

REPORT TITLE: Corporate Financial Monitoring Report, Quarter 2.

Meeting:	Cabinet
Date:	2nd December 2025
Cabinet Member (if applicable)	Councillor Graham Turner
Key Decision Eligible for Call In	Yes Yes
<p>Purpose of Report: To receive information on financial monitoring for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 2 (month 6), 2025/26.</p>	
<p>Recommendations Cabinet is asked to</p> <ol style="list-style-type: none"> 1) note the revenue outturn position at Quarter 2 is a forecast overspend of £5.1m (Q1: £5.9m) and that there would be a requirement to balance the budget using reserves should the overspend remain; 2) note the Quarter 2 position on the Dedicated Schools Grant (DSG) is an in year deficit of £14.7m (2024/25 £20m) to take the cumulative deficit to £78.5m; 3) note the Quarter 2 HRA position is a projected underspend of £318k. Any underspends will be taken to HRA reserves at year end. The current forecast year-end reserves position is now £19m; 4) note the Quarter 2 forecast capital monitoring position for 2025/26 as set out in the accompanying slides (Appendix 1 slides 39-43 and Appendix 3) and note a proposed net reduction in the 2025/26 position of £29.3m due to: <ul style="list-style-type: none"> - £28.9m re-profiling of spend into future years (£23.4m General Fund and £5.5m HRA) - Note £0.8m net increase in the capital plan due to increased grant and S106 contributions. - To approve a fully funded injection into the capital plan for an MHCLG Community Cohesion Grant (£170k) and WYCA Mayoral Renewables Grant Phase 1 (£110k) - To delegate authority to the Executive Director of Place and Service Director Finance to accept Mayoral Renewables Grant Phase 2 in the event the Council is successful with its bid. - Approve the draw down of a fully repayable £250k from the Investment & Modernisation Fund towards an Energy Efficiency Invest to Save Scheme for LED lighting and control upgrades across six Council-owned leisure centres operated by Kirklees Active Leisure (KAL). - Note that as means of helping reduce revenue overspends, an exercise to identify expenditure that can be charged to capital will be undertaken. Any such capitalisation would be funded from capital receipts. 	

5) Note the Quarter 2 treasury management prudential indicators (slide 43-57, Appendix 1).

Reasons for Recommendations

This Quarter 2 report updates the Cabinet on the current financial position as of Month 6 (30 September), together with key risks.

Resource Implications:

To note information on financial monitoring for General Fund Revenue, DSG, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 2 (month 6), 2025/26.

Date signed off by Executive Director & name

Rachel Spencer Henshall – 19 November 2025

Is it also signed off by the Service Director for Finance?

Kevin Mulvaney – 19 November 2025

Is it also signed off by the Service Director for Legal Governance and Commissioning?

Sam Lawton – 19 November 2025

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes. This report contains no information that falls within the scope of General Data Protection Regulations.

1. Executive Summary

- 1.1 The attached slides provide information on financial monitoring for General Fund, Revenue, DSG, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 2 (month 6), 2025/26.
- 1.2 Cabinet are advised that the projected overspend at Q2 of £5.1m for the General Fund is the lowest Q2 forecast overspend since COVID. The projected overspends in each of the last few years at the equivalent period and outturn are shown below

	Q1 Projection (£m)	Q2 Projection (£m)	Outturn (£m)
2022/23	24.6	24.3	27.0
2023/24	20.3	16.1	7.3
2024/25	12.9	9.9	5.6
2025/26	5.9	5.1	-

- 1.3 It is evident that the additional resources that were included in Directorate base budgets as part of the 2025/26 budget are having the desired effect in that the majority of the projected overspends relate to delays in delivery of savings. Although it is recognised that

some demand pressures remain and these will be addressed in the next budget.

- 1.4 Whilst there is not a generic council wide recruitment freeze, there do remain internal controls whereby release of posts are still subject to review by Executive Directors and then the Head of People Services and the S151 Officer on a fortnightly basis.
- 1.5 All Directors have been reminded of the need to identify actions to reduce the projected overspend. Clearly this position will be kept under review as the year progresses, but should this overspend not be reduced by year end, then the overspend will require funding by reserves.

2. Information required to take a decision

- 2.1 The slides accompanying this report provide a more detailed breakdown of the projected outturn financial monitoring position, as follows:

Forecast General Fund revenue outturn position in 2025/26 by service area;

General Fund reserves and balances movements in-year;

Forecast HRA revenue outturn position including movements in HRA reserves in-year;

Forecast capital outturn position in 2025/26;

Treasury management prudential indicators.

3. Implications for the Council

3.1 Council Plan

N/A

3.2 Financial Implications

- 3.2.1 The forecast outturn position at Q2 is a projected overspend of £5.1m after the use of £5.3m of the budget contingency reserve. Within this position, an estimated £6.6m is due to slippage in the approved savings programme across the Council. There is a projected £1.5m of net underspends on business as usual activities.

3.2.2

2025/26 Forecast – Quarter 2

	Revised Budget £000	Forecast Q2 £000	Variance Q2 £000	Variance Q1 £000	Change from Q1 £000
Children and Families	89,189	93,943	4,754	3,927	827
Adults and Health	112,759	117,261	4,502	1,685	2,817
Place	59,465	63,189	3,724	2,952	772
Public Health & Corporate Resources	62,134	61,454	(680)	(277)	(403)
Central Budgets	65,215	63,340	(1,875)	(350)	(1,525)
General Fund	388,762	399,187	10,425	7,937	2,488
Use of Budget Contingency Reserve*		(5,282)	(5,282)	(1,993)	(3,289)
Adjusted General Fund Total	388,762	393,905	5,143	5,944	(801)

*£2.0m transferred into Budget Contingency Reserve in Q2 from inflation budgets no longer required. Total potential reserve usage now £5.5m



- 3.2.3 The key service variations (outlined in more detail in the slide deck) are summarised below.
- 3.2.4 The projected outturn position for **Children's Services** at Q2 is pressure of £4.7m, an increase of £0.8m since Q1. The main reasons for the current projected position are demand led pressures primarily in the cost and number of External Residential Placements (ERPs). As at Q2, there were 45 External Residential Placements, an increase of 2 since 30/06/25 and the average placement cost has remained £6.5K p/w. At Q2, the number of Looked After Children (LAC) had reduced to 642 from 652 at 30/06/25.
- 3.2.5 The overall projected position for the **Adults & Health** Directorate is an overspend of £4.5m.
- 3.2.6 Within the Adult Social Care related portfolio, there is an overall variance on demand led activities (external provision) of £5m. Within this Residential and Nursing care home placements, and Independent Homecare are projecting overspends respectively of £7.6m and £1.5m, offset by underspends on Shared Lives (£0.2m), Carers/Emergency Support (£0.6m), and on Self-Directed Support (£3.3m), the latter in relation to Commissioned Services and Direct Payments. An underspend is being projected across employee budgets (£1.3m).
- 3.2.7 The reported position is also inclusive of variance of £2.7m against the 2025/26 transformation savings programme. This variance relates to slippage (with the remainder expected to be achieved next year) in delivery rather than non-delivery. It is assumed this slippage is funded by the budget contingency reserve as a one-off solution. There is also a variance in relation to the previous year savings target around income/debt £1.8m not achieved.
- 3.2.8 There is also an adverse variance in relation to Castle Grange and Claremont House care homes which is being covered by one-off funding from the budget contingency reserve– the delay in their sale has resulted in a slippage in the expected saving against the assumed levels within Adult Social Care and Place.
- 3.2.9 The Communities and Access portfolio is projecting an underspend of £1.3m, with employee underspends contributing £1.0m of this.

3.2.10 The overall projected position for the **Place** directorate as at Q2 is an overspend of £3.7m

- In Development there is an overspend of £0.5m that largely relates to the management and maintenance of corporate buildings.
- Highways & Street scene is forecast to overspend by £1.0m, with the main pressure areas being Parking £0.7m and Highways £0.3m.
- Pressures of c£2.1m in relation to the cost of Home to School Transport are forecast. It is proposed that the Strategic Budget contingency reserve is used to mitigate this pressure in 2025/26 only.

3.2.11 **Public Health and Corporate Resources** – The projected underspend forecast at Q2 is £0.68m. This is predominantly due to vacancies across the directorate. There are some demand pressures on Legal Services creating a £0.5m overspend, and Housing Benefit Subsidy loss is £0.7m over budget. Positive changes have taken place in terms of numbers of people in bed and breakfast and temporary accommodation but impacts on the subsidy have not yet materialised.

3.2.12 At Quarter 2 there is a projected underspend of £1.9m in **Central Budgets**. This sits within Treasury Management and is related to slippage in the in-year capital plan and a combination of interest rates on borrowing taken to date being lower than budgeted and interest income on balances.

3.2.13 Budget Contingency Reserve

The table below summarises the latest position on the budget contingency reserve.

	Q1 (£000)	Q2 (£000)	Total (£000)
Opening Balance	(3,500)	(1,507)	(3,500)
Additional Contribution	-	(2,000)	(2,000)
Home to School Transport	1,560	500	2,060
Care Homes	433	216	649
Fund Slippage in ASC savings		2,573	2,573
Balance c/f	(1,507)	(218)	(218)

3.2.14 Approximately £2m of inflation budgets no longer required have been transferred into the Strategic Budget Contingency Reserve at Quarter 2 on a one-off basis.

3.2.15 Executive Directors have been asked to bring forward proposals to bring the projected overspend back into a balanced position and there remains in place controls on recruitment whereby all posts have to be approved for release by Executive Directors, the Head of HR and the S151 officer

3.2.16 Total forecast usable reserves at 31 March 2026, excluding any impact of this projected overspend are £63.2m, of which £37.1m are identified as earmarked.

Dedicated Schools Grant

3.2.17 The projected outturn position for the DSG at Q2 is an in year overspend of £14.7m which will increase the cumulative deficit to £78.5m. The service is working collaboratively with schools to change the way in which funding is allocated to mainstream schools for children with SEND through the introduction of “Cluster Working” and it is anticipated that over time this will lead

to stabilisation of costs and reductions. A more robust approach to contract management has also been introduced and this is helping to mitigate the impact of provider increases although the cost of Independent School Places still continues to rise, as does demand.

3.2.18 As part of the Safety Valve agreement the Council will contribute a sum of £2.15m per annum for 5 years from 2025/26 to 2029/30. This is fully provided for in the budget. Members are reminded that the Statutory Override of DSG deficits has been extended to March 2028 and that the Council is awaiting further guidance from the Government as to the treatment of deficits.

3.2.19 The deficit has a significant impact upon Council cash flows as it has to fund this deficit from existing balances, which it could have ordinarily used to help manage borrowing on the capital plan. This Council, along with others, has made representation to the DfE as to the cost of this which indicatively is £3.8m at 5%

HRA

3.2.20 The projected outturn for the HRA at Quarter 2 is a forecast underspend of £318k. There are continued pressures around building safety and maintenance of housing stock and the resources required to support this. However significant Improvements have been made in relation to damp, mould and condensation cases and ongoing disrepair cases. Budgets are in place to address the requirements of Awaab's Law which is due to be introduced in October 2025. Following the increased charges to tenants and leaseholders for communal services from April 2025, there has been a reduction in the shortfall for these services.

Quarter 2 Capital

3.2.21 The budget for the Capital Plan was set at £283.9m within the Council Budget Strategy Report 2026/27, split between General Fund at £239.2m and HRA at £44.7m (Council 17.09.25). Since then, the 2025/26 capital budget has reduced by £29.3m and a detailed breakdown of the changes can be found in Appendix 3. In terms of re-profiling slippage into future years, capital budgets have been further reviewed under Financial Procedure Rules 3.8-3.14, with the aim of narrowing of the gap between the reported in-year capital budget and forecast outturn for 2025/26. To date the review has identified slippage of £28.9m (General Fund £23.4m, HRA £5.5m) being re-profiled into subsequent financial years offset by an increase in grant allocations of £0.8m.

3.2.22 The initial stage of the multi-year review of the Capital Plan has been undertaken, and further detail can be found within the Council Budget Report 2026/27 (02.12.25) presented to Cabinet alongside the Financial Monitoring Report, Quarter 2. All uncommitted lines funded by borrowing were reviewed and were either slipped or proposed to be removed from the Capital Plan. Although removal of borrowing is a multi-year impact, for 2025/26 this entails the removal of £1.3m; £1m Investment & Modernisation Fund, £290k Libraries, £50k Information Technology, £19k Environment & Infrastructure schemes.

3.2.23 Following the agreement by Cabinet to take the next steps towards developing a new sport and leisure facility which meets the needs of North Kirklees, £0.1m borrowing has been added to the Capital Plan in 2025/26 to fund the commissioning of independent options appraisals followed by a feasibility study. Hence, after consideration of this addition for the new sports facility, the overall net removal of borrowing from the 2025/26 Capital plan is £1.2m to assist treasury management of the debt budget.

3.2.24 Also, to aid the revenue monitoring position and help offset in-year pressures, Cabinet is asked to note a revenue capitalisation exercise at year end to capitalise c.£1m in-year revenue costs within allowable accounting rules and existing Council policies. These costs will be funded from un-ringfenced capital receipts, to be reallocated towards this exercise from within the Council receipts target set for the financial year.

3.2.25 The Council's revised capital budget at Quarter 2 for 2025/26 is £254.6m. The forecast capital outturn at Quarter 2 is £254.6m. The capital monitoring is presented as in-line with budget, with any slippage identified being re-profiled into future years. The Quarter 2 position is summarised in the Table below:

2025/26 Capital Forecast – Quarter 2						
	MTFS Budget Update £000	Re-profile / Change £000	Revised Budget £000	Actual Costs £000	Forecast M6 £000	Variance M6 £000
Children and Families	25,727	(1,864)	23,863	10,584	23,863	0
Adults and Health	4,223	(279)	3,944	902	3,944	0
Place	198,608	(19,568)	179,040	58,150	179,040	0
Public Health & Corporate Resources	10,645	(2,150)	8,495	1,215	8,495	0
General Fund	239,203	(23,861)	215,342	70,851	215,342	0
Housing Revenue Account	44,684	(5,469)	39,215	13,640	39,215	0
Council Total	283,887	(29,330)	254,557	84,491	254,557	0

3.2.26 Officers will continue to review capital budget profiles in year, including any more detailed recommendations for potential re-profiling of scheme budgets between years (allowable under Financial Procedure Rules 3.8-3.14), as part of future financial monitoring. Any such recommendations would reflect the affordability, sustainability and prudence of the Capital Programme in the context of the Council's financial review.

3.2.27 This report also includes requests Cabinet to approve the addition of specific capital schemes into the 2025/26 Capital Plan, in line with Council Financial Rules:

Mayoral Renewables Fund Scheme (+£110k)

3.2.28 Under the Mayoral Renewables Fund Scheme, West Yorkshire Combined Authority (WYCA) was successful in the bid to the Department for Energy Security and Net Zero (DESNZ) for £700,000 on behalf of several WYCA Local Authorities. In Kirklees the scheme will deliver the development and installation of solar PV and battery storage on key corporate assets, namely Leeds Road Sports Complex, Bradley Park Golf Course and Princess Mary Athletics Stadium. These facilities are operated on behalf of the Council by Kirklees Active Leisure. The installation of PV panels and appropriate battery storage at these sites will ensure these sites are more self-sufficient and resilient, improving longer term sustainability. The Mayoral Renewables Fund Scheme and hence the schemes will require completion by 31/03/2026.

3.2.29 It should also be noted that there is a Phase 2 Extension of the Mayoral Renewable Fund Scheme which has been applied for, at the value of £328,800, for two key buildings Huddersfield (Civic Centre 3 and Huddersfield Leisure Centre).

Community Cohesion Grant (+£170k)

3.2.30 This is to inform Cabinet and request approval for the proposed use of grant funding from MHCL in relation to the Community Cohesion and Resilience Programme. Funding was received in 2024-25, with MHCLG approving the continuation of activity into the current year, with the funds being allowed to roll over and be utilised accordingly. The scheme is directed to address high priority security threats, both domestic and international, with outcomes across 4 themes:

- Brings communities together to improve cohesion and reduce divisions in places facing the worst extremism challenges.
- Improves the capability of places to tackle the extremist narratives and ideologies that are driving our communities apart.
- Improves local partnership approaches to supporting community resilience by funding projects to strengthen 'bridging' social capital in at-risk places.
- Improves the capability of places to respond to periods of community tensions through initiatives that strengthen community connections, promote unity and shared values.

3.2.31 The funding is £227k in total, with £57k being designated revenue and £170k designated capital. The capital will be used for 2 purposes. Firstly, £110k is to be utilised on the provision of grant to local partners. The co-ordination and governance around these will be undertaken through the Council's SIC (Safe and Inclusive) framework, previously agreed by Cabinet. This framework invests in community activities delivered by individuals and community organisations in the Kirklees Voluntary, Community, and Social Enterprise (VCSE), education and faith sectors to enable a range of projects that help deliver outcomes for people and communities. The application of the capital funding will be through this framework and in line with the criteria for the use of the funding as per MHCLG direction.

3.2.32 The remaining £60k is earmarked for Crow Nest Park for the improvement to a boardwalk/footway. Whilst the building and accompanying play area have the infrastructure to offer enhanced play opportunities and meet the needs of children requiring intimate care, access to the outdoor areas is restricted due to areas for access and egress needing renovation. Improvements to the boardwalk would ensure Crow Nest Park continues to ensure that children who are not fully ambulant have equal and safe access to outdoor play equipment as those who are, meaning they are able to achieve positive outcomes by utilising the space more effectively.

3.2.33 Cabinet is requested retrospective approval to add £170k Community Cohesion grant into the Capital Plan in 2025/26 and approve the use of the capital funding as grant provision to local partners utilising the existing SIC framework, in accordance with agreed themes (+£110k Adults Capital Plan) and approve footway works at Crow Nest Park (+£60k Place, Corporate Landlord Capital Plan).

Energy Efficiency Invest to Save – LED Lighting and Controls (£250k drawdown)

3.2.34 The investment forms part of the Council's wider energy-efficiency and carbon-reduction programme supporting its Climate Change and Net Zero 2038 commitments. This project delivers a programme of LED lighting and control upgrades across six Council-owned leisure centres operated by Kirklees Active Leisure (KAL):

- Colne Valley Leisure Centre
- Holmfirth Leisure Centre
- Scissett Baths
- Batley Sports & Tennis Centre
- Leeds Road Sports Complex
- Huddersfield Leisure Centre

3.2.35 The current fittings are inefficient, nearing end of life, and increasingly costly to maintain. Electricity consumption and maintenance costs would remain high, adding to financial pressures for both KAL and the Council's wider energy budget. As part of this programme, works will be delivered through a Council-funded arrangement, with KAL leading day-to-day project delivery and procurement activity on the Council's behalf, in accordance with Contract Procedure Rules and agreed governance processes. The Council's Capital Development & Delivery Team will provide a Quantity Surveyor (QS) service to oversee progress, verify costs, and approve supplier payments. KAL will coordinate on-site activity and, after completion, will manage ongoing maintenance of the lighting equipment with the approved supplier. This partnership model uses KAL's technical capacity and on-site knowledge while maintaining appropriate Council oversight and assurance.

3.2.36 The request is for £250k to be drawn down from the Investment & Modernisation Fund current year allocation which is set aside in the Capital Plan to fund invest to save initiatives and deliver ongoing revenue savings. The capital investment will be financed through Council borrowing, with costs recovered over time through existing annual financial arrangements between the Council and KAL. For this scheme an assumed borrowing rate of 4.97% has been used and the financing cost will be managed within the existing financial framework for leisure facilities. The energy savings achieved by the project (c. £70k p.a.) will contribute to the overall financial sustainability of the leisure portfolio. It is assumed the standing charges (fixed element of the electricity cost that doesn't change with consumption) remain consistent.

3.2.37 Cabinet is requested to approve the drawdown of £250k from the Investment & Modernisation Fund towards a programme of LED lighting and control upgrades across six Council-owned leisure centres operated by Kirklees Active Leisure (KAL).

3.3 Legal Implications

Section 28 Local Government Act 2003 imposes a statutory duty, from time to time to carry out budget monitoring of expenditure and income against budget calculations during the financial year. If there is a deterioration in its financial position the council must take such action as it considers necessary to remedy the situation.

3.4 Climate Change and Air Quality

N/A

3.5 Other (eg Risk, Integrated Impact Assessment or Human Resources)

There is an ongoing risk around the volatility of demand budgets.

4 Consultation

This report has been prepared by the Service Director - Finance, in consultation with the Executive Leadership Team.

5 Engagement

N/A

6 Options

6.1 Options considered

N/A

6.2 Reasons for recommended option

N/A

7 Next steps and timelines

That Cabinet endorse the recommendations set out in this report.

8 Contact officer

James Anderson, Head of Accountancy

james.anderson@kirklees.gov.uk

Sarah Hill, Finance Manager

sarahm.hill@kirklees.gov.uk

9 Background Papers and History of Decisions

Annual budget report 2025-27 to Budget Council, 5 March 2025

Budget Strategy Update Report to Council, 17 September 2025

Quarter 1 Financial Monitoring report to Cabinet, 9 September 2025

10 Appendices

Appendix 1: Financial Monitoring slides

Appendix 2: Savings Plan slides

Appendix 3: Breakdown of Capital Budget Changes Since Council Budget Strategy Report 2025/26

11 Service Director responsible Kevin Mulvaney, Service Director – Finance.