

**Public  
Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Finance Performance Report (Q1)  
**Meeting/Date:** Cabinet – 16<sup>th</sup> September 2021  
**Executive Portfolio:** Executive Councillor for Strategic Resources (JG)  
**Report by:** Chief Finance Officer (CE)  
**Ward affected:** All

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### **Executive Summary:**

The impact of Covid-19 has affected and will continue to affect the financial landscape during 2021/22, as restrictions have finally been lifted. Areas, such as leisure facilities can now fully open all their facilities. However, we are still at risk of future restrictions being imposed as we go into the winter period, although the prospect of future lockdowns could still be a possibility and cannot be ruled out, even though Central Government.

### Financial Impact

Within the budget for 2021/22 the impact of the pandemic on the economy was factored in based on what information was available in December 2020. Since then the restrictions were extended and only lifted in July, longer than we had anticipated. The income compensation scheme is still available to support Local Government for Q1, £0.595m was factored into the base funding for 2021/22, together with £0.758m for the final tranche 5 of the Covid Emergency funding.

There is on going expenditure in relation Covid restrictions in Q1 in maintaining cleaning regimes and PPE in close contact area of the business, like waste collection, together with additional resources to support areas such as Council Tax and Housing Benefit in dealing with increased volume and recovery activities.

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

It is recommended that:

- The Cabinet is invited to consider and comment on the financial performance at the end of June, as detailed in Appendix 1.
- The Cabinet is invited to consider and approve the proposed budget changes as outlined in paragraph 3.2 to the Revenue Budget to accommodate reclassification of budget and in year activity not included within the MTFS.
- The Cabinet is invited to consider and approve the proposed budget changes outlined in paragraph 3.3 to the Capital Budget to accommodate reclassification of budget and in year activity not included within the MTFS.

## PURPOSE OF THE REPORT

1.1 To present details of the Council's projected financial performance for 20/21.

- Revenue outturn estimated overspend of £0.227m.
- Capital outturn estimated underspend of £17.077m

The impact of the Covid 19 pandemic, as far as possible, has been reflected within the Council's financial position. This now includes the Governments Income Compensation Scheme of £1.076m.

## BACKGROUND

2.1 The budget and MTFS for 2021/22 approved in February 2021, assumed a net expenditure budget of £20.686m, together with a Council Tax freeze. Together with a Capital budget of £18.168m.

2.2 The detailed analysis of the Q1 outturn as at 30<sup>th</sup> June is attached at **Appendix 1**.

## 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 approved Budget is £20.686m, plus carry forwards of £0.147 and in year re-classification of (£1.287m) giving a revised current budget of £19.545m, with the outturn being £19.772m which is an overspend of £0.227m, The main reason for this ongoing pressure is from continued expense in Q1 for Covid related activities, such as continued restrictions in One Leisure, continue impact on use of car parking facilities, together with ongoing costs to maintain safe environments for employees.

**MTFS** The MTFS was updated as part of the 2021/22 Budget setting process and will again be updated as part of the 2022/23 Budget setting process which is now under way. The revision of the MTFS will include 2020/21 outturn variations and others occurring or foreseen in 2021/22 that have an impact on future years.

**Capital** The approved Budget is £18.168m plus the re-phasing of £14.557m and in year activity of £12.367m giving a revised total Capital Programme of £45.093m. The forecast outturn is £28.016m giving an underspend of £17.077m.

### 3.2 Summary Revenue Variances by Service

The table below shows the total variances for each Service and the main reasons where variances are greater than £50,000.

Head of Service	Budget £'000s	Budget c/fwd £'000s	In year Changes £'000s	Revised Budget £'000s	Actual £'000s	Variance £'000s	Comments
AD Corporate Resources	6,896	57	66	7,109	6,838	(181)	CIS income £120k, reduction in insurance premium £117k; off set by an increase MRP £56k in realigning the full impact of the capital program from previous years
AD Transformation	383	48	0	430	377	(53)	Grant Funding to be used to fund in year project costs
Chief Operating Officer	4,350	0	0	4,350	3,901	(449)	Additional grant income in Council Tax £189k; Housing needs and Housing Benefits £662k; Environment protection £87k; offset by overspend in Development Management – agency costs of £280k due to planning application back log; £50k provision for judicial review; £100k reduction in income as planning advice was temporarily suspended due to resources and capacity issues – to reintroduced in October
Corporate Leadership	619	0	0	619	692	73	Additional costs in relation to the Oxcam Arc and legal fees in relation to the disposal land for housing; together with a new post for the Strategic Communications Manager
Head of ICT	2,253	0	0	0	2,253	0	
Head of Leisure & Health	522	35	(427)	130	377	247	Loss of income due to continue Covid restrictions for the Leisure facilities.
Head of Operations	4,621	7	(168)	4,460	4,631	171	Continued reduction in car park and Markets income £125k; additional costs of £89k to cover reactive works required to watercourses due to impact of flooding in Christmas 2020.
Housing Manager	180	0	0	180	180	0	
Growth Manager	791	0	0	791	773	(18)	
Programme Delivery Manager	71	0	0	71	70	(1)	
<b>Subtotal</b>	<b>20,686</b>	<b>147</b>	<b>(529)</b>	<b>20,303</b>	<b>20,092</b>	<b>(211)</b>	
Covid 19 Emergency Funding	0	0	(758)	(758)	(458)	300	Continued costs in relation to complying with the Covid restrictions in terms of PPE and cleaning, together with additional resources in Revenues and benefits to assist with the back log of arrears within Council Tax and Business Rates.
Covid 19 Recovery Program	0	0	0	0	138	138	On going costs in relation to delivering Covid recovery projects
<b>Total</b>	<b>20,686</b>	<b>147</b>	<b>(1,287)</b>	<b>19,545</b>	<b>19,772</b>	<b>227</b>	

In the above table the following adjustments have been included against the original budget to reflect more accurate comparative figures to the actuals, the impact of which is a reduction in the net cost of services of £1.287m:

- Reclassification of £0.758m tranche 5 funding into cost of services to match allocation of actual grant
- Reclassification of £0.595m Income Compensation Scheme into One Leisure and Operations to match the allocation of actual income claim
- Correction of £0.066m salary budget within Environmental & Energy Management

Further analysis of the revenue variance and service commentary are in **Appendix 1**. This provides the variances by service and where the variances are greater than +/- £10,000 comments have been provided by the budget managers/Head of Services. Where there are adverse variances the budget managers have provided details of the actions they are undertaking and where possible indicated if this will have an ongoing impact on the MTFS.

### 3.3 Capital Programme

The approved gross capital programme for 2020/21 is £18.169m plus the re-phasing of the £14.558m, together with in year budget of £12.367m giving a revised total Capital Programme for 2021/22 of £45.094m.

The actual net expenditure outturn is £28.106m, an underspend of £17.077m.

The table below shows the total variances for each Service and the main reasons where variances are greater than £50,000.

Service Area	Original Budget 2021/22 £	Budget B/F from 2020/21 £	Externally Funded Schemes £	Current Budget 2021/22 £	YTD Actual 2021/22 £	Q1 Forecast 2021/22 £	Forecast Variance 2021/22 £	Comment on Variances over £50,000
AD Resources	729,000	11,057,891	4,243,347	16,030,238	92,868	6,420,204	(9,610,034)	Huntingdon Development not anticipated to start until feasibility study has been completed; Oaktree remedial costs have been revised down with expected savings of £912k
AD Transformation	31,000	114,000	0	145,000	0	50,000	(95,000)	Projects stopped due to lack of business case
Chief Operating Officer	72,000	16,000	0	88,000	18,145	94,394	6,394	
Head of ICT	340,000	12,000	0	352,000	0	352,000	0	
Head of Leisure & Health	406,200	556,733	739,853	1,702,786	447,886	1,684,944	(17,842)	
Head of Operations	1,890,600	2,195,259	1,149,116	5,234,975	59,329	5,060,476	(174,499)	Reduced spending on the parking strategy in year
Housing Manager	1,850,000	0	0	1,850,000	257,120	1,725,000	(125,000)	Reduction due to referrals from Occupational Health
Growth Manager	12,850,000	606,000	6,234,546	19,690,546	0	12,629,290	(7,061,256)	Impact of phasing the Future High Street Fund into future years as whole life costs included in budget.
<b>Total</b>	<b>18,168,800</b>	<b>14,557,883</b>	<b>12,366,862</b>	<b>45,093,545</b>	<b>875,348</b>	<b>28,016,308</b>	<b>(17,077,238)</b>	

In the above table in year budgets of £12,367m has been included to capture new projects that have been agreed since the original budget was set in February 2021, these are projects which are funded by external grants.

Within appendix 1, it shows a movement of existing budget between projects within One Leisure referred to as a virement of £50k for St Ives changing rooms.

It is also proposed to repurpose budget not required on projects due to external funding now been secured and vire budget to cover unavoidable costs:

- Pay back of Salix Funded projects - £38k (currently shown as an overspend)
- Mobile home park major electrical replacement (Health & Safety compliance) - £30k

This will be taken from:

- PFH – building management systems (£68k)

The overall impact on the capital budget of this virement is net nil.

### 3.4 Finance Dashboard

The Outturn for Q1 also looks at the collection rates for Council Tax and NDR, together with the working ages caseload for Council Tax Support Scheme. The details are shown in Appendix 1.

In summary, Council Tax and NDR collection rates are holding in line with 20/21 rates. The Government has again provided further retail reliefs in 21/22 of £7m, this will be compensated for via the normal grant income received via the business rates retention scheme.

Council Tax Support Scheme has continued to see a year on year increase in caseloads within the working age group of 7% compared to 20/21.

## UPDATE ON THE COMMERCIAL INVESTMENT STRATEGY

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.

4.2 At the end of Quarter 1, the financial projections for the CIS are:

CIS Investments	Budget (£'000)	Outturn (£'000)	Variance (£'000)
<b>Cash Investments</b>			
CCLA Property Fund	(162)	(162)	0
<b>Total Cash Investments</b>	<b>(162)</b>	<b>(162)</b>	<b>0</b>
Property Rental Income	(4,590)	(4,702)	(112)
MRP	693	581	(112)
<b>Net Direct Property Income</b>	<b>(3,897)</b>	<b>(4,121)</b>	<b>(224)</b>
Management Charge	144	144	0
<b>Total Property Investments</b>	<b>(3,753)</b>	<b>(3,977)</b>	<b>(224)</b>
<b>TOTAL</b>	<b>(3,915)</b>	<b>(4,139)</b>	<b>(224)</b>

### 4.3 Investments

The property investment market remains subdued, although there remains pent up demand, relatively few are coming to the open market and barely any within the District. The industrial and distribution investment market continues to be buoyant with low yields. The only opportunity in Q1 locally is the Coop (old Rainbow store) in Eaton Socon, on the market for £6.25m. The main team continue to look for opportunities to drive income from existing investments and looking at asset management opportunities to secure income for the longer term.

Returns from the CCLA property fund are expected to be in line with 20/21 returns and are on track to perform as budget. Other investment vehicles such as bank deposits and money market funds interest rates remain low due to the impact of Covid-19 pandemic and are not expected to increase in this financial year.

To date the majority of the Council's investments have been funded from earmarked reserves or cash balances. Recent acquisition such as Fareham, Rowley Centre and Tri-Link have required loans from PWLB to fund their purchases; part of the purchase price and acquisition costs were met from earmarked reserves.

## 5 COMMENTS OF OVERVIEW & SCRUTINY

Please see below the O&S comments from the Financial Performance Report 2021/22, Quarter 1 for review and comment.

## 6. RECOMMENDATIONS

6.1 The Cabinet is invited to consider and comment on the financial performance at the end of June, as detailed in **Appendix 1**.

The Cabinet is invited to consider and approve the proposed budget changes as outlined in paragraph 3.2 to the Revenue Budget to accommodate reclassification of budget and in year activity not included within the MTFS.


The Cabinet is invited to consider and approve the proposed budget changes outlined in paragraph 3.3 to the Capital Budget to accommodate reclassification of budget and in year activity not included within the MTFS.

## 7. LIST OF APPENDICIES INCLUDED

**Appendix 1** – Financial Performance Monitoring Q1

## CONTACT OFFICER

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