

Title of Report	FINANCE UPDATE - 2025/26 QUARTER 2	
Presented by	Cllr Keith Merrie MBE Finance and Corporate Portfolio Holder	
Background Papers	Cabinet 16 December 2025 <u>General Fund Finance Update – 2025/26 Quarter 1</u> <u>Housing Revenue Account (HRA) Finance Update – 2025/26 Quarter 1</u>	Public Report: Yes
Financial Implications	<p>The attached reports outline the financial position of both the General Fund and Housing Revenue Account (HRA) as at Quarter Two 2025/26.</p> <p>Signed off by the Section 151 Officer: Yes</p>	
Legal Implications	<p>No legal implications arising from this report.</p> <p>Signed off by the Monitoring Officer: Yes</p>	
Staffing and Corporate Implications	<p>Any staffing implications of this report are detailed in the body of the report and the attached appendices.</p> <p>Signed off by the Head of Paid Service: Yes</p>	
Purpose of Report	<p>To provide the Corporate Scrutiny Committee with an update on the financial position for the General Fund and HRA as at Quarter Two 2025/26.</p>	
Recommendations	<p>THAT CORPORATE SCRUTINY COMMITTEE:</p> <ol style="list-style-type: none"> NOTES THE 2025/26 FORECAST UNDERSPEND ON THE GENERAL FUND ACCOUNT; NOTES THAT A BREAK-EVEN POSITION IS CURRENTLY FORECAST ON THE HOUSING REVENUE ACCOUNT FPR 2025/26 BASED ON QUARTER 2 INFORMATION; AND PROVIDES ANY COMMENTS FOR CONSIDERATION BY CABINET WHEN IT RECEIVES ITS NEXT QUARTERLY UPDATE. 	

1.0 BACKGROUND

1.1 To update Members on the financial position of the Council following the second quarter's budget monitoring exercise for both the General Fund and Housing Revenue Account details of which were reported to Cabinet on 16 December 2025. Both reports are shown in Appendix A and B.

2.0 GENERAL FUND

2.1 The 'General Fund Finance Update – 2025/26 Quarter 2' (Appendix A) provides an overview of the financial position of the General Fund for the period 1 April 2025 to 30 September 2025. A summary of the report is as follows:

General Fund Revenue Update

The forecast indicates an underspend of £496k for the General Fund budget for 2025/26, based on data from April to September 2025. Significant variances include overspending in the Community Services and Resources Directorates, while the Corporate and Democratic Core shows a surplus. The budget incorporated savings of £573k, with £19k achieved and £527k on track to be realised. The Council faces ongoing financial challenges common to local authorities, necessitating a focus on mitigating overspends and ensuring financial sustainability.

Section 106 Agreements

The Council held £6.5m in Section 106 agreement funds as of 31 March 2025, with an additional £456k received during the year. Expenditures of £91k have been made on various community projects, resulting in a total balance of £6.9m as of 30 September 2025.

General Fund Reserves

The Council's earmarked reserves are projected to decrease significantly due to the strategy of utilising reserves for capital projects. The business rates reserve is expected to be £11.8m by March 31, 2026, with most of it committed to future capital programmes.

General Fund Capital

The revised budget for the General Fund Capital Active Programme is £10.9 million, with actual spending at £905k (8% of the budget). A forecast outturn of £3m is anticipated, with £7.9m expected to slip into future years, primarily due to delays in procuring specialist vehicles in relation to Waste Services.

Capital Prudential Indicators

The report outlines key Capital Prudential Indicators, including estimates of capital expenditure, the Capital Financing Requirement, and external debt indicators, ensuring that capital investment plans remain affordable and sustainable.

Special Expenses

The forecast for Special Expenses indicates minor variances, with Coalville special expenses projected to be under budget, while Hugglescote and Whitwick are expected to exceed their budgets. Deficits in some special expense areas will be addressed in future budget settings to maintain a minimum balance.

Treasury Management

Investment income is forecasted to increase significantly due to higher than forecast balances invested in Money Market Funds. Borrowing interest expenditure is expected to align with the budget, with no new borrowing planned to replace repaid loans.

3.0 HOUSING REVENUE ACCOUNT (HRA)

3.1 The 'Housing Revenue Account Finance Update – 2025/26 Quarter 2' (Appendix B) provides an overview of the financial position of the HRA for the period 1 April 2025 to 30 September 2025. A summary of the report is as follows:

HRA Financial Overview

The HRA is forecasted to break even for the 2025/26 financial year, with total income slightly below budget and operating expenditure exceeding budget by £305k. Significant variances include a £380k overspend on repairs and maintenance, attributed to addressing historic repairs, and a £67k overspend on supervision and management, partially offset by staff vacancy savings. Interest income is projected to exceed budget by £142k due to high market interest rates.

HRA Reserves

The HRA has a provisional balance of £20.1m, with a minimum reserve of £1m for unforeseen expenditures. Earmarked reserves total £2.1m, while the remaining balance is allocated for capital projects and debt repayment.

Capital Programme Update

The revised budget for the HRA Capital Programme is £14.9m, with actual spending at £1.4m and a forecast outturn of £17.2m, indicating a £2.3m overspend to be covered by previous years' budget slippage. Key projects include stock investment, new supply, and various improvements, with some projects experiencing delays and anticipated slippage into future years.

Policies and other considerations, as appropriate	
Council Priorities:	A well-run council The spending from the budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment, Climate Change and zero carbon:	The Council is forecast to invest £800k on Zero Carbon Home Improvements.
Consultation/Community Engagement:	None
Risks:	Although inflation has decreased, the impact of the high inflation means the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This erosion of value poses a challenge to the Council's ability to maintain financial stability and achieve its long-term financial objectives. The budgets will continue to be monitored throughout the year to ensure the Council remains within its funding envelope.
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