boundary

The geographical boundary for the funding was determined by Government and was based on built-up area boundaries (BUA). The BUA were boundaries used by government bodies and policymakers to inform decisions related to housing, economic development, and urban planning. The Accrington BUA crossed 10 Hyndburn wards (Altham, Barnfield, Baxenden, Central, Church, Huncoat, Milnshaw, Peel, Spring Hill and St Andrews), ranging from a small estate in Altham to the whole of the Peel ward.

The Board would be able, if it so wished, to make representations to the Ministry of Housing, Communities and Local Government (MHCLG) to alter its default boundary. Boards should not submit requests to remove areas from the boundary unless they could evidence a clear error in its inclusion. Any alteration would have to:

- remain within the spirit of the programme;
- retain the place that was originally selected;
- remain contiguous;
- not introduce additional, separate population centres into the agreed area (for example, different communities or neighbourhoods); and
- have the agreement of the Board and a clear rationale.

The report included a map which identified the geographical boundary currently set.

### Regeneration Plan

The Board was required to agree and submit a Regeneration Plan covering the first four years of the funding programme, with a 10 year vision. The deadline for submission was 28<sup>th</sup> November 2025.

The Board had spent recent months developing its Plan, which was based around 4 pillars:

- Pillar 1 - People (Skills, Health and Recreation)
- Pillar 2 - Urban Regeneration and Housing
- Pillar 3 - Environment, Transport and Industry
- Pillar 4 - Delivery, Investment and Monitoring

### Vision

The Board had built on the work recently completed for the Accrington Masterplan and had included the Vision statement below within the Plan.

#### **“Our Vision: A Town Reborn**

#### **The Accrington We're Creating**

Picture Accrington in 2036: a vibrant market town where heritage buildings buzz with life, where green spaces connect our communities, where independent businesses thrive, and where every resident has access to opportunity.

The Accrington Masterplan sets out this inspiring long-term vision, structured around five transformative themes:

- **Celebrate Accrington's unique identity** - honouring our past while building our future
- **Encourage enterprise and economic growth** - creating jobs and opportunity

- **Green the town centre** - bringing nature into the heart of our town
- **Connect communities** - making it easier to get around and bring people together
- **Develop town centre living** - creating homes people are proud to live in

### **Our Masterplan Vision in Full**

Accrington is a proud market town steeped in industrial, cultural, and architectural heritage.

Celebrating this unique character, the Town Centre will become a vibrant, bustling and thriving place. Revitalised heritage buildings and streets will welcome visitors and locals to sample the best of Lancashire's home-grown produce and diverse mix of local eateries, browse independent shops and cultural venues, and relax in family-friendly green spaces.

Accrington will promote direct connections to the delights of the surrounding Lancashire countryside. Verdant green and blue corridors will reflect the area's landscape character, while vibrant open spaces and animated waterways will reinforce the town's identity as a place that offers its residents and visitors alike wonderful access to nature, walks and green spaces.

The Town Centre will boast a permeable network of safe and attractive cycling and walking routes, connecting surrounding communities into the heart of the town. New homes, businesses, leisure and community activities will drive a growing Town Centre population.

Building on the town's legacy of hard working and dedicated entrepreneurs, distinct neighbourhoods will support communities of innovative and complementary enterprises. New attractive, dynamic and accessible public, social and commercial spaces will host numerous popular events, with diverse leisure facilities for all ages, supporting flourishing business communities to prosper and grow.

We are proud of our history and look forward to a renewed and exciting future.”

*There were no alternative options for consideration or reasons*

### **Resolved**

#### **- That Cabinet:**

- (1) Endorses the Accrington Neighbourhoods Board's Regeneration Plan ("the Plan") attached to this report.**
- (2) Grants delegated authority to the Chief Executive Officer, in consultation with the Neighbourhoods Board, Executive Director of Finance (Section 151 Officer) and Executive Director (Legal & Democratic Services) to accept the Plan for Neighbourhoods (also now referred to as Pride in Place Phase 1) funding in accordance with MHCLG grant terms and conditions.**

**(3) Grants delegated authority to the Chief Executive Officer to agree expenditure from the capacity funding outlined in Paragraph 3.10 of this report.**

**226 Prudential Indicators Monitoring and Treasury Management Strategy Update – Quarter 2 2025/26**

Members considered a report of Councillor Vanessa Alexander, Portfolio Holder for Resources and Council Operations, providing an update on the Council's treasury management activities for the current financial year. The report outlined the performance of investments and borrowing, assessed compliance with the approved Treasury Management Strategy, and highlighted any emerging risks or opportunities that might impact the Council's financial position. Overall, this report supported effective budget monitoring and ensured transparency and accountability in the management of public funds.

In the absence of Councillor Alexander, the Leader of the Council provided a brief introduction to the report which was largely technical in nature. Councillor Dad highlighted the total of short-term investments, £38.675m, and how the Council invested. He also drew attention to the forecast interest rates and the interest returns expected by the Council in the sum of £1.287m.

Councillor Zak Khan queried the relationship between the Council's borrowing and investments and any timescales applicable to the Council's main funding pressures (as outlined in the Revenue Monitoring report at Agenda Item 6), particularly in the light of the impending Local Government Reorganisation. Councillor Dad confirmed that these pressures were carefully monitored and should be deliverable without the need for additional borrowing. However, the outcome of the Fair Funding review was still awaited. The Chief Executive confirmed that even under the worst-case scenario envisaged in the Medium Term Financial Strategy (MTFS), the Council should not need additional borrowing. Jane Ellis, Executive Director (Legal and Democratic Services) indicated that the Government was likely to make an Order under s.24 of the Local Government and Public Involvement in Health Act 2007, which would be effective from April 2027 and would give the new shadow unitary authority powers of veto over certain expenditure by the councils due to be abolished. This might cover disposal of assets over £100k, revenue expenditure over £100k and capital expenditure over £1m.

Approval of the report was not deemed a key decision.

*Reasons for Decision*

Local authorities were required to manage their borrowing, investments, and cash flows in a way that was affordable, prudent, and sustainable. This was governed by the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice, which together set the framework for how councils planned and monitored their capital financing and treasury activities.

As part of this framework, councils had to set Prudential Indicators each year to support decision-making around capital investment and borrowing. These indicators helped demonstrate that the Council's plans were financially sound and that risks were being managed appropriately.

The Council also adopted a Treasury Management Strategy annually, which outlined how it would manage borrowing, investments, and cash balances throughout the year. Regular monitoring reports were required to track performance against the strategy and indicators, and to provide assurance that treasury activities remained aligned with the Council's financial objectives.

#### Borrowing Activities During the Period

Table 1 below showed the current borrowing position at Q2 2025/26 compared with the original estimate. An increase in finance leases relating to vehicle purchases had increased the liability and Capital Financing Requirement (CFR) totals.

**Table 1: Comparison of latest position with the original estimate as at Q2 2025/26**

| Borrowing Position - IQ2 2025/26 | Original Estimate<br>2025/26<br>£'000 | Forecast at Q2 2025/26<br>£'000 |
|----------------------------------|---------------------------------------|---------------------------------|
| <b>External Debt</b>             |                                       |                                 |
| Borrowing                        | 9,595                                 | 9,595                           |
| Other Long-Term Liabilities      | 1,967                                 | 4,088                           |
| <b>Total External Debt</b>       | <b>11,562</b>                         | <b>13,683</b>                   |
| Capital Financing Requirement    | 9,190                                 | 11,311                          |
| <b>Under(Over) Borrowing</b>     | <b>(2,372)</b>                        | <b>(2,372)</b>                  |

The Council continued to operate within the borrowing limits and targets set at the start of the financial year. A key measure in the Prudential Indicators was the relationship between the Capital Financing Requirement (CFR) and the Council's gross external debt.

The CFR represented the total amount the Council needed to borrow over time to fund capital investment — such as buildings, infrastructure, and equipment. It reflected the underlying need to borrow, even if the Council chose to use internal resources (like reserves or cash balances) instead of taking out loans. The gross external debt of £13.683m was the actual amount the Council had borrowed from external sources, such as the Lender Option Borrower Option (LOBO) loans and finance leases.

In general, gross debt should not exceed the CFR. This was an important safeguard built into the Prudential Code, as it provided assurance that the Council was not borrowing more than it needed for capital purposes — and crucially, that it was not borrowing to fund day-to-day services, which was not permitted.

In 2025/26, the Council's gross debt was forecast to exceed the CFR by £2.372m, placing the authority in an over-borrowed position. This was not due to new borrowing, but was explained by:

- Historic loans that were structured with repayment at maturity (i.e. the full amount was repaid at the end of the loan term). These loans kept the gross debt figure high, while the CFR reduced each year through the Minimum Revenue Provision (MRP) — an annual charge that reflected repayment of capital.
- The implementation of International Financial Reporting Standard (IFRS) 16 – Leases, which now required all lease liabilities (e.g. for vehicles and equipment) to be shown on the balance sheet as debt. This had increased the reported level of gross debt, even though it did not represent new borrowing.

- Timing differences between capital expenditure and financing, which could temporarily affect the CFR.

Despite this technical position, no new external borrowing had been undertaken, and the Council was not borrowing to support revenue spending. The position was therefore acceptable and well understood.

#### Investment Activities During the Period

The Council invested surplus cash balances on a short-term basis to ensure that funds were readily available when needed, while also generating a modest return. These balances arose from timing differences — for example, when grants were received before the related expenditure was incurred, or when capital projects were delayed.

Short-term investments were typically placed in secure, low-risk instruments such as money market funds, government-backed deposits, or other approved counterparties. This approach supported the Council's priorities of:

- **Liquidity:** ensuring cash was available to meet day-to-day spending needs.
- **Security:** protecting public funds by minimising investment risk.
- **Yield:** earning interest to support the revenue budget, where possible.

The strategy aligned with the CIPFA Treasury Management Code, which required councils to manage investments prudently, balancing risk and return.

Table 2 below provided a list of counterparties and the balances invested as at Q2 2025/26.

**Table 2: Invested balance by counterparty:**

| Investment Portfolio – Q2 2025/26       | Balance at Q2 2025/26<br>£'000 |
|-----------------------------------------|--------------------------------|
| Local Authorities                       | 26,000                         |
| Debt Management Agency Deposit Facility | 10,595                         |
| Money Market Funds                      | 2,000                          |
| Bank Deposit Accounts                   | 80                             |
| <b>Total Short-Term Investments</b>     | <b>38,675</b>                  |

A further table (Table 3) was included in the report, which gave more details of the investments the Council had in place at Q2 2025/26 with other local authorities.

There were no future dated loans agreed at the end of the quarter.

To protect public funds, the Council's Finance team carried out thorough checks before agreeing to lend money to other local authorities. These checks helped ensure that any investments were secure and that the borrowing authority was financially stable.

#### Interest Rates

The Council had appointed MUFG (formerly Link Asset Services) as its treasury adviser. As part of their role, they provided guidance on expected movements in interest rates to support the Council's investment and borrowing decisions.

A graph was included in the report, which gave MUFG's latest available view of the expected future movement in interest rates.

The latest forecast set out a view that both short and long-dated interest rates would start to fall, as inflation had fallen closer to the Bank of England's target of 2.00%.

Interest rate risk was minimised as the Council's borrowings were fixed until a trigger point, where the lender would seek better rates. Current interest rates would need to rise significantly for this to occur. With rates expected to fall in the short-term, this was unlikely to occur, but this would be monitored closely.

### Interest Receivable

The Council had invested surplus cash on a short-term, temporary basis. These investments had generated interest income above the budgeted expectations for the year. This is mainly due to:

- Higher levels of cash being held (e.g. from grants received in advance of spending); and
- The Bank of England maintaining interest rates at higher levels than anticipated when the budget had been set.

As a result, the Council now expected to receive £0.097m in additional interest income by the end of March 2026. The investment strategy continued to prioritise security and liquidity, ensuring that funds were safe and available when needed.

The Council invested surplus cash in highly rated financial institutions, spreading deposits across multiple banks to reduce risk. This approach helped protect public funds in the event of an unexpected bank failure.

- Deposits were placed with banks where government guarantees were likely to apply;
- No more than £2 million was held with any single bank, except for the NatWest liquidity account, which had a limit of £3 million; and
- The Council could place unlimited funds with the Government's Debt Management Account Deposit Facility (DMADF), which offered low-risk returns and flexibility.

This strategy continued to deliver a reasonable return while keeping risk to a minimum.

### Interest Payable

The budget included an estimate for interest costs on potential new borrowing. However, as no new borrowing was expected to take place during the year, these interest costs would not be incurred.

### Forecast Revenue Outturn – 2025/26 Q2

Table 4 below showed the forecast revenue outturn position on the Council's Treasury Management activities as at 2025/26 Q2.

The interest forecast has increased since Q1 due to prevailing interest rates overperforming what was expected.

### **Table 4: Forecast Revenue Outturn – 2025/26 Q2**

| Portfolio Position                                         | Working Budget<br>2025/26<br><br>£'000 | Forecast Outturn<br>2025/26<br><br>£'000 | Forecast (Under)/<br>Over Spend<br><br>£'000 |
|------------------------------------------------------------|----------------------------------------|------------------------------------------|----------------------------------------------|
| <b>INTEREST RECEIVABLE</b>                                 |                                        |                                          |                                              |
| Interest Receivable on Temporary Lending                   | (700)                                  | (1,287)                                  | (587)                                        |
| Other Interest Receivable                                  | -                                      | -                                        | -                                            |
| <b>Total Interest Receivable</b>                           | <b>(700)</b>                           | <b>(1,287)</b>                           | <b>(587)</b>                                 |
| <b>INTEREST PAYABLE</b>                                    |                                        |                                          |                                              |
| Interest Payable on Long-Term Borrowings                   | 440                                    | 301                                      | (139)                                        |
| Interest Payable on Finance Leases                         | 41                                     | 253                                      | 212                                          |
| Other Interest Payable                                     | -                                      | -                                        | -                                            |
| <b>Total Interest Payable</b>                              | <b>481</b>                             | <b>554</b>                               | <b>73</b>                                    |
| Minimum Revenue Provision                                  | 1,085                                  | 1,127                                    | 42                                           |
| <b>Net (Income) / Expenditure from Treasury Activities</b> | <b>866</b>                             | <b>394</b>                               | <b>(472)</b>                                 |

### Performance Against Prudential Indicators

The *Prudential Code for Capital Finance in Local Authorities* required councils to set Prudential Indicators annually for the forthcoming three years. These indicators demonstrated that the Council's capital investment plans were affordable, prudent, and sustainable.

Hyndburn Borough Council had adopted its Prudential Indicators for 2025/26 at its meeting in February 2025. In addition to setting these indicators, the Prudential Code required the Council to monitor them on a quarterly basis, using a locally determined format. These indicators were intended for internal use and were not designed for comparison between authorities.

Should it become necessary to revise any of the indicators during the year, the Executive Director of Resources would report and advise the Council accordingly.

Appendix 1 of the report provided a full list of monitoring information for each of the prudential indicators and limits. These included:

- External Debt Overall Limits;
- Affordability (e.g. implications for Council Tax);
- Prudence and Sustainability (e.g. implications for external borrowing);
- Capital Expenditure; and
- Other indicators for Treasury Management.

### Liability Benchmark

As part of the approved Treasury Management Strategy, the Council had set out a Liability Benchmark. This was a key tool that compared the Council's actual borrowing levels against a theoretical benchmark that represented the lowest risk level of borrowing, based on current capital and revenue plans.

The Liability Benchmark helped the Council understand whether it was likely to be a long-term borrower or a long-term investor. It did this by estimating the minimum level of external borrowing needed to:

- Fund planned capital expenditure;
- Repay existing debt; and
- Maintain only the minimum level of cash investments required for day-to-day operations.

This insight supported strategic decision-making around future borrowing and investment activity.

The inputs that determined the Liability Benchmark had been revised to include the increased capital expenditure relating to vehicle leasing and the increased draw down of useable reserves anticipated to support the revenue budget over the MTFS period.

Based on current forecasts, the Liability Benchmark suggested that the Council might need to undertake new borrowing around the year 2029. However, this was only a projection based on existing capital and revenue plans — it was not a confirmed borrowing requirement and might change as plans and funding sources evolved.

A chart illustrating the liability benchmark as at Q2 2025/26 was provided in the report, which reflected that presented in the approved Treasury Management Strategy.

*There were no alternative options for consideration or reasons*

**Resolved** - **That Cabinet notes the treasury management activities undertaken during the period and the performance against the approved strategy.**

## **227 Revenue Budget Monitoring 2025/26 – Quarter 2 to end of September 2025**

The Cabinet considered a report of Councillor Vanessa Alexander, Portfolio Holder for Resources and Council Operations, updating Cabinet on the Council's financial performance up to the end of September 2025 for the 2025/26 financial year and outlining the projected impact on the Medium-Term Financial Strategy (MTFS) covering the period 2025/26 to 2027/28.

In the absence of Councillor Alexander, the Leader of the Council provided a brief introduction to the report. He highlighted that the latest forecast outturn showed a small surplus of £9k. The most significant changes since Q1 were shown in Table 3 of the report. Table 12 within the report showed healthy usable balances of £18.996M, of which £1.877M in the General Fund was unallocated. Overall, the Council's finances were on track.

Members thanked the officer team and relevant Portfolio Holder for their sound financial management.

Approval of the report was not deemed a key decision.

*Reasons for Decision*

### Revenue Budget Forecast 2025/26

At its meeting on 27<sup>th</sup> February 2025, the Council had agreed the General Fund Revenue Budget for 2025/26. This had 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.

The current forecast spend to the end of the financial year in March 2026 was £17.426m. This brought the forecast underspend for the year against the budget to £0.009m. Further analysis of changes in forecast spend were shown in Section 4 of the report.

Table 1 below showed the working budget and forecast outturn by service area.

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

| Service Area                   | Original Budget | In-Year Budget Changes | Working Budget | Forecast Outturn | Forecast Outturn Variance |
|--------------------------------|-----------------|------------------------|----------------|------------------|---------------------------|
|                                | £'000           | £'000                  | £'000          | £'000            | £'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>-</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>-</b>         | <b>(9)</b>                |

Table 2 below showed the change in forecast by service area compared to the previous quarter.

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

| Service Area                 | Quarter 1 Forecast Outturn | Changes During Quarter | Quarter 2 Forecast Outturn |
|------------------------------|----------------------------|------------------------|----------------------------|
|                              | £'000                      | £'000                  | £'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>                 |

Table 3, which was set out in the report, showed details of the most significant changes in the forecast variance. A commentary was also provided on the affected areas, as follows:

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

- **Utilities and Operational Savings** - The forecasted savings on utility costs had increased by £0.028m since Quarter 1, rising from £0.108m to £0.136m. This improvement was primarily attributed to the implementation of a new energy contract, which had helped to stabilise prices and reduce overall expenditure. The new contract had likely contributed to the additional savings now being forecast.
- **Grant Income and Housing Benefit** - A significant adverse movement of £0.308m had 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 followed a comprehensive deep dive review of all budgets, which identified several grants that were no longer due to the Council. The forecast for unrecoverable Housing Benefit overpayments had also increased by £0.023m.
- **ICT Costs** - ICT and software costs had increased by £0.024m since Quarter 1, bringing the total forecast pressure in this area to £0.109m. This increase was 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.
- **Council Tax Recovery Costs** - The forecast for Council Tax recovery costs had increased by £48k since Quarter 1. This reflected updated assumptions around collection activity and associated costs, including potential increases in enforcement or administrative overheads linked to recovery processes.
- **Fees and Charges Income** - Fees and charges income had improved by £0.054m compared to the previous quarter. This positive movement was primarily driven by increased income from commercial property rents, as well as higher-than-anticipated income from Building Control and Planning services. These uplifts suggested stronger market demand and improved performance in these service areas.
- **Non-Service Budgets** - There had been a significant increase of £0.490m in forecast investment income since Quarter 1, bringing the total to £0.587m. This improvement was primarily due to the continuation of favourable interest rates and higher-than-anticipated cash balances, which had been sustained in part by delays in capital expenditure.

Offsetting this, there were 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 were largely attributable to a higher volume of vehicles being acquired through leasing arrangements, which had impacted borrowing costs and associated MRP charges.

#### Variance by Service Area

Section 4 of the report provided a breakdown of forecast outturn variances by service area set out in additional tables (Nos 4 to 11), as well as a supporting commentary. It highlighted the key changes since Quarter 1 and compared the current forecast against the approved working budget.

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

Table 12 comprised the Forecast Movements in Reserves 2025/26 at Quarter 2, which showed that the Council was 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. The most significant movements in reserves were the forecast spending on the capital programme, which was in line with the Council's ambitious regeneration projects.

### Pressures and Risks

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 were detailed below:

- **Waste Disposal Site/Transfer Station** – Negotiations were still underway with Lancashire County Council regarding their contract situation for the disposal of waste at the Whinney Hill site. This might 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 was that any costs would 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 had 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 had approved revenue costs for ensuring the site met all annual safety requirements and had set aside capital budgets to undertake some of the works that would be required. The facilities management team continued to undertake surveys and would report back the potential costs once the surveys were complete.
- **Crematorium/Cremators** – There was a risk that there might 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 was expected that these changes might come into place in 2 to 3 years' time and there would be a significant capital cost for works to ensure compliance. The parks team were currently investigating this further and would inform Cabinet of the requirements as soon as the information was available. Cabinet had put £200,000 into reserves to date to be used for this purpose, and a further contribution of £150,000 was included in the budget for 2025/26.
- **Food Waste Collections** – From April 2026 the Council had to provide a food waste collection for residents. A grant had 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 had been undertaken to provide the capital resources, and it was expected that a further grant would be provided to assist with the additional ongoing revenue costs.
- **Hyndburn Leisure** – The Council had set aside funding within its Medium-Term Financial Strategy to provide financial assistance / subsidy to Hyndburn Leisure.

This funding was part of an agreed process for reporting and monitoring and linked 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 was £700,000 in 2025/2026, £500,000 in 2026/2027 and £350,000 in 2027/2028. Prior to payment of any subsidy the Council would first have to complete a Subsidy Compliance Assessment and would then seek approval from Cabinet to make any payment(s).

- **Housing Benefit Supported / Exempt Accommodation** – The Council continued to feel pressures from unrecoverable benefit payments although it was expected to be managed in 2025/2026 within the overall revenue budget. The Council had started to take action to try to reduce these costs through introducing planning restrictions and supporting housing regulation although this did not have an immediate effect and without additional support from the Government this would continue to be a pressure for most councils nationally.

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

*There were no alternative options for consideration or reasons*

**Resolved**

**- That Cabinet:**

- (1) **Notes the financial position of the Revenue Budget at Q2 of the 2025/26 financial year, as shown in Section 3 of the report.**
- (2) **Notes the financial pressures and risks facing the Council as at the end of September 2025, as shown in Section 5 of the report, and acknowledges the potential longer-term impact on the Medium-Term Financial Strategy for 2025/26 to 2027/28.**

## **228 Capital Programme Monitoring 2025/26 – 2027/28 - Quarter 2 Update to 30th September 2025**

Members considered a report of Councillor Vanessa Alexander, Portfolio Holder for Resources and Council Operations, providing an update on the delivery and financial performance of the capital programme as at Quarter 2 of 2025/26, highlighting progress against budget, identifying any variances, risks or slippage and forecasting the expected outturn. Overall, the report supported effective decision-making, ensured transparency and accountability, and informed any necessary adjustments to project timelines, funding allocations, or future financial planning.

In the absence of Councillor Alexander, the Leader of the Council provided a brief introduction to the report, highlighting the figures set out at Table 1 of the report showing approved projects in 2025/26 of £2.726m and in-year additions of £53.541m giving a proposed programme of £56.276m for 2025-28, of which £29.957 would be the working capital budget for 2025/26, with the remainder slipped into future years. Of the approved capital spend in 2025/26 some £12.598m had been committed as at Quarter 2.

Councillor Zak Khan asked if the amount of underspend of £0.428m referred to in Paragraph 4.6 of the report, could be reallocated to be spent on other projects in-year, or if

it would only be considered at year end for slippage into future years. Councillor Dad and Martin Dyson, Executive Director (Resources) indicated that the majority of the anticipated underspend related to Accrington town centre projects and was likely to slip into next year's programme. Members and officers were not aware of any alternative capital projects deliverable in-year.

Approval of the report was not deemed a key decision.

*Reasons for Decision*

2025/26 Capital Budget

The Capital Budget for 2025/26 was Year One of the Capital Programme 2025/26 – 2027/28. At the Council meeting on 27<sup>th</sup> February 2025, Members approved a capital budget for 2025/26 of £2.726m.

A further £23.236m had been added to this budget from rephased capital projects carried forward from 2024/25. Of this, £19.370m related to major projects, such as the Levelling Up funded schemes for Accrington town centre and the Leisure Estate Investment programme.

Ad hoc budget adjustments had reduced the Capital programme by £0.157m. Of which, £0.178m had been removed from the Capital Programme relating to a UK Shared Prosperity Fund (UKSPF) funding adjustment. A further £0.021m of capital receipts funding had been added, which was brought forward from 2024/25.

Approval had been received at Q1 to add a further £29.780m to the capital programme. Of which, £29.187m was for the scheme at Huncoat Garden Village (HGV), which was fully funded from external grants. £0.500m related to the addition of solar panels at the Market Hall, which was funded from reserves. £0.094m related to several smaller projects.

The report requested a further £0.681m to be added to the Capital Programme at Q2. £0.115m related to Parks & Open Spaces, on projects such as improvements at Lowerfold Park and Bullough Park, which were mostly funded by grants, contributions, and earmarked reserves.

£0.120m was the Council's contribution to the repurposing of Mercer Hall and £0.010m was for the purchase of vehicles & equipment funded from a revenue contribution. A further £0.250m for Market Development Works and £0.128m for Leisure Estate Investment had also been added. These works were funded by earmarked reserves.

Additional funding of £0.028m had been allocated to the Lee Lane Cemetery tap project and a new capital project had been added for £0.030m to proceed with the installation of a wireless conference system. Details of all in-year budget adjustments were included in Appendix 1 of the report.

Several projects had been identified to be rephased into future years of the Capital Programme, which totalled £26.310m. Of which, HGV was £26.076m.

Therefore, the Capital Budget for 2025/26 now totalled £29.957m, as shown in Table 1 below:

**Table 1: Capital Budget 2025/26 Reconciliation:**

|  | Amounts |
|--|---------|
|--|---------|

| <b>Capital Budget 2025/26</b>             | <b>£'000</b>  |
|-------------------------------------------|---------------|
| Budget Approvals (Council Feb-25)         | 2,726         |
| Slippage b/f from 2024-25                 | 23,236        |
| Budget Adjustments in Year                | -157          |
| Schemes Approved in Year (QTR1)           | 29,780        |
| Schemes Recommended for Approval (QTR2)   | 681           |
| <b>Proposed Capital Programme 2025-28</b> | <b>56,267</b> |
| Less Approved Slippage into Future Years  | -26,310       |
| <b>Proposed Capital Budget 2025-26</b>    | <b>29,957</b> |

A more detailed set of tables showing movements by service area were provided at Appendix 2 of the report.

The proposed financing of the Capital Budget of £29.957m for 2025/26 was shown as a pie chart (Chart 1) in the report.

Following all budget adjustments as detailed above, this had resulted in a proposed revised Capital programme of £56.267m, which could be seen in Table 2 below:

**Table 2: Capital Programme Budgets by Service Area**

| <b>Programme Area - Budgets</b>             | <b>Proposed Capital Budget 2025/26</b> | <b>Proposed Capital Budget 2026/27</b> | <b>Proposed Capital Budget 2027/28</b> | <b>Proposed Capital Programme</b> |
|---------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
|                                             | <b>£'000</b>                           | <b>£'000</b>                           | <b>£'000</b>                           | <b>£'000</b>                      |
| Community Projects                          | 728                                    | 0                                      | 0                                      | 728                               |
| Housing Improvement programme               | 1,769                                  | 0                                      | 0                                      | 1,769                             |
| Huncoat Garden Village                      | 3,110                                  | 22,261                                 | 3,815                                  | 29,186                            |
| IT Projects                                 | 527                                    | 0                                      | 0                                      | 527                               |
| Leisure Estate Investment                   | 6,921                                  | 0                                      | 0                                      | 6,921                             |
| Market Development Works                    | 13,349                                 | 0                                      | 0                                      | 13,349                            |
| Operational Buildings                       | 1,156                                  | 234                                    | 0                                      | 1,390                             |
| Parks & Open Spaces                         | 1,246                                  | 0                                      | 0                                      | 1,246                             |
| Planned Asset Improvements                  | 217                                    | 0                                      | 0                                      | 217                               |
| UK Shared Prosperity Fund                   | 255                                    | 0                                      | 0                                      | 255                               |
| Vehicles & Equipment                        | 680                                    | 0                                      | 0                                      | 680                               |
| <b>Total Approved Capital Spend Budgets</b> | <b>29,957</b>                          | <b>22,495</b>                          | <b>3,815</b>                           | <b>56,267</b>                     |

As shown above, £22.495m had been rephased to 2026/27 and £3.815m to 2027/28, reflecting the forecasted expenditure in those years.

The proposed financing of the Capital Programme of £56.267m for 2025/26 – 2027/28 was shown as a pie chart (Chart 2) in the report.

#### 2025/26 Capital Budget - Q2 Forecast Outturn

As of 30<sup>th</sup> September 2025, actual and committed expenditure totalled £12.598m, representing 42.05% of the rephased 2025/26 budget of £29.957m. Table 3 below showed the committed expenditure and forecasted outturn by service area.

**Table 3: 2025/26 Capital Budget - Q2 Forecast Outturn**

| <b>Programme Area - Budgets</b> | <b>Proposed Capital Budget 2025/26</b> | <b>Actuals &amp; Commitments - Q2</b> | <b>Forecast Outturn - Q2</b> | <b>Forecast Variance - Q2</b> |
|---------------------------------|----------------------------------------|---------------------------------------|------------------------------|-------------------------------|
|                                 |                                        |                                       |                              | <b>£'000</b>                  |

|                                             | £'000         | £'000         | £'000         |              |
|---------------------------------------------|---------------|---------------|---------------|--------------|
| Community Projects                          | 728           | 410           | 628           | 99           |
| Housing Improvement programme               | 1,769         | 841           | 1,619         | 150          |
| Huncoat Garden Village                      | 3,110         | 2,682         | 3,006         | 105          |
| IT Projects                                 | 527           | 430           | 522           | 6            |
| Leisure Estate Investment                   | 6,921         | 4,827         | 6,521         | 400          |
| Market Development Works                    | 13,349        | 2,383         | 6,469         | 6,879        |
| Operational Buildings                       | 1,156         | 46            | 717           | 439          |
| Parks & Open Spaces                         | 1,246         | 547           | 941           | 305          |
| Planned Asset Improvements                  | 217           | 4             | 100           | 117          |
| UK Shared Prosperity Fund                   | 255           | 177           | 255           | 0            |
| Vehicles & Equipment                        | 680           | 251           | 271           | 409          |
| <b>Total Approved Capital Spend Budgets</b> | <b>29,957</b> | <b>12,598</b> | <b>21,048</b> | <b>8,909</b> |

Further forecast expenditure of £8.450m was anticipated before the end of the financial year, resulting in a total forecast outturn figure of £21.048m. This represented 70.26% of the allocated budget and an underspend of £8.909m against the 2025/26 proposed budget. Of the £8.909m underspend on the 2025/26 budget, £8.481m was due to natural slippage of capital projects, or where projects had not commenced - mainly due to the absence of funding. Subject to Cabinet approval at year end, these projects would be rephased to subsequent years.

The largest area of slippage related to the LUF-funded Market Development Works. While a more detailed cashflow was being developed by the contractor, initial estimates proposed that £6.879m of budget would be slipped into next year. Further details of all proposed slippage was included within Appendix 3 of the report.

A further £0.428m of the £8.909m underspend on the 2025/26 budget related to completed or closed projects. This was a net amount consisting of a £0.443m underspend and a £0.015m overspend. Subject to Cabinet approval at year end, this funding would be released to other capital projects.

Of the £0.443m underspend, £0.409m related to capital costs for expanding food waste collection rounds. The original project bid had been based on the Government grant's terms, which supported capital purchases like food caddies and waste vehicles. However, instead of buying food waste vehicles outright, the Council had leased new refuse collection vehicles that were adapted for food waste. This approach aligned with the Council's vehicle leasing policy. As a result, the unused portion of the grant would be used to offset the capital financing costs of these leased vehicles.

The capital programme was closely monitored throughout the financial year to ensure spending stayed in line with forecasts and was accurately reflected in the Council's cash flow. Any significant variances would be reviewed, and their financial impact would be factored into future treasury management and budget planning.

A more detailed breakdown of the forecast outturn for 2025/26 was provided at Appendix 3 of the report.

### Major Schemes

The Capital Programme included several major schemes that required robust and continuous monitoring to ensure they were delivered on time, within budget, and that all external funding was both secured and claimed promptly. The following had been identified as key major schemes currently requiring close oversight:

- **Market Development Works** – The redevelopment of Market Hall, Market Chambers, and Burton Chambers remained a significant challenge for the Council.

However, enhanced monitoring and management arrangements had ensured that key milestones were being met, with the project progressing on time and within budget.

The programme had a remaining budget of £13.349m. This was funded by £10.617m from the Levelling Up Fund and other grants, the majority of which had already been claimed

The balance of £2.732m would be met from available capital receipts and revenue reserves, ensuring the Council had the necessary resources in place to deliver the scheme as planned.

At the time of drafting the report, the contractor was working with the Council to finalise the spend profile. Nonetheless, the programme remained on track for completion in Q2 of the 2026/27 financial year.

- **Leisure Estate Investment** – This comprised two key projects: the construction of the Cath Thom Leisure Centre and efficiency works at Hyndburn Leisure Centre. The overall programme budget was £6.921m, which included provision for future pitch drainage works.

Construction of the Cath Thom Leisure Centre was now complete, with final accounts and outstanding project costs currently being finalised, with any minor overspends covered by the £0.128m underspend reserve previously approved by Cabinet.

The Hyndburn Leisure Centre project was expected to underspend by approximately £0.100m this year. This, along with the £0.300m allocated for pitch drainage works was expected to be slipped into the 2026/27 financial year.

- **Huncoat Garden Village** – Huncoat Garden Village remained a major strategic scheme for the Council, fully funded by a £29.186 million grant from Homes England. Forecast expenditure was phased over three financial years, with £3.110m in 2025/26, £22.261m in 2026/27, and £3.800m in 2027/28.

Current activity was focused on progressing key preparatory work, including planning, legal, and land acquisition processes. Consultants were supporting the Council across several workstreams, including the residential relief road design, compulsory purchase order (CPO) documentation, landowner negotiations, and overall programme management. These activities were essential to enabling delivery of the scheme in line with the agreed programme.

### Funding Risks

#### **Capital Receipts**

- **Capital Receipts and Funding Position** - At Q2 2025/26, the Council had a Capital Receipts balance of £2.666m. The latest Capital Programme required £4.989m - leaving a shortfall of £2.323m over the Capital Programme period 2025/26 – 2027/28.
- **2025/26 Forecast** - For 2025/26, the forecast requirement at Q2 was £2.079m. However, of the £2.666m total available, £1.719m was earmarked for Market Development Works and £0.153m for fire compliance works, which would both be delivered in 2026/27. Therefore, only £0.794m was available for 2025/26. It was

proposed that the shortfall in 2025/26 was funded from eligible grants and earmarked reserves.

- **Future Requirements and Risks** - In 2026/27, a further £1.000m in Capital receipts was required to fund all approved projects. Funding for these future commitments had not yet been identified and excluded any new capital bids submitted for that year. Progress was being made on planned asset disposals to generate the necessary receipts, but delays might require temporary use of reserves or pausing elements of the programme.
- **Next Steps** - Officers would continue to review the Council's operational asset base to identify further disposal opportunities. The funding strategy and associated risks would be monitored closely to ensure the programme remained deliverable and financially sustainable.

This was a high-level risk.

### ***External Grants and Contributions***

- **Levelling Up Project (LUF)** – this scheme was primarily funded through a government grant, supplemented by a contribution from Lancashire County Council. A total of £10.617m in grant funding was required to complete the scheme. To date, the Council had received £9.634m, with further claims being submitted on a quarterly basis to help manage cash flow effectively.

To support local authorities, the Government had prepaid certain elements of the grant, easing short-term cash flow pressures.

- **Huncoat Garden Village** – The Council had been awarded a Government grant of £29.187m to support this scheme. Grant claims were submitted monthly, following the incurrence of eligible expenditure, to help manage the Council's cash flow.

To date, the Council had received over £2.0m in grant funding. The Government had structured the grant to allow for prepayment of certain elements, further supporting local authority cash flow management.

- **Disabled Facilities Grant** – the Council received grant funding from the Better Care Fund via Lancashire County Council, which included £1.360m of funding for 2025/26. All grant funding had been received.
- **Leisure Estate Investment Programme** – The Council had been successful in obtaining external funding of around £2.64m from Sport England. Most of this grant had already been received by the Council, with the remainder to be claimed at a later stage of this scheme.
- **Pride of Place Impact Fund** - The Council had been awarded £1.5m through the Pride in Place Impact Fund. As of November 2025, no decisions had been made regarding allocation. Schemes would be developed collaboratively with officers, Cabinet, the local MP, and the community to ensure the funding delivered maximum benefit across the borough. All funds had to be spent by 31<sup>st</sup> March 2027.

This was a low-level risk.

### **Conclusion**

The Capital Programme had grown substantially over the past two financial years and now totalled £56.267m. While approximately 79% of this funding was secured through external grants and contributions, the increased scale and complexity of the programme were placing significant demands on the Council’s staffing and delivery capacity. To ensure successful delivery within agreed timescales and budgets, it was essential that all projects were strategically planned, adequately resourced, and appropriately phased. Effective programme management and coordination would be critical to maintaining progress and achieving intended outcomes.

The Programme would continue to be carefully monitored, and it might require further revisions in its phasing in the future.

*There were no alternative options for consideration or reasons*

- Resolved**
- That Cabinet:

(1) Notes the financial position of the Capital Budget at Q2 of the 2025/26 financial year, as shown in Section 4 of the report.

Signed:.....

Date: .....

Chair of the meeting  
At which the minutes were confirmed

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