

REPORT TITLE: 2025/26 Q1 Finance Monitoring Report

To: Cabinet

25 September 2025

Lead Cabinet Member: Cllr Simon Smith, Cabinet Member for Finance and Resources

Report by:

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Wards affected:

All

Director Approval: Chief Finance Officer Jody Etherington confirms that the report author has sought the advice of all appropriate colleagues and given due regard to that advice; that the equalities impacts and other implications of the recommended decisions have been assessed and accurately presented in the report; and that he is content for the report to be put to the Cabinet for decision.

1. Recommendations

1.1 It is recommended that the Cabinet:

1. Note this 2025/26 Q1 Finance Monitoring Report and the forecast overspend against budget of £29k on the General Fund and the forecast overspend against budget of £1.876m on the Housing Revenue Account.
2. Note the progress to date on delivering against the savings targets for the General Fund and the Housing Revenue Account.
3. Note the actions planned by services to ensure that overspends are addressed and that the savings targets are achieved.
4. Note the progress on the capital programme for Q1.
5. Note the performance against the Prudential Indicators for Treasury Management for Q1 as set out at Appendix C.

2. Executive summary

2.1 Key messages

While the General Fund is broadly on track due to strong income performance, the Housing Revenue Account faces significant pressures. Continued monitoring and corrective actions are being taken to maintain financial resilience.

Revenue budget

- General Fund (GF): Forecast overspend of £29k.
- Housing Revenue Account (HRA): Forecast overspend of £1.876m.

Capital programme

- GF: Forecast underspend/slippage of £20.2m (incl. £16.8m underspend on Park St).
- HRA: Forecast underspend/slippage of £53.6m.

Savings targets

- GF: Target £8.249m, Forecast £9.935m (overachieving).
- HRA: Target £269k, Forecast £234k (shortfall).

2.2 General Fund (GF)

Overspend drivers

- Crematorium income shortfall - competition & consumer preferences (£343k).
- Pay pressures in City Services following restructure (£275k).
- Grafton East car park underperformance due to local businesses closing (£224k).

Offsetting gains

- Car park income overperformance due to higher usage (£1m).
- Shared Waste Service surplus from higher commercial income (£280k).
- Planning income from fees and grants (£562k).

2.3 Housing Revenue Account (HRA)

Overspend drivers

- Housing repairs, including damp/mould (£555k) and security/fire safety (£562k).
- Higher voids and arrears reducing rental income (£150k).
- Agency staffing and compliance costs (£290k).

Capital slippage

- Major schemes delayed: East Road, Princess & Hanover, East Barnwell.
- £51.3m of capital budget expected to be carried forward.

2.4 Key risks

- If HRA overspends persist and are not mitigated, less money available for capital spend (including new build), leading to more borrowing.
- Significant capital Slippage may lead to inflationary cost increases.
- Ongoing impacts from recent restructuring may still impact upon delivery of savings in 2025/26 and beyond.

3. Purpose and reason for the report

- 3.1 This report outlines the financial position on revenue and capital budgets as at the end of Q1 (April to June 2025) and forecast outturn position for 2025-26. Quarterly presentation of this information to Cabinet is in line with best practice under the CIPFA Financial Management Code. The report also provides details of performance against Prudential Indicators as at Q1 in line with the CIPFA Treasury Management Code of Practice.

4. Alternative options considered

- 4.1 It would be possible to decide to take no actions to address the overspends outlined in this report and to ensure that the savings targets are met. This is not advisable as any overspends would then need to be funded from reserves, which would therefore not be available to meet the Council's priorities.

5. Background and key issues

5.1 Highlights and key messages

While the General Fund is broadly on track due to strong revenue income performance, the Housing Revenue Account faces significant revenue pressures. Continued monitoring and corrective actions are being taken to maintain financial resilience.

General Fund (GF)

There is an overall forecast revenue overspend against budget of £29k on the General Fund. However, there are significant variances within this. Underachievement of income at the crematorium due to competition and changing consumer preferences, pay pressures affecting streets and open spaces and lower than budgeted income from the Grafton Centre East car park caused by closure of nearby businesses reducing footfall is balanced by increased income over the remaining car parks. The overspend would reduce the planned contribution to the General Fund reserve by £29k, so that the contribution reduces to £3.382m.

Housing Revenue Account (HRA)

There is an overall forecast revenue overspend of £1.876m on the Housing Revenue Account. This is principally due to an overspend on housing repairs, continuing the trend from 2024/25. A higher level of voids and arrears is also expected to reduce rental income. The overspend would lead to a reduction of £864k in the HRA balance rather than the planned increase of £1.012m.

Savings target

Savings targets were set at £8.249m on the GF and £269k on the HRA when the 2025/26 budget was approved. As at Q1, the GF is expected to achieve £9.935m in savings for the year, due mainly to overachievement of income in the shared waste and planning services and car parks. The HRA is forecast to achieve £234k in savings and further work on the impact of the group redesign is ongoing.

Capital

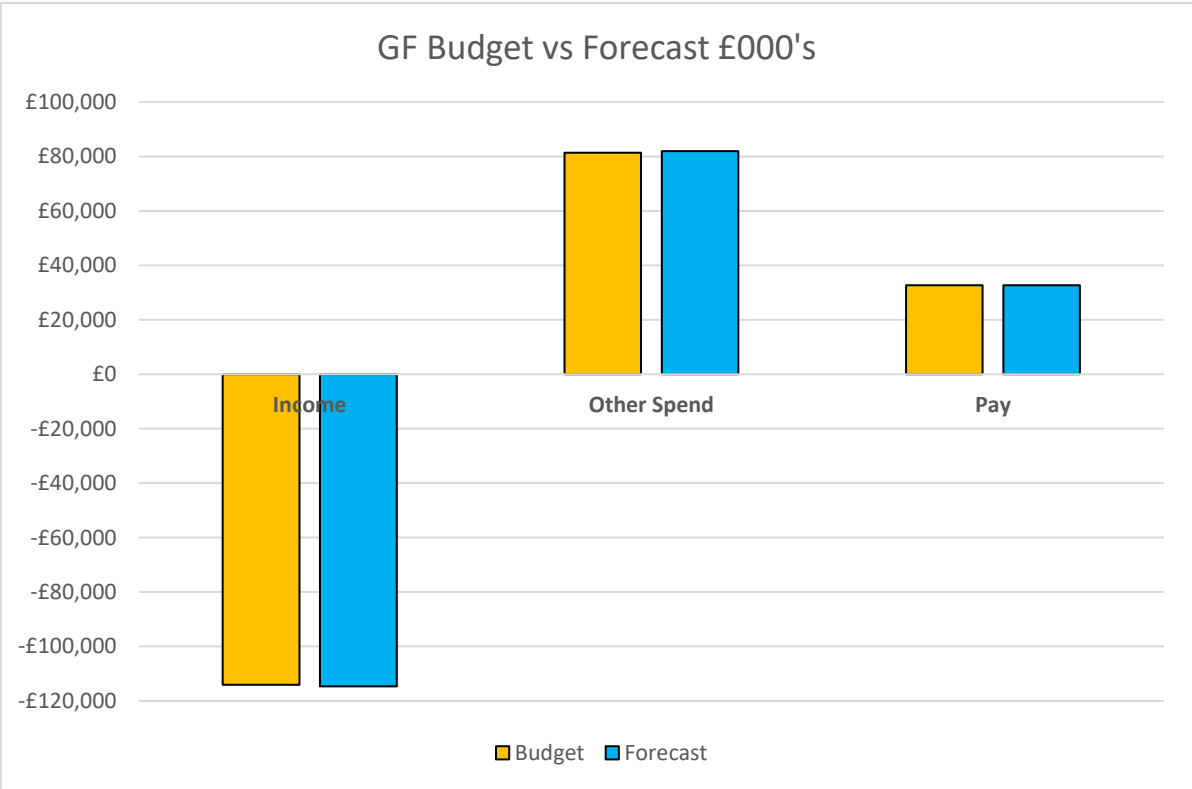
The re-provision of the Park Street Car Park with a new hotel has come in very

significantly under budget thanks to effective procurement and project management. At the end of the project, it is expected that there will be an overall underspend of c £16.8m on a £58.7m total project budget.

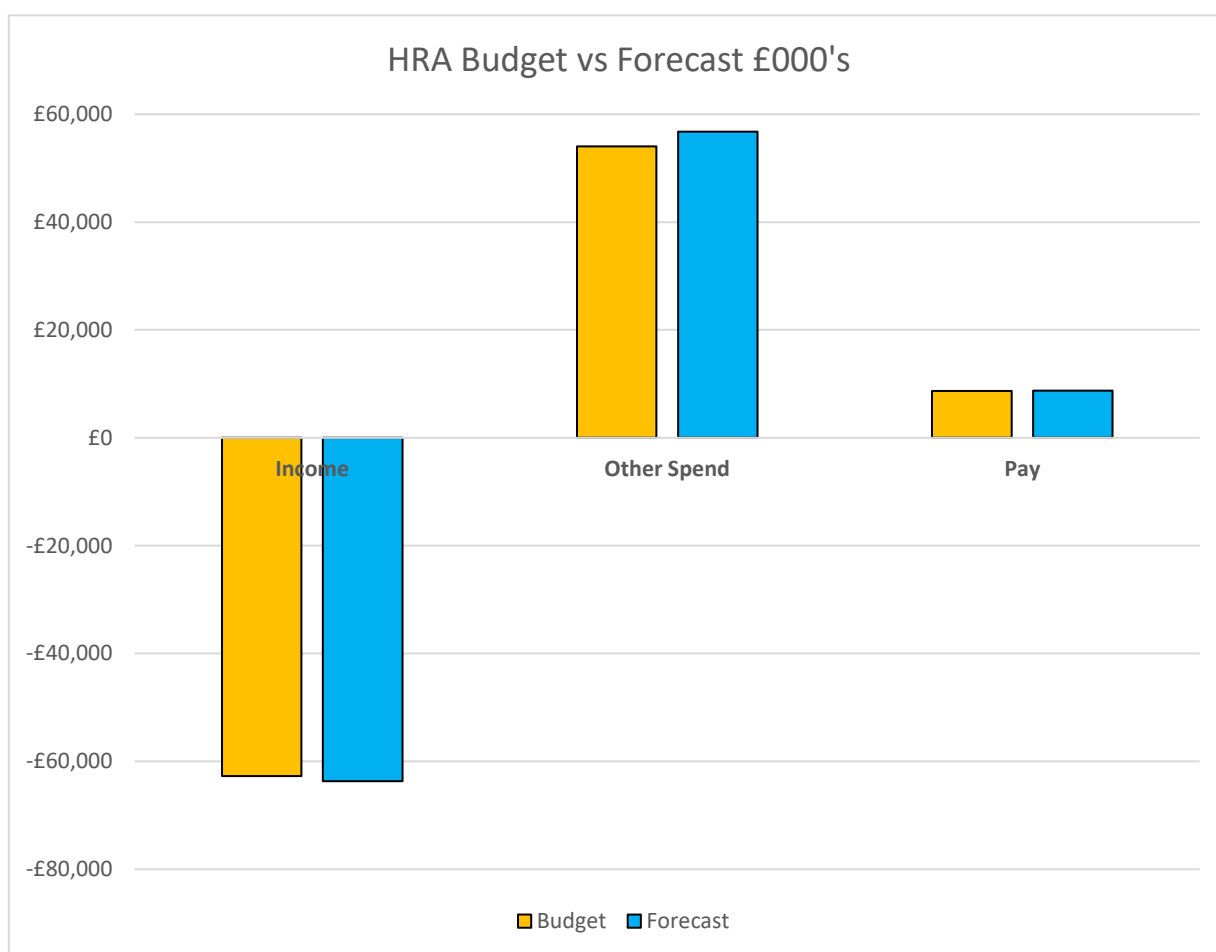
Treasury management

The Council is compliant with all the Prudential Indicators set out in its Treasury Management Strategy.

5.2 Overall financial performance – General Fund



5.3 Overall financial performance – Housing Revenue Account



6. General Fund (GF)

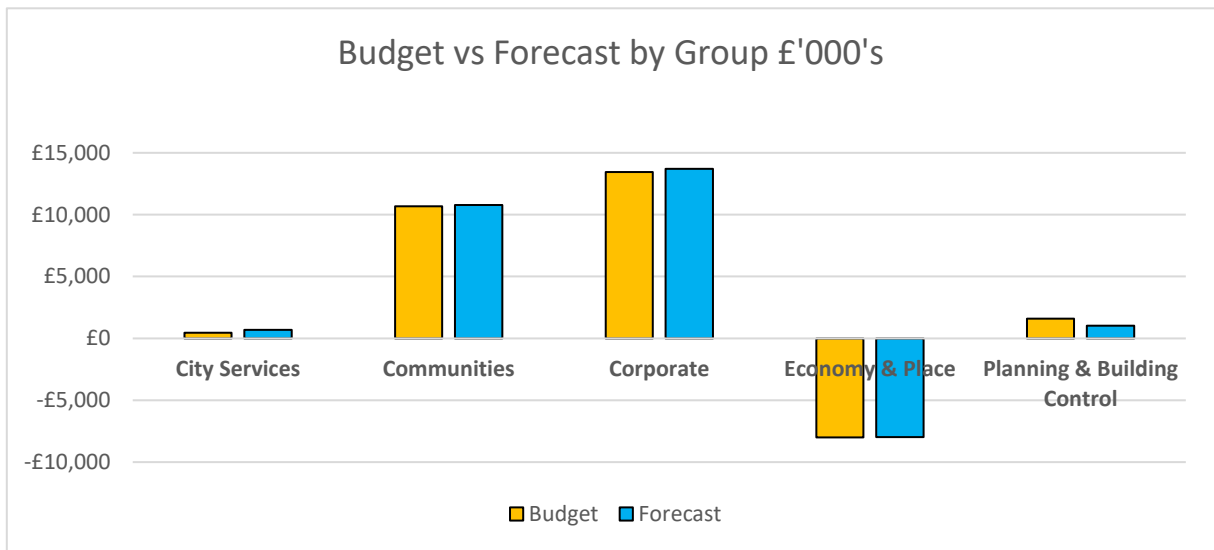
6.1 Revenue budget

The overall forecast revenue budget position on the General Fund is set out in Appendix A(i). There is an overall forecast overspend against budget of £29k on the GF. The overspend would reduce the planned contribution to the General Fund reserve by £29k, so that the contribution reduces to £3.382m.

The graph below shows performance against budget broken down by Group. The major reasons for underspends and overspends are set out in the following review of performance by each Group Director.

Details of all variances greater than £50,000 along with commentary are contained in Appendix A(ii).

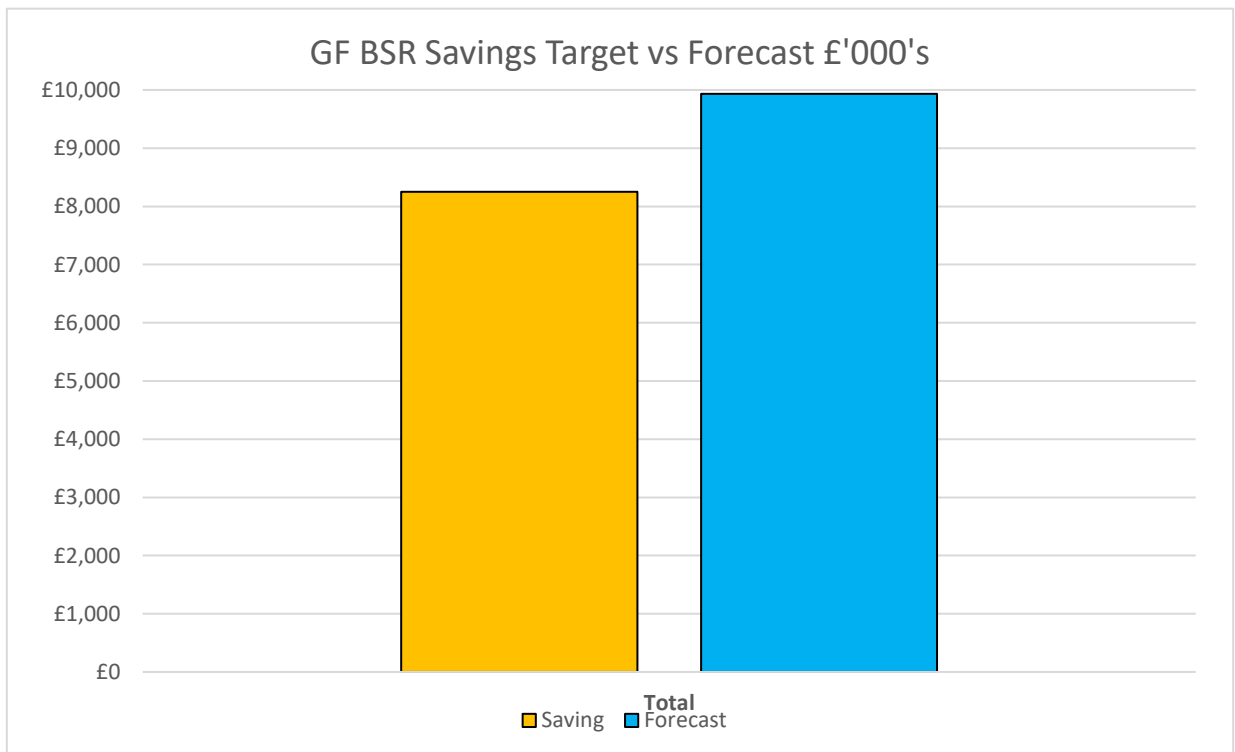
6.2 Financial performance (GF) by Group



6.3 Savings target

The forecast performance against the savings target of £8.249m is for savings of £9.935m as per the graph below. This reflects overachievement of income targets by the shared planning, waste services and car parking. Without this overachievement, the savings forecast would be £8.083m. Forecast performance against each element of the savings target with accompanying explanations is in Appendix A(iii).

6.4 GF performance against savings target

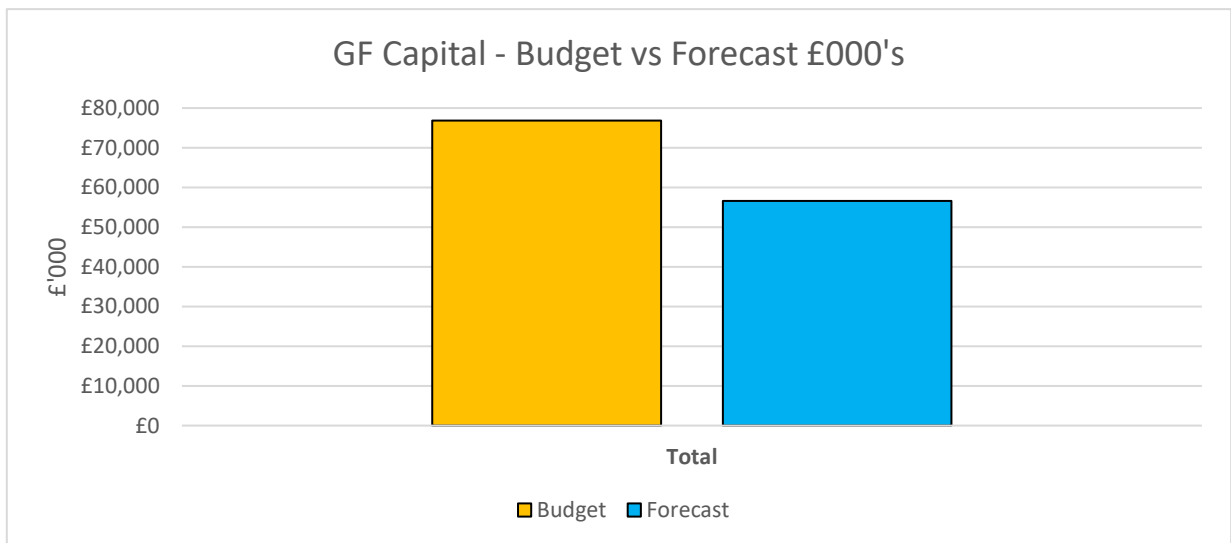


6.5 Capital budget

As shown in the graph below, the forecast outturn for General Fund capital is £56.591m against a budget of £76.809m. Within the total anticipated variance of £20.218m, there is a net figure of £16.486m which represents genuine underspend on the capital programme, which is chiefly due to the Park Street redevelopment coming in significantly under budget. The balance of £3.732m is project slippage which is expected to result in requests for rephasing at year end. The main significant variances are explained in the commentary below for each Group Director.

A detailed breakdown of the forecast performance on the capital programme is contained in Appendix A(iv).

6.6 GF capital budget performance



6.7 City Services

The City Services Group is forecasting a net revenue overspend of £222k for 2025/26.

Income highlights

All car parks, except for Grafton East, are forecast to significantly overperform against income projections, generating an additional £1m income over budget overall. Park Street Car Park has also exceeded expectations in its first year of operation. While the budget projected a modest overspend (£56k), income is now forecast to exceed target

by £200k. This early success gives us a much stronger evidence base for budgeting in future years.

Grafton Centre East car park is underperforming due to wider changes in the local area. Grafton East is predicting a £224k net shortfall, largely due to the closure of retail units and the cinema. Although Grafton West is currently on track, the recent cinema closure may soon impact footfall there too and the team will continue to monitor trends closely. We also anticipate a permanent reduction in parking capacity once the neighbouring redevelopment completes, which will require further review of the operating model for these sites.

Pay and restructure pressures

Across City Services, pay budgets are currently showing an overspend of £275k in salaries, plus associated increases in National Insurance (£43k) and pensions (£43k). This is mainly due to the budget having to be finalised before the implementation timeline was confirmed, resulting in a misalignment between the budget and the phased implementation of the new structure. Consequently, the budget did not account for the implementation timetable, job evaluation outcomes, grade changes, or pay protection commitments affecting a number of staff.

Garage services

Garage income is currently £140k below target, mainly due to the loss of a major external customer who has moved to an integrated fleet and maintenance contract. Capacity has also been reduced temporarily due to a fitter vacancy and long-term sickness, though this absence has now ended and recruitment is underway. While private work has underperformed, this is due in large part to the high maintenance needs of our ageing fleet. However, the council's new fleet replacement programme, launching in 2026, will significantly reduce internal repair demand and enable more focus on revenue-generating work. The Fleet Manager is actively pursuing new business opportunities and is in discussion with several potential customers.

Crematorium income and market trends

Despite the income budget for the crematorium being adjusted downwards, the service

remains under pressure, with a projected 25% year-on-year reduction (£343k) in income. The market has shifted due to increased local competition, more affordable online services, and changing consumer preferences, particularly in relation to optional or commemorative services (down £39k). These shifts reflect wider trends rather than service-specific performance issues. While the core offer remains high quality, we are exploring how we might strengthen the offer longer-term.

Operational Hub programme

The Cowley Road Compound is having to pay business rates while it is empty pending the completion of the Operational Hub, leading to an unavoidable overspend of £162k.

Greater Cambridge Shared Waste Service

Greater Cambridge Shared Waste Service (GCSWS) is currently forecasting a £622k underspend due to higher commercial income. Around £280k of that underspend relates to Cambridge City Council. The service is in a transition year, preparing to introduce weekly food waste collection for residents by April 2026. While we expect most of the costs to be covered by DEFRA grants, past experience shows the funding model often falls short. Therefore, any shortfall may need to be covered by the individual partner councils. There are additional cost pressures from government initiatives to separate dry recycling, funded through EPR grants (Extended Producer Responsibility for Packaging), but the full costs are not yet clear. Given these uncertainties, it is too early to forecast the overall impact in quarter 1.

Capital

There are unavoidable overspends in both the revenue (£162k) and capital (£276k) budgets for the new Operational Hub, caused by delays from external contractors. These delays have impacted our project timeline, now targeting a revised turn-key date of mid-October 2025. It is important to note that the original capital bid was made over five years ago, and since then, inflationary pressures—particularly in construction, materials, and labour—have significantly increased the cost base for delivery. Despite these challenges, the Hub remains a strategic investment. Once operational, it will modernise how we deliver frontline services, provide fit-for-purpose garage facilities, and unlock new commercial income potential—particularly from the relocation and

expansion of garage services.

The capital budget for the Market Square is not being fully utilised, pending a decision on the Civic Quarter project, therefore an underspend of £155k is forecast.

6.8 Communities

This Group is showing a variance of £94k overspend against budget. Within this there are some variances within operational areas:

Cultural Services

This area is underspent by £24k reflecting staff vacancies post transformation that are soon to be filled. There is an emerging risk related to sponsorship funding that is below expected levels and forecast to remain so. It is continuing to be a difficult environment to raise sponsorship, with a working group set up in the Council to collaborate and mitigate internal competition.

Town Hall Lettings

There is a forecast overspend of £82k which is partly due to the costs associated with running the service, in particular incentivising landlords to make properties available for rental through the service. This saves costs to the wider service, including reducing our temporary accommodation costs. This cost centre will be reviewed in the next quarter with the aim of reducing the overspend.

Staffing

More widely there are still issues with allocation of staffing budgets that are presenting variances that relate to allocation of budgets and causing cost centre discrepancies. These will have been resolved for Q2, which will affect forecast variances at cost centre level, but will not impact the overall financial position.

6.9 Corporate Hub

There is expected to be a net overspend of £271k for this Group (this includes the new Executive Office).

Staffing

The Group design work has created new posts which are expected to be filled as the year progresses, but agency costs are being incurred in the interim. The Revenues service is having to cover unavoidable staff absence using agency resources, leading to an overspend forecast of £93k. The procurement service is forecasting an overspend of £65k owing to agency expenditure and the need to purchase a new contracts module for the finance system to comply with recently introduced procurement regulations.

6.10 Economy and Place

The Group is forecasting a net overspend of £3k.

Property Services

Property Services overspends are mainly due to a geared ground rent reconciliation on Lion Yard following several years of lower than expected turnover in those businesses. Budgeted net income from this asset is £750k, however the forecast is for only £350k net income to be achieved this year, an underachievement of £400k. £49k of the overall overspend of £69k on other commercial properties relates to Orwell House under occupancy, which is linked to the North East Cambridge Development.

Staffing

There are currently underspends in Economy, Environment and Climate relating to staffing vacancies which we are aiming to fill. The services may need to call on those underspends to fund consultancy and/or temporary staff to cover gaps and address backlogs, so there is not expected to be an underspend by the end of the financial year.

Capital

The reprovision of the Park Street Car Park with a new hotel has come in very significantly under budget thanks to effective procurement and project management. There will be an in-year underspend of £16.796m against this year's budget of £32m for this project. Both the car park and the hotel are now open.

The forecast expenditure for the East Barnwell Centre has been reduced for this year now that the building works have been contracted, this has led to a variance of £1.951m

which will be requested to be carried forward at year end.

6.11 Planning and Building Control

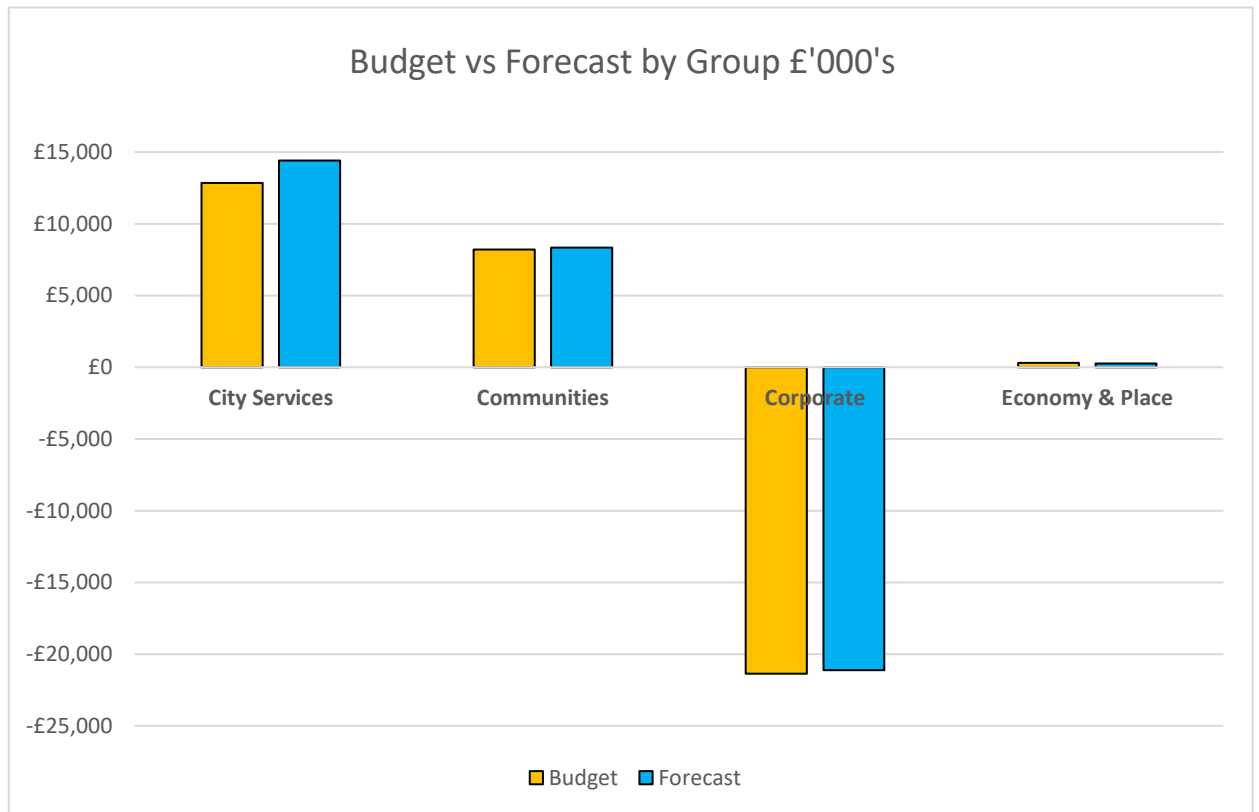
The Shared Planning Service is forecasting a £1.035m underspend at quarter 1, of which £561k relates to Cambridge City. The underspend is due to higher than budgeted grant income, planning application fees, and PPA (Planning Performance Agreement) income. Some grant funding will be carried forward to the next financial year to support ongoing projects (this is already factored into the forecast underspend). Overall, the service remains in a stable financial position, with a focus on maintaining efficient service delivery, effective grant monitoring, and timely project delivery. 3C Building Control is forecasting zero variance. The service is on track to achieve its external income target and deliver the 80:20 funding split between fee-earning and non-fee-earning work, maintaining a lower contribution from the partner councils.

7. Housing Revenue Account (HRA)

7.1 Revenue budget

The overall forecast revenue budget position on the HRA is set out in Appendix B(i). There is an overall forecast overspend of £1.876m against budget on the HRA, which is broken down by Group in the graph below. The overspend would lead to a reduction of £864k in the HRA balance rather than the planned increase of £1.012m. The reasons for the overspend are set out in the following review of performance by each Group Director. Details of all variances greater than £50,000 along with commentary are contained in Appendix B(ii).

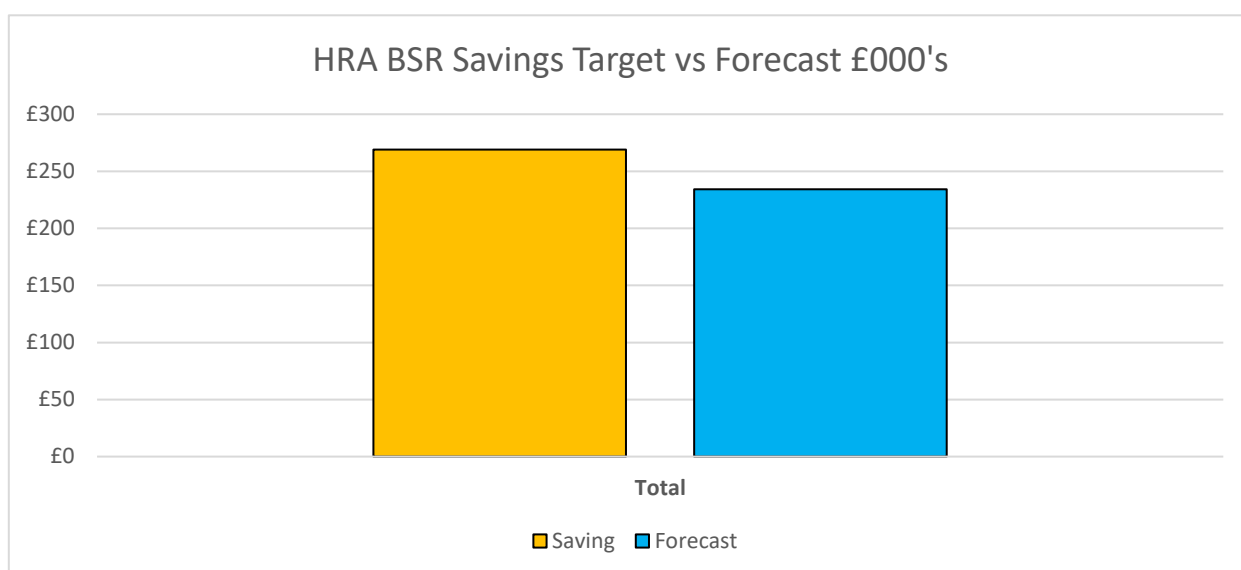
7.2 Financial performance (HRA) by Group



7.3 Savings target

The forecast performance against the gross savings target of £269k is for savings of £234k as shown in the graph below. There is a shortfall in relation to the group redesign and further work is being done to address these budgets. Forecast performance against each element of the savings target with accompanying explanations is set out in Appendix B(iii).

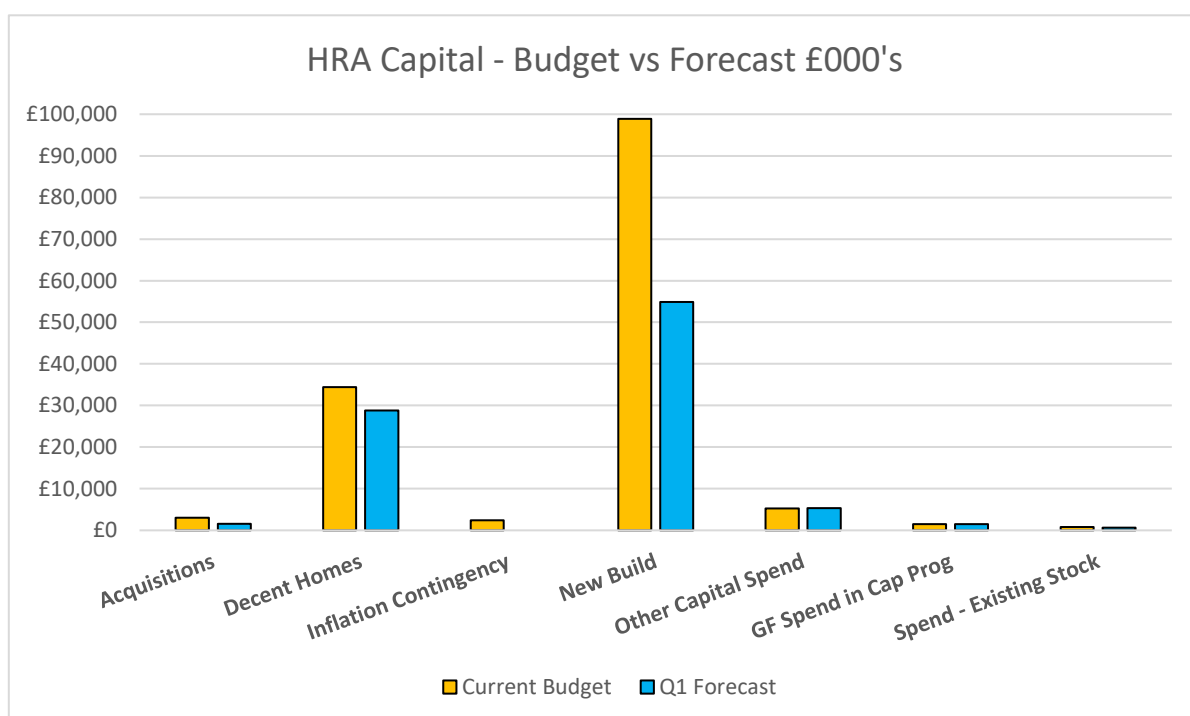
7.4 HRA Performance against Savings Target



7.5 Capital budget

As shown in the graph below, the forecast outturn for HRA capital is £92.727m against a budget of £146.342m. Within the total anticipated variance of £53.615m, there is a net figure of £2.339m which represents genuine underspend on the capital programme. The balance of £51.276m is project slippage which is expected to lead to carry forward requests at year end. The main variances are explained in the commentary below for each Group. A detailed breakdown of the forecast performance on the capital programme is contained in Appendix B(iv).

7.6 HRA Capital Budget Performance



7.7 City Services

The current forecast outturn is a revenue overspend of £1.552m for 2025/26. This reflects the increasing financial pressures being experienced across the housing sector, pressures that are likely to persist throughout the remainder of the year.

The key drivers of this forecast are:

Asset Management – £562k forecast overspend which primarily results from essential fire safety works and building security measures, aligned with national priorities on resident safety and strengthened regulatory expectations following recent legislation and guidance.

Responsive Repairs – £555k over budget, the increase is largely due to the volume and complexity of damp and mould cases being addressed. This area has seen increased national focus, and our response is consistent with other providers in ensuring homes meet modern health and safety standards.

Voids – £193k overspend which reflects the deteriorating condition of a growing number

of properties at the point of vacancy, necessitating more extensive works to bring homes back to a lettable standard. This is an area of operational focus; however, recovering costs is increasingly difficult due to the circumstances and vulnerabilities of many tenants vacating our homes. This challenge is widely shared across the social housing sector.

Staffing/Compliance – £290k of the forecast overspend is attributable to a continued need to employ agency staff to maintain service continuity, alongside anticipated additional compliance work. This estimate is based on historic and emerging compliance obligations.

These pressures are not unique to this authority but reflect wider national trends in the management of social housing. The combination of increased statutory responsibilities, rising service demand, and the need to maintain safe, decent homes for all tenants requires ongoing investment and sustainable funding. Meeting these expectations in full will require future resourcing to be aligned with both our regulatory obligations and our ambitions for housing quality.

Work programmes are currently being reviewed to assess whether any revenue-funded activities can be legitimately transferred to the capital programme to help relieve pressure on the HRA revenue budget.

Capital

The overall capital budget is currently forecast to spend £29.604m, based on programmed and ordered works, against a full-year programme of £39.804m. The current forecast underspend of £10.200m is expected to reduce as further works are commissioned and delivered. Any underspend at year end will need to be carried forward to support the continued delivery of our investment priorities.

7.8 Communities

The current overall net forecast outturn is £126k overspent, this is without any mitigations being put in place to address this low level of forecasted overspend. This forecast of overall expenditure amounting to £8.334m is on an overall budget of

£8.208m and it is felt that this level of overspend can be easily mitigated going forward thus bringing the outturn within the approved budget.

Currently there are a number of service overspends mitigated by underspends resulting in the overall position, these being:

- Overspends: £265k
- Underspends: (£139k)

This has, in some instances, been caused by staffing and related budgets not being aligned fully following restructuring. These are currently being corrected so the forecast outturn at quarter 2 will not show these multiple variances.

7.9 Corporate Hub

Within this Group, Finance currently reports on the budget for HRA income, overheads and interest receivable and payable. The overall position is a net overspend of £227k.

Income

An underachievement of £150k is forecast on HRA dwellings income, owing to higher than budgeted levels of voids and rent arrears, which both reduce rental income. Action to address both of these issues is ongoing, with a sensitive approach to debt recovery.

Staffing

There is a forecast overspend on staffing of £78k as agency staffing has had to be used while recruitment to the Finance team has taken place. The team is expected to be fully staffed by the autumn.

Capital

The final acquisition under the Local Authority Housing Fund scheme has now been made and the project is therefore expected to be underspent by £347k due to lower purchase costs.

There is a budget of £1.097m to be used in respect of property acquisitions and disposals. There are no plans to use this budget this year, so it will be requested to be

carried forward.

There is a budget for inflation on HRA capital projects of £2.455m. Whether this budget will need to be fully utilised in 2025/26 will depend on the progress of the capital programme.

7.10 Economy and Place

The development team is self-funded through capital projects delivery and partially funded from the Cambridge Investment Partnership (CIP). This year, the team, with CIP and Homes England, celebrated a major milestone with the handover of its 1,000th home. We are forecasting some delays in entering into new contracts and completing handovers. Due to these delays, some capital budget needs to be rolled over to the next financial year. The team continues to develop a pipeline to deliver 1,000 council homes by 2030, subject to Homes England funding.

The timing of each of these developments depends on multiple factors and complex supply chains; therefore, it is currently anticipated that £45.867million of this year's budget will need to be carried forward into future years. The largest schemes requiring carry forwards are East Road (£10.1m), Princess & Hanover (£7.7m), East Barnwell (£6.2m) and Eddeva Park (£5.6m).

The Stanton House scheme was delayed, leading to an overspend of £191k this year. Aylesborough Close is expected to be completed well within budget, resulting in a saving of £567k.

8. Treasury management

- 8.1 In line with CIPFA's Treasury Management Code of Practice, a quarterly update on performance against the Prudential Indicators is reported to Cabinet. The Prudential Indicators were approved by Full Council in February 2025. Overall, the Council was compliant against all of the indicators. Performance against each of the Prudential Indicators is set out in Appendix C.

9. Corporate plan

- 9.1 The Council's budget supports all aspects of the Council's Corporate Plan. Expenditure against the approved budget enables the Council to deliver on the priorities set out in the Plan.

[Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council](#)

10. Consultation, engagement and communication

- 10.1 The 2025/26 budget-setting process was subject to full public consultation in line with the Council's Code of Best Practice on Consultation and Community Engagement.

11. Anticipated outcomes, benefits or impact

- 11.1 Regular monitoring of performance against budget and Prudential Indicators enables timely action to be taken to address any issues highlighted.
- 11.2 Reporting of financial information to Cabinet leads to greater transparency of decision making.

12. Implications

12.1 Relevant risks

Where budgets are overspent, this increases the risk that reserves will need to be used to fund them, unless effective corrective action is taken. This risk would mean that reserves would not be available to help to deliver the council's priorities.

Where capital budgets are underspent due to project slippage, this increases the risk of overall overspend on the capital projects due to extended timelines and the impact of inflation where procurement is delayed. This risk will need to be managed by the relevant project managers in line with the council's Financial Regulations.

12.2 Financial implications

As set out throughout the report. The financial implications of overspends are that reserves will need to be used to fund them, as outlined in the risk section above.

12.3 Legal implications

The Council on 24 February 2025 set a robust and balanced budget for 2025/26 with adequate reserves as specified under Section 25 of the Local Government Act 2003.

12.4 Equalities and socio-economic implications

The equalities and socio-economic implications of individual budget proposals were considered at the time of budget setting in line with the relevant council policy and statutory requirements. This includes the preparation of an Equalities Impact Assessment for each year's budget as a whole, and further assessments for individual proposals where the impact is likely to be significant.

12.5 Net zero carbon, climate change and environmental implications

The net zero, climate change and environmental implications of individual budget proposals were considered at the time of budget setting in line with the relevant council policy and statutory requirements. This includes the assignment of a climate change rating to each individual proposal.

12.6 Procurement implications

None identified.

12.7 Community safety implications

None identified.

13. Background documents

13.1 Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985:

- Budget Setting Report (General Fund) 2025/26 to 2029/30

- HRA Budget Setting Report (BSR) 2025/26
- 2024/25 Outturn Report

14. Appendices

- 14.1 Appendix A(i) – General Fund Revenue Forecast Outturn 2025/26
Appendix A(ii) – General Fund Major Service Variances Q1 2025/26
Appendix A(iii) – General Fund Savings Performance Q1 2025/26
Appendix A(iv) – General Fund Capital Forecast Outturn Variances 2025/26
Appendix B(i) – Housing Revenue Account Forecast Outturn 2025/26
Appendix B(ii) – Housing Revenue Account Major Operating Variances Q1 2025/26
Appendix B(iii) – Housing Revenue Account Savings Performance Q1 2025/26
Appendix B(iv) – HRA Capital Forecast Outturn Variances 2025/26
Appendix C – Treasury Management Prudential Indicators 2025/26

To inspect the background papers or if you have a query on the report please contact

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