

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** 2024/25 Finance Performance Report – Q2 Forecast

**Meeting/Date:** Cabinet – 12<sup>th</sup> November 2024

**Executive Portfolio:** Executive Councillor for Finance and Resources

**Report by:** Director of Finance and Corporate Resources

**Ward affected:** All

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### **Executive Summary:**

This report sets out the forecast outturn for the financial year 2024/25 for both revenue and capital.

### **REVENUE FORECAST**

The current net revenue budget for 2024/25 is £26.310m (Original budget of £26.004m plus brought forward budgets of £0.306m). The forecast net expenditure for 2024/25 is £25.265m, less contributions from reserves of £0.870m, this results in a forecast underspend of £1.915m.

The significant variations that contribute to this forecast are as follows;

### **Underspends**

**Corporate Resources underspend £1.2m, as a result of;** Increased interest receipts, and Land Charges income, reduced utilities costs at Pathfinder House and Eastfield House, and reduced Finance and Democratic Services staff costs. Offset by increased National Insurance costs, and commercial property reduced rental income and increased rents and rates paid.

**Chief Planning Officer underspend £0.1m, as a result of;** Increased Planning Performance Agreement income and staff savings, offset by a reduction in planning fees.

**Operations underspend £1.0m, as a result of;** Green waste subscription income higher than budgeted, also increased CCTV and Street Cleaning income. In addition savings from vacant posts, and the Materials Recovery Facility contract. Offset by increased costs of watercourses and fly-tipping.

**ICT underspend of £0.2m, as a result of;** Staff cost savings and Microsoft licence cost reduction.

## **Overspends**

**Chief Operating Officer overspend £0.2m, as a result of;** Shortfall in temporary accommodation Housing Benefit subsidy, Pest Control income lower. Reduced Mobile Home Park costs and salary savings in Document Centre, Licencing and Housing Benefits.

**Corporate Leadership overspend £0.2m, as a result of;** Increased expenditure on salaries, subscriptions, legal fees and recruitments costs.

**Strategic Insight and Delivery overspend £0.1m, as a result of;** Reduction in market, car parks income. Offset by staff cost savings and increased income from the Hinchingsbrooke Country Park café.

## **CAPITAL FORECAST**

The approved original budget was £26.073m, which included re-phased budget from prior years of £13.288m. At the year end the actual budget rephased was £18.917m, which is £5.629m more rephased than originally budgeted. In addition £0.198m in additional expenditure (funded from reserves and external funding) has been added. The current budget is therefore £31.900m (£26.073m plus £5.629m plus £0.198m). The forecast expenditure for 2024/25 is £30.745m, an in-year underspend of £1.160m (this may result in rephasing to 2025/26).

The significant variations that contribute to this forecast are as follows;

### **In year underspends;**

Hinchingsbrooke Country Park £2.1m, ICT projects £0.3m, and Vehicle Fleet £0.1m.

### **Overspends;**

CIL £0.3m (this is funded from the CIL reserve), £0.7m on Civil Parking Enforcement works, £0.2m on Changing Places facilities and £0.1m on Salix projects.

### **Recommendation(s):**

It is recommended that:

- Cabinet is invited to consider and comment on the revenue financial performance for the financial year 2024/25 quarter 2, as detailed in Appendix 1 and summarised in paragraph 3.2.
- Cabinet is invited to consider and comment on the capital financial performance for 2024/25 quarter 2, as detailed in Appendix 2 and summarised in paragraph 3.3.

## PURPOSE OF THE REPORT

1.1 To present details of the Council's financial performance for 2024/2025.

- Revenue forecast of an underspend of £1.915m.
- Capital forecast in-year underspend of £1.160m.

## BACKGROUND

2.1 The revenue budget and MTFs for 2024/25 approved in February 2024, assumed a net expenditure budget of £26.004m, since increased by carry forwards of £0.306m a total current budget of £26.310m.

2.2 A gross capital budget of £26.073m was approved, increased to £31.900m due to additional re-phasing of schemes at the year-end of £5.629m, and additional funding of £0.198m not included in the original budget.

2.3 The detailed analysis of the 2024/25 forecast outturn is attached at Appendix 1 for revenue, and Appendix 2 for capital.

## FINANCIAL PERFORMANCE

3.1 Financial Performance Headlines

The outturn position for the current financial year and the impact of variations will be incorporated within the Medium Term Financial Strategy (MTFS).

**Revenue** The current budget is £26.310m (original budget £26.004m plus budget carried forward from 2023/24 of £0.306m), the forecast outturn is £25.265m, taking into account contributions from reserves of £0.870m this is a forecast underspend of £1.915m.

As previously reported at quarter 1, it is planned that this underspend is utilised as follows:

	£m
Contribution to Community Wealth Fund	0.750
Provision for costs associated with Customer Transformation (including director salary costs)	0.400
Contribution to business continuity	0.200
Contribution to increased MRF contract (6 months)	0.100
Increased capacity of digital provision	0.100
Staff training & development	0.060
Member training	0.050
Total	1.660

The continued use of this underspend would result in an overall outturn saving of £0.255m

**Capital** The approved original budget is £26.073m, which included budgeted rephasings of £13.288m. At the year end the actual budget rephased was £18.917m, which is £5.629m more rephased than budgeted. As a result, the current budget including growth from funded schemes, is £31.900m (£26.073m plus £5.629m plus £0.198m).

### 3.2 Summary Revenue Variances by Service (Appendix 1 for detail)

The table below shows the total variances for each Service and the main reasons for the variance;

Head of Service	Budget £'000s	Budget c/fwd £'000s	Current Budget £'000s	Forecast Actual £'000s	Reserve Movements £'000s	Forecast Variance £'000s	Comments
<b>Corporate Resources</b>	8,507	12	8,519	7,221	70	(1,228)	<b>Income;</b> Increased interest receipts, and increased Land Charges income, reduced commercial property rentals. <b>Expenditure;</b> Additional National Insurance costs, and increased rental and rates costs at commercial properties. Reduced utilities costs at Pathfinder House and Eastfield House and reduced salary costs in Finance and Democratic Services.
<b>Chief Operating Officer</b>	5,869	134	6,003	6,479	(196)	280	<b>Income;</b> Pest Control income lower. <b>Expenditure;</b> Increased Housing Benefit temporary accommodation costs. Reduced Mobile Home Park management costs, and reduced staff costs in Document Centre, Licencing, Environmental Health and Housing Benefits.
<b>Economic Development</b>	397	-	397	356	-	(41)	<b>Expenditure;</b> Salary savings
<b>Housing Strategy</b>	213	-	213	251	-	38	<b>Expenditure;</b> Increased costs of land disposal contract. New post to be filled later in the year.
<b>Corporate Leadership</b>	665	45	710	1,068	(82)	276	<b>Expenditure;</b> Increased expenditure on salaries, subscriptions, legal fees and recruitment costs.
<b>Chief Planning Officer</b>	770	75	845	742	-	(103)	<b>Income;</b> Additional income from Planning Performance Agreements, but less income from Planning Fees. <b>Expenditure;</b> Salary savings from Development Management.
<b>Strategic Insight and Delivery</b>	689	1	690	1,270	(475)	105	<b>Income;</b> Markets and Car Park income under budget, increased income at Hinchingsbrooke Country Park café. <b>Expenditure;</b> Savings from vacant posts.
<b>Operations</b>	5,603	5	5,608	4,669	(84)	(1,023)	<b>Income;</b> Increased income from green waste collection, CCTV and Street Cleansing. <b>Expenditure;</b> Savings from CCTV and waste collection vacant posts, climate change projects, Materials Recovery Facility contract savings. Increased expenditure on Watercourses flytip removal and waste collection agency staff.
<b>Leisure and Health</b>	346	-	346	302	-	(44)	<b>Income;</b> Increased income from memberships, Burgess Hall income, and Active Health funding. Reduction in room hire and swim classes income. <b>Expenditure;</b> Costs of new Customer Relationship Management software, increased costs of staff, security and maintenance.
<b>ICT</b>	2,945	34	2,979	2,907	(103)	(175)	<b>Expenditure;</b> Staff costs savings and MS licence cost underspend.
<b>Total</b>	<b>26,004</b>	<b>306</b>	<b>26,310</b>	<b>25,265</b>	<b>(870)</b>	<b>(1,915)</b>	

Further analysis of the revenue variance and service commentary are in Appendix 1. This provides the variances by service and comments have been provided by the budget managers/Head of Service

### 3.3 Capital Programme (Appendix 2 for detail)

The approved gross capital programme for 2024/25 is £26.073m, this total included budgeted rephasings of £13.288m. At the year end a total of £18.917m was rephased, an additional rephase of £5.629m. The total current budget is £31.900m including growth of £0.198m (£26.073m plus £5.629m plus £0.198m).

The table below shows the total variances for each Service and the main reasons for the variances.

Head of Service	Existing and New Bids £000	Budget Rephase (1) £000	Original Budget £000	Year End Rephase (2) £000	Net Rephase (3) £000	Growth/ Virement £000	Current Budget £000	Actual £000	Forecast £000	Over/(Under) Spend	Comment on Variance
Finance and Corporate Resources	114	100	214	1,035	935	0	1,149	190	1,371	222	Salix projects that will achieve savings, final Fareham project costs and a funded project to install a solar canopy.
Community Services	1,610	138	1,748	0	(138)	0	1,610	750	1,556	(54)	Underspend on disabled facilities grants
Chief Planning Officer	3,228	0	3,228	0	0	0	3,228	283	3,574	341	CIL projects will be funded from CIL reserve
Housing Manager	1,736	0	1,736	(1,085)	(1,085)	0	651	116	651	0	
Customer Services	0	11	11	34	23	0	34	0	34	(0)	
Leisure and Health	933	0	933	124	124	0	1,057	225	1,093	36	Overspend on condition survey budget offset by savings on Ramsey Car Park project
Operations	2,150	429	2,579	1,039	610	0	3,189	949	3,066	(123)	Saving on lone worker software, may request alternative use
Insights and Delivery	73	2,676	2,749	3,453	777	100	3,626	761	2,324	(1,302)	In year saving on Hinchingsbrooke Country Park project. Offset by CPE project costs and funded expenditure on St Neots riverside toilet adaptations
ICT	321	19	340	471	452	0	792	359	518	(274)	IT projects delayed, likely rephase request to 2025/26
Place	2,620	9,915	12,535	13,846	3,931	98	16,564	1,806	16,558	(6)	
<b>Total</b>	<b>12,785</b>	<b>13,288</b>	<b>26,073</b>	<b>18,917</b>	<b>5,629</b>	<b>198</b>	<b>31,900</b>	<b>5,438</b>	<b>30,745</b>	<b>(1,160)</b>	
<sup>(1)</sup> This is the estimated rephase when the budget is set. <sup>(2)</sup> This is the actual rephase at the year end when all costs are known <sup>(3)</sup> This is the actual rephase less the budget rephase. Original budget + net rephase + growth = Current budget											

### 3.4 Council Tax and Business Rates Collection

The Council Tax collection rate at the end of quarter 2 (56.20%) is higher than the previous year (55.38%). The Business Rates collection rate at the end of quarter 2 (59.20%) is higher than at the end of quarter 2 in the previous year (58.64%).

The number of working age Council Tax Support claimants at the end of quarter 2 was 4,915 which is 926 more than at the end of quarter 2 in 2023/24 (3,989). The increase in working age Council Tax Support claimants is as a result of the changes made to HDC's Council Tax Support Scheme for 2024 which was designed to offer more help to working age applicants. The number of pensioner Council Tax Support claimants was 2,825 at the end of quarter 2 2024/25, compared to 2,840 for the same period last year.

### 3.5 Miscellaneous Debt Update

The table below shows the debtor analysis as at 30<sup>th</sup> September 2024.

Service	Debtor Aged Days						Total Debt
	Current	<90	91 to 180	181 to 365	>365	Future	
	£000s	£000s	£000s	£000s	£000s	£000s	
3C Shared Services	4	3	1	17	149		174
Business Improvement District	3		1	5	4		13
Commercial Rent	23	232	186		107	2	550
Community		5	2		10		17
Community Infrastructure Levy	30	57	7		148	4,286	4,528
Corporate			24				24
Environmental					4		4
Finance	5	3	9	1	21		39
Green Bin							
Hinchingbrooke Country Park	3	2	1	3	1		10
Housing	39	18	14	35	345		451
Housing Benefit Overpayment					22		22
Licensing	4	15		3	5		27
Markets	1				1		2
Miscellaneous							
Mobile Home Park	8	1	(5)			40	44
Moorings		1	5			1	7
One Leisure	20	25	10	8	7	53	123
Operations	52	378	26	2	25	7	490
Paxton Pits	17				17		34
Planning	38	4					42
Section 106		49					49
Trade Waste	17	4	1		(1)	53	74
Other		(7)	(10)	(1)	(41)		(59)
<b>Total</b>	<b>264</b>	<b>790</b>	<b>272</b>	<b>73</b>	<b>824</b>	<b>4,442</b>	<b>6,665</b>

### 4.0 Update on the Commercial Investment Strategy and Investment Properties

4.1 The Commercial Investment Strategy (CIS) was approved by Cabinet in September 2015 and the CIS Business Plan in December 2015. The implementation of the CIS is seen as a key means by which the Council can generate income to assist it in meeting the forecast gap in the revenue budget. The CIS supplements the income from the legacy estate of investment properties, held for the purpose of generating revenue income.

4.2 For quarter 2 2024/25, the budget and forecast expenditure and income for the CIS and investment properties are:

<b>CIS Investments</b>	<b>Budget £000s</b>	<b>Forecast Outturn £000s</b>	<b>Variance £000s</b>
<b>Cash Investments</b>			
CCLA Property Fund	(162)	(172)	(10)
<b>Total Cash Investments</b>	<b>(162)</b>	<b>(172)</b>	<b>(10)</b>
Property Rental Income	(4,754)	(4,427)	327
Loan Interest	581	581	0
<b>Total Property Investments</b>	<b>(4,173)</b>	<b>(3,846)</b>	<b>327</b>
<b>TOTAL</b>	<b>(4,335)</b>	<b>(4,018)</b>	<b>317</b>
<b>CIS Borrowing (Maturity Loans from PWLB)</b>			
<b>Property</b>	<b>Maturity Date</b>	<b>Amount</b>	<b>% (Fixed)</b>
Wakefield	26/06/2039	£11,963,000	2.18
Fareham	02/10/2037	£5,000,000	2.78
Rowley Centre	11/03/2039	£7,292,000	2.49

### 4.3 Commercial Properties - Market Update and Activity

There has been little change in the level of market activity since the first quarter of 2024/25. Investors remain cautious with the forthcoming first budget by the new government creating uncertainty.

Tenants for medium/large units continue to seek substantial incentives when negotiating leases but activity remains at a reasonable level at the lower end of the market. We continue to receive interest in smaller space and a number of new lettings have been concluded and are in progress. With the larger CIS properties, tenants are generally renewing leases when leases end, with there being some growth in the industrial sector.

The refurbishment of the two vacant Fareham office properties is complete and the first tenant is due to start fitting out their office suite next week. A decision is expected from another tenant next week in respect of a lease of one of the other suites but it is very much a tenant's market at present and some other landlords on the estate are offering space at huge discounts which are difficult to compete with. It is anticipated that the high standard of our offices and their greatly improved energy efficiency ratings will make them attractive without having to substantially lower rental aspirations.

The two vacant restaurant units, and another unit at Rowley Arts Centre are now under offer to the operator of the gym, who intends to relocate from Unit 4 into larger premises. There is interest in Unit 4 when it is available.

Lease renewals are progressing at Shawlands Retail Park Sudbury, the lease of Unit 2 is expected to complete this month and terms are agreed on Unit 4. Unit 1 is now under offer.

The table below shows the activity in relation to leases, rents and vacant properties in the previous quarters and a forecast for the next quarter;

<b>Property Statistics</b>	<b>2023/24 Quarter 4 Actual</b>	<b>2024/25 Quarter 1 Actual</b>	<b>2024/25 Quarter 2 Actual</b>	<b>2024/25 Quarter 3 Forecast</b>
Number of lettable units held	186	190	190	189**
No. let on typical commercial leases	127	126	125	124
No. let on long leases	24	24	24	24
No. let on non - commercial leases	18	18	17	17
Number vacant	15	20	22	22
Vacant properties by town;				
• Huntingdon	6	6	7	8
• St Neots	6	6	7	5
• St Ives	0	2	2	2
• Fareham	2	6	6	5
<b>Property Activity</b>	<b>2023/24 Quarter 4 Actual</b>	<b>2024/25 Quarter 1 Actual</b>	<b>2024/25 Quarter 2 Actual</b>	<b>2024/25 Quarter 3 Forecast</b>
Number of leases reviewed	1	3	0	2
Number of rents reviewed	1	1	1	2
Number of new lettings	1	3	2	8
Number of units under offer	0	8	7	0
Number of leases ended	0	2	4	5
<b>Financial changes</b>	<b>2023/24 Quarter 4 Actual</b>	<b>2024/25 Quarter 1 Actual</b>	<b>2024/25 Quarter 2 Actual</b>	<b>2024/25 Quarter 3 Forecast</b>
Increases/(decrease) in annual rents receivable due to lease renewals*	£4,000	£8,000	0	(£6,650)*
Increases/(decrease) in annual rents receivable due to rent reviews	£23,000	£177,509	£25,157	£12,300
Increase in annual rents receivable due to new leases	£6,250	£19,300	£17,348	£263,629
Decrease in annual rents receivable due to vacations & insolvencies	£47,500	£12,100	£32,100	£143,885

\*annual average

\*\* Units 2 & 3 Rowley Centre to be let as one.

## 5 **COMMENTS OF OVERVIEW & SCRUTINY**

*Overview and Scrutiny comments to be added here.*

## 6. **RECOMMENDATIONS**

- Cabinet is invited to consider and comment on the revenue financial performance for the financial year 2024/25 quarter 2, as detailed in Appendix 1 and summarised in paragraph 3.2.
- Cabinet is invited to consider and comment on the capital financial performance for 2024/25 quarter 2, as detailed in Appendix 2 and summarised in paragraph 3.3.

## 7. **LIST OF APPENDICES INCLUDED**

Appendix 1 – Financial Performance for revenue quarter 2 2024/25.

Appendix 2 – Financial Performance for capital quarter 2 2024/25.

## **CONTACT OFFICER**

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