

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: 2024/25 Finance Performance Report – Q1 Forecast

Meeting/Date: Cabinet – 10th September 2024

Executive Portfolio: Executive Councillor for Finance and Resources

Report by: Chief Finance Officer

Ward affected: All

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 of budget of £0.306m). The forecast for 2024/25 is £26.423m, less contributions from reserves of £0.557m, this results in an underspend of £0.444m.

This is as a result of (large variations);

Corporate Resources underspend £1.2m as a result of; Increased interest receipts, reduced utilities costs at Pathfinder House and Eastfield House. Offset by increased National Insurance costs.

Chief Planning Officer underspend £0.1m as a result of; Increased Planning Performance Agreement income.

Operations underspend £0.9m as a result of; Green waste subscription income higher than budgeted, also increased CCTV and Street Cleaning income. Offset by increased cost of watercourses.

Leisure and Health underspend £0.1m as a result of; Increased membership income and increased Active Lifestyle classes funding. Offset by increases in maintenance and licence costs.

Chief Operating Officer overspend £0.4m as a result of; Shortfall in temporary accommodation subsidy and costs of business continuity improvements.

Corporate Leadership overspend £1.2m as a result of; A new Community Health and Wealth Delivery Fund set up to implement Huntingdonshire Futures and a new post and new projects budget to further improve the customer experience.

Strategic Insight and Delivery overspend £0.3m as a result of; Reduction in market, car parks and parks income, and additional costs at pavilions.

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 £198,000 in additional expenditure (funded from reserves and external funding) has been added. The current budget is therefore £31.900m (£26.073m + £5.629m + £0.198m). The forecast expenditure for 2024/25 is £30.682m, an in-year underspend of £1.218m (this may result in rephasing to 2025/26).

This is as a result of (Large variations only);

The most significant variations being, in-year underspends;

Hinchingbrooke Country Park £2.1m, and ICT projects £0.3m

Against overspends;

CIL £1.1m (this is funded from the CIL reserve) and Salix Projects £0.1m which will result in future utilities savings.

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 1, 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 1, as detailed in Appendix 2 and summarised in paragraph 3.3.
- Cabinet is invited to consider and comment on the prudential and treasury management indicators for 2024/25 quarter 1, as detailed in Appendix 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 £0.444m.
- Capital forecast in-year underspend of £1.218m.

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 giving a total current budget of £26.310m.

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.

2.2 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 MTFs.

Revenue The current budget is £26.310m (original budget £26.004m + budget carried forward from 2023/24 of £0.306m), the forecast outturn is £26.423m, taking into account contributions from reserves of £0.557m this is a forecast underspend of £0.444m.

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+£5.629m+£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
Corporate Resources	8,507	12	8,519	7,277	35	(1,207)	Income; Increased interest receipts Expenditure; Additional National Insurance costs, and increased rental costs. Reduced utilities costs at Pathfinder House and Eastfield House.
Chief Operating Officer	5,869	134	6,003	6,598	(179)	416	Income; Shortfall in temporary accommodation subsidy. Expenditure; Increased costs as a result of business continuity improvements.
Economic Development	397	-	397	382	-	(15)	Expenditure; Staff costs savings.
Housing Strategy	213	-	213	232	-	19	Expenditure; Costs for contract for site disposals for affordable housing.
Corporate Leadership	711	45	756	2,009	(59)	1,194	Expenditure; New Community Health and Wealth Delivery Fund of £750k set up, and £400k allocated to enhancing customer experience post and projects.
Chief Planning Officer	770	75	845	776	(44)	(113)	Income; Increased Planning Performance Agreement income.
Strategic Insight and Delivery	643	1	644	1,107	(192)	271	Income; Reduced market income, penalty charge CPE income delayed by lack of parliamentary time, reduced pay and display income income, and reduced grounds rents. Expenditure; Additional pavilions costs.
Operations	5,603	5	5,608	4,790	(84)	(902)	Income; Green waste subscription income higher than budget, CCTV increased income, additional Street Cleansing income. Expenditure; Increased costs of watercourse maintenance and increased use of agency staff for Waste which is partially offset by vacant post saving.
Leisure and Health	346	-	346	267	-	(79)	Income; Increased membership income. Increased number of Active Lifestyle classes delivered, extra funding received to pay for the extra classes. Expenditure; Increased licence and maintenance costs.
ICT	2,945	34	2,979	2,985	(34)	(28)	Expenditure; Salary underspends while vacancies were filled.
Total	26,004	306	26,310	26,423	(557)	(444)	

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+£5.629m+£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	135	1,271	122	Salix project which will produce energy savings.
Community Services	1,610	138	1,748	0	(138)	0	1,610	370	1,610	0	
Chief Planning Officer	3,228	0	3,228	0	0	0	3,228	0	4,352	1,124	CIL projects to 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	108	1,057	0	
Operations	2,150	429	2,579	1,039	610	0	3,189	68	3,186	(3)	
Insights and Delivery	73	2,676	2,749	3,453	777	100	3,626	96	1,448	(2,178)	Delays to Hinchingbrooke Country Park improvements.
ICT	321	19	340	471	452	0	792	10	508	(284)	Savings on several projects due to less work required and tender lower than expected. Saving from 2012 server project to be used to begin work on 2016 server project.
Place	2,620	9,915	12,535	13,846	3,931	98	16,564	299	16,564	0	
Total	12,785	13,288	26,073	18,917	5,629	198	31,900	1,202	30,682	(1,218)	
⁽¹⁾ This is the estimated rephase when the budget is set. ⁽²⁾ This is the actual rephase at the year end when all costs are known ⁽³⁾ 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 1 (28.51%) is higher than the previous year (27.51%). The Business Rates collection rate at the end of quarter 1 (32.06%) is lower than at the end of quarter 1 in the previous year (33.01%). The movement in collection rates compared to previous years is due to timing and profiling of payments and does not reflect any underlying collection issues.

The number of working age Council Tax Support claimants at the end of quarter 1 was 4,736 which is 750 more than at the end of quarter 1 in 2023/24 (3,986). The number of pensioner Council Tax Support claimants was 2,818 at the end of quarter 1 2024/25, compared to 2,867 for the same period last year.

3.5 Miscellaneous Debt Update

The table below shows the debtor analysis as at 30th June 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	2	3	14	7	147	0	173
Business Improvement District		1	1	8	4		14
Commercial Rent	97	279	20	54	235	3	688
Community	19	2		1	10		32
Community Infrastructure Levy	294	7			148	3,245	3,694
Corporate		24					24
Environmental				1	3		4
Finance	9	9	1	1	21		41
Hinchingbrooke Country Park	4	2	2	1	1		10
Housing	1	17	18	34	334		404
Housing Benefit Overpayment					22		22
Licensing	8	3	1	4	9		25
Markets	1			1			2
Mobile Home Park	2	3				63	68
Moorings	2	7				2	11
One Leisure	15	56	8	1	6	85	171
Operations	108	27	2	2	23	1	163
Paxton Pits					20		20
Planning	11						11
Section 106		11					11
Trade Waste	1	4				84	89
Prepayments	(291)						(291)
Total	283	455	67	115	983	3,483	5,386

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 1 2024/25, the budget and forecast expenditure and income for the CIS and investment properties are:

CIS Investments	Budget £000	Forecast Outturn £000	Variance £000
Cash Investments			
CCLA Property Fund	(162)	(180)	(18)
Total Cash Investments	(162)	(180)	(18)
Property Rental Income	(4,754)	(4,893)	(139)
Loan Interest	581	581	0
Total Property Investments	(4,173)	(4,312)	(139)
TOTAL	(4,335)	(4,492)	(157)
CIS Borrowing (Maturity Loans from PWLB)			
Property	Maturity Date	Amount	% (Fixed)
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

Market activity in the first quarter of 2024/25 remained limited with investors continuing to remain cautious. The run up to the July General Election caused market uncertainty despite indications that inflation was returning to more controlled levels and a future fall in interest rates was looking increasingly likely.

Offers received for vacant space remain demanding in terms of the levels of incentives required, particularly for larger units where tenants tend to be commercially astute and well advised. Some tenants of smaller units have exited their leases when their fixed terms ended but our assessment is that the level of change is more due to circumstance and timing rather than a significant recent change in market conditions. We continue to receive interest in smaller space and a number of new lettings have been concluded and are in progress.

There has been some activity in the CIS portfolio, the majority of which is positive, although currently vacancies remain at a similar level to previously.

At Little End Road, St Neots, the letting of Unit 23a remains in progress, but has not yet been concluded. Also a rent review on Unit 21b has now been completed, but Unit 21a remains vacant. Action is being taken to more clearly allocate additional parking to the unit which we hope will improve re-letting prospects.

The refurbishment of the two vacant Fareham office properties is complete and the certificate of practical completion has been issued. The lease for the ground floor suite of Office 1500 is being drafted, but disappointingly no further offers for space have been received. Despite the offices now being of a high standard with greatly improved energy efficiency ratings. There remains a notable amount of other vacant space on this business park which is creating something of a 'tenant's market' and increasing the level of incentives that potential tenants demand.

2 Stonehill, Huntingdon remains vacant. Additional security measures have been put in place, and repairs are underway including repairs to the roof.

The two vacant restaurant units, and another unit at Rowley Arts Centre are now under offer.

At Freeway Drive Castleford the index linked rent review has been completed.

Lease renewals are progressing at Shawlands Retail Park Sudbury. Carpetright have undertaken a financial restructure and intend to close their Sudbury Unit, but this had been anticipated, and an offer at an acceptable level has been accepted from another tenant.

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.

Property Statistics	2023/24 Quarter 3 Actual	2023/24 Quarter 4 Actual	2024/25 Quarter 1 Actual	2024/25 Quarter 2 Forecast
Number of lettable units held by HDC	186	186	190 ¹	190
No. let on typical commercial leases	128	127 ²	126 ²	126
No. let on long leases	24	24	24	24
No. let on non commercial leases	17	18 ²	18 ²	18
No. vacant	15	15	20	20
Vacant properties by town;				
• Huntingdon	7	6	6	7
• St Neots	6	6	6	6
• St Ives	0	0	2	2
• Fareham	2	2	6 ¹	5
Property Activity	Quarter 3 Actual	Quarter 4 Actual	Quarter 1 Forecast	Quarter 2 Forecast
Number of leases renewed	2	1	3	4
Number of rents reviewed	0	1	1	0
Number of new lettings	1	1	3	8
Number of units under offer	1	0	8	0
Number of leases ended	0	0	2	2
Financial changes	Quarter 3 Actual	Quarter 4 Actual	Quarter 1 Forecast	Quarter 2 Forecast
Increases/(decrease) in annual rents receivable due to lease renewals*	(£270,950)	£4,000	£8,000	0
Increases/(decrease) in annual rents receivable due to rent reviews	£0	£23,000	£177,509	0
Increase in annual rents receivable due to new leases	£4000	£6250	£19,300	£189,429
Decrease in annual rents receivable due to vacations & insolvencies	£0	£47,500	£12,100	£65,520 ³

NB: Some reviews and renewals may be backdated so effective from previous quarters.

Where stepped rents are agreed the figures quoted relate to the average rent.

Figures above ignore letting incentives

¹ Fareham is now recorded as 6 lettable office suites instead of 2 buildings.

² CAB's occupation of Eastfield House has moved from commercial to non commercial terms and will remain non commercial when they relocate to Pathfinder House.

³ Carpentryright, Sudbury have announced a financial restructure and closure of our store however we already have alternative interest in the unit.

5 COMMENTS OF OVERVIEW & SCRUTINY

The comments from the Overview and Scrutiny Panel will be forwarded to Cabinet prior to its consideration of this report.

6. RECOMMENDATIONS

- Cabinet is invited to consider and comment on the revenue financial performance for the financial year 2024/25 quarter 1, 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 1, as detailed in Appendix 2 and summarised in paragraph 3.3.
- Cabinet is invited to consider and comment on the prudential and treasury management indicators for 2024/25 quarter 1, as detailed in Appendix 3.

7. LIST OF APPENDICES INCLUDED


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

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

Appendix 3 – Treasury and Prudential Indicators quarter 1 2024/25.

CONTACT OFFICER

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