

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Finance Performance Report (Q3)
Meeting/Date: Cabinet – 7th February 2023
Executive Portfolio: Executive Councillor for Finance and Resources
Report by: Director of Finance and Corporate Resources
Ward affected: All

Executive Summary:

The quarter 3 expenditure forecast takes into account those factors affecting expenditure and income that are known by the end of December 2022.

Revenue Forecast;

The net revenue budget for 2022/23 totals £21.514m, the forecast outturn as at the end of quarter 3 is £21.569m, a forecast overspend of £0.055m.

This is as a result of (over £100,000 variations only)

Underspends – Corporate Finance (£420k), Waste (£463k), Commercial Estates (£195k) Democratic and Elections (£105k.

Reductions in income – One Leisure £350k

Increased staff costs- Development Management £303k, One Leisure £252k, ICT £206k (apportionment change), Housing Benefits £249k (including extra temporary accommodation costs)

Increased operating costs – One Leisure gas and electric £175k

Capital Forecast;

The approved Budget is £12.776m plus re-phasing of £26.790m and growth (funded by CIL) of £2.333m gives a revised total gross capital programme of £41.899m. The forecast outturn is £10.421m as a result of potential re-phasing (subject to evaluation during the upcoming MTFS process) and underspends of £31.478m. The most significant variations being Huntingdon Redevelopment £16.095m, Future High Street & MTP £11.510m, Hinchingbrooke Country Park £2.754m, Commercial Estates Reletting Enhancements £0.650m, A14 Contribution £0.558m

Recommendation(s):

It is recommended that:

- Cabinet considers and comments on the revenue financial performance to the end of December 2022, as detailed in Appendix 1 and summarised in paragraph 3.2.
- Cabinet is invited to consider and comment on the capital financial performance at the end of December 2022, as detailed in Appendix 1 and summarised in paragraph 3.3, and the prudential indicators in appendix 2.

PURPOSE OF THE REPORT

1.1 To present details of the Council's projected financial performance for 2022/2023.

- Revenue outturn estimated overspend of £0.055m.
- Capital outturn estimated underspend/rephasing of £31.478m.

BACKGROUND

2.1 The budget and MTFs for 2022/23 approved in February 2022, assumed a net expenditure budget of £21.514m, and a gross capital budget of £12.776m, increased to £41.899m due to re-phasing of schemes, and new schemes funded by CIL.

2.2 The detailed analysis of the Q3 forecast outturn as at 31st December 2022 is attached at Appendix 1.

2.3 Prudential indicators and Treasury indicators for Q3 are attached as Appendix 2, a more detailed report on these indicators for the full year will be reported as part of the treasury outturn report.

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 £21.514m, the forecast outturn is £21.569m which is an underspend of £0.055m.

There were underspends including;

- Corporate Finance increased interest receipts and lower interest payments (£420k)
- Waste Management, new income streams, and reduced recycling costs (£463k).
- Commercial Estates, increases rents received (£195k)
- Democratic and Elections increased income and savings on members allowances (£105k)
- Document Centre staffing costs (£68k)
- Licensing team staffing costs (£90k)
- Planning Policy staff costs and extra income (£82k)
- Customer Services staffing costs (£90k)
- Community Team staffing costs (£68k)
- Parks and Open Spaces salary saving (£51k)

Also reductions in income;

- One Leisure, reduced income from Impressions, fitness activities, Training Shed and indoor sports £350k
- Markets income due to lack of trader interest £78k

As well as increased staffing costs;

- In Development Management due to use of agency staff to cover vacant posts and work through the backlog of cases £303k
- In Leisure and Health due to national living wage increases, market supplements, maternity pay, overtime £252k

- Head of Operations £75k
- ICT change in share of staff costs £206k
- Housing Benefits, temporary accommodation costs not met through Housing Benefit payments and increased staffing costs to cover extra workload £249k

In addition increased operating costs including;

- One Leisure gas and electricity costs £175k

MTFS The MTFS was updated as part of the 2022/23 Budget setting process and will again be updated as part of the 2023/24 Budget setting process which is now under way. The revision of the MTFS will include 2021/22 outturn variations and others occurring or foreseen in 2022/23 that have an impact on future years.

Capital The approved gross capital programme for 2022/23 is £12.776m, rephasing of schemes totalling £26.790m, and growth (schemes funded by CIL) of £2.333m gives a revised gross capital programme for 2022/23 of £41.899m. The forecast outturn is £10.421m giving an underspend of £31.478m.

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	Forecast Actual £'000s	Forecast Variance £'000s	Comments
Dir of Finance and Resources	6,878			6,878	6,199	(679)	Better than expected rents, more interest received and lower interest paid, and saving from vacant posts. Increased income from Land Charges
Chief Operating Officer	5,176			5,176	5,020	(157)	Vacant posts in Business Team, Community Team, Customer Services, Licencing and Printing, Increased staff costs in Housing Benefits, and delays to move to Universal Credit and increased temporary accommodation costs.
Programme Delivery Manager	73			73	63	(10)	Vacant post part year.
Chief Planning Officer	441			441	673	231	Increased costs because vacant posts and backlog work being covered by agency staff.
Economic Development	198			198	200	1	
Housing Manager	187			187	199	12	
Corporate Leadership	1,201			1,201	1,196	(4)	
Head of Operations	4,917			4,917	4,517	(400)	CCTV reduced income. Vacant posts in Street Cleansing and new income streams in Waste.
Head of Leisure and Health	(25)			(25)	702	728	Reduced income at Impressions, classes, Training Shed and indoor sports. Increased expenditure on employees and utilities. Income better than expected for swimming, ten pin bowling and at the Burgess Hall.
Head of ICT	2,604			2,604	2,810	206	Digital Team funding partnership change
Head of Strategic Insight and Delivery	(136)			(136)	(10)	126	Delay to HCP income as capital scheme has been delayed. Market income reduced. Savings due to vacant posts.
Total	21,514	0	0	21,514	21,569	54	

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 2022/23 is £12.776m, re-phasing of schemes totalling £26.790m, and growth (schemes funded by CIL) of £2.333m gives a revised gross capital programme for 2022/23 of £41.899m.

The capital programme is forecast to have an in-year underspend of £31.478m, as detailed in the table below. As part of the MTFs, the capital expenditure programme will be reviewed in line with future needs and available funding.

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 2022/23 £	Budget B/F from 2021/22 £	Growth and Other Adjustments £	Current Budget 2022/23 £	YTD Actual 2022/23 £	Q2 Forecast 2022/23 £	Forecast Variance 2022/23 £	Comment on Variances over £50,000
Director of Finance and Resources	7,876,000	9,957,790	(7,680)	17,826,110	158,156	294,772	(17,531,338)	Huntingdon Redevelopment (£16.1m), Estates works (£850k), Retrofit buildings (£226k) replaced by decarb scheme. Bridge Place car park (£280k) delayed
Chief Operating Officer	47,000	88,000	0	135,000	15,385	56,882	(78,118)	Reduced conservation project costs (£70k)
Corporate Director Place	675,000	12,354,825	108,175	13,138,000	407,248	1,628,494	(11,509,506)	Future High St (£10.86m) and Market Towns (£446k), Wayfinding (£200k).
Growth Manager	200,000	806,000	0	1,006,000	106,937	3,410,685	2,404,685	Funding CIL schemes from CIL reserve £3.1m, A14 rephase (£558k).
Head of ICT	437,000	321,955	(6,945)	752,010	432,863	320,310	(431,700)	Datacentre Racks (£183k) partnership funding not yet available, telephone replacement (£128k)
Head of Leisure & Health	285,000	485,210	0	770,210	321,699	687,301	(82,909)	OL Ramsey 3G pitch (£70k)
Head of Operations	1,456,000	2,726,680	2,239,010	6,421,690	1,340,859	2,084,694	(4,337,000)	HCP (£2.7m) project rephasing, vehicle delivery delays (£336k), less wheeled bin purchases (£54k), Godmanchester weir (£109k), St Ives Park (£65k), St Neots Riverside (£430k), Cycle Storage (£128k), CPE (£217k)
Housing Manager	1,800,000	0	0	1,800,000	1,475,716	1,925,716	125,716	Disabled facilities grants £125k.
Transformation	0	50,000	0	50,000	0	12,500	(37,500)	
Total	12,776,000	26,790,460	2,332,560	41,899,020	4,258,863	10,421,354	(31,477,670)	

Note; The projects funded from CIL (CIL funding in brackets) and included in the growth column are St Neots Riverside Paths (£445k), Godmanchester Weir (£248k), St Ives Park (£22k), Priory Park Mains Power (£15k), Hinchbrooke Country Park Enhancements (£1,495k).

3.4 Council Tax and Business Rates Collection

The Council Tax collection rate at the end of quarter 3 (84.4%) is broadly in line with that for the previous year (84.7%).

The Business Rates collection rate at the end of quarter 3 (84.91%) is slightly higher than at the end of quarter 3 in the previous year (84.45%), due to continued covid related reliefs given to the retail, hospitality and leisure sectors.

The number of working age Council Tax Support claimants at the end of quarter 3 was 3,961 which is 349 less than at the end of quarter 3 in 2021/22 (4,310). The number of pensioner CTS claimants has remained fairly static, 2,874 at the end of quarter 3 2022/23, compared to 2,944 for the same period last year.

UPDATE ON THE COMMERCIAL INVESTMENT STRATEGY AND INVESTMENT PROPERTY

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 At the end of Quarter 3, the financial projections for the CIS and investment properties are:

CIS Investments	Budget (£'000s)	Forecast Outturn (£'000s)	Variance (£'000s)
Cash Investments			
CCLA Property Fund	(162)	(162)	0
Total Cash Investments	(162)	(162)	0
Property Rental Income	(4,696)	(4,667)	29
MRP	581	581	0
Net Direct Property Income	(4,115)	(4,086)	29
Management Charge	100	0	(100)
Total Property Investments	(4,015)	(4,086)	(71)
TOTAL	(4,177)	(4,248)	(71)
CIS Borrowing (Maturity Loans)			
Property	Lender	Amount	% (Fixed)
Wakefield	PWLB	£11,963,000	2.18
Fareham	PWLB	£5,000,000	2.78
Rowley Centre	PWLB	£7,292,000	2.49

4.3 Market Update and Activity

There remain very few investment opportunities within District or Cambridgeshire, which could be acquired from the limited funds in CIS reserve. PWLB borrowing is now restricted and is no longer available to fund investments for yield. External rates of borrowing are at their highest for three decades, meaning any new investments would need to generate exceptional returns to achieve satisfactory yields. As such, the Council has temporarily paused new investment activity.

The majority of the Council's investment properties were acquired using earmarked reserves or cash balances. Investments at Fareham, Rowley Centre and Tri-Link were funded from PWLB loans, although part of the price and acquisition costs were met from reserves.

The tenant in the two Fareham properties has served notice to break the leases and the two properties have been vacated. Work has started with local agents to understand market demand and to ensure any upgrade works to the properties reflect this.

Within Huntingdonshire, based on our own experience and anecdotally from discussions with local agents, there is still healthy demand in the small/starter units (up to 1,500sqft). However, enquiries for the larger industrial units have cooled; whether due to general economic uncertainty or specifics such as the rises in energy costs – meaning businesses are being cautious rather than committing to new leases.

The retail / restaurant market remains fragile. The prospective occupier of Unit 2 Rowley Arts Centre is selling their business and has pulled out of negotiations.

The table below show the activity in relation to leases, rents and vacant properties in the last quarter and a forecast for the next quarter.

The activity noted relates to investment property assets only, additional activity is undertaken to manage assets which fall under other services and every opportunity taken to maximise income from surplus space within offices and operational assets

CIS and Investment Property Activity	Quarter 1 Actual	Quarter 2 Actual Cumulative	Quarter 3 Actual Cumulative	Quarter 4 Forecast
Number of lettable units (shops, industrial units, warehouses and offices)	140	140	140	140
Number of leases renewed and rent reviews completed	3	6	10	14
Increases/(decrease) in annual rents receivable due to lease renewals	£8,000 (27.4%)	£16,650 (27%)	£23,365	(£229,635)
Increase/(decrease) in annual rents receivable due to new leases	£1,700 (37.7%)	£1,700 37.7%	(£461,835)	(£461,835)
Number of units under offer	3	5	3	1
Total number of vacant properties;	9	12	10^(a)	13
By town				
Huntingdon	2	2	2	5
St Neots	5	5	5	5
St Ives	2	3	1	1
Fareham	0	2	2	2
Units vacated (in each quarter)	1	3	1	3

^(a)7.1% of lettable units

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 at the end of December 2022, as detailed in Appendix 1 and summarised in paragraph 3.2.
- Cabinet is invited to consider and comment on the capital financial performance at the end of December 2022, as detailed in Appendix 1 and summarised in paragraph 3.3.

7. **LIST OF APPENDICES INCLUDED**

Appendix 1 – Financial Performance Monitoring Q3

Appendix 2 – Prudential and Treasury Indicators for Q3

CONTACT OFFICER

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