

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Finance Performance Report (Q2)
Meeting/Date:	Cabinet – 14th November 2023
Executive Portfolio:	Executive Councillor for Finance and Resources
Report by:	Director of Finance and Corporate Resources
Ward affected:	All

Executive Summary:

The quarter 2 expenditure forecast takes into account those factors affecting expenditure and income that are known by the end of September 2023.

REVENUE FORECAST

The net revenue budget for 2023/24 totals £24.344m (including carry forwards of £0.231m), the forecast outturn as at the end of quarter 2 is £22.573m. Including a contribution to reserves of £0.569m this gives a forecast underspend of £1.202m.

This is as a result of (large variations);

Corporate Resources underspend £0.9m as a result of; increased interest received, vacant posts, reduced facilities management costs including utilities and business rates. Increased costs due to streaming committee meetings.

Chief Operating Officer underspend £0.1m as a result of; Building Control savings, government grant for supporting Ukrainians, vacant posts in Customer Services (that are now filled). Costs remain for the council as a consequence of shortfall from Housing Benefit payments for homelessness from government (known as subsidy) and increased postage costs due to Royal Mail increases..

Chief Planning Officer underspend £0.1m as a result of: Staff saving due to vacancies, increase in PPA/Pre-application fee income and reduced reliance on contractors (to date).

Strategic Insight and Delivery overspend £0.1m as a result of; Staff vacancies, and savings on utilities at Countryside Services, offset by market and parking income reductions.

Operations underspend £0.2m as a result of; Increased CCTV income, and reduced works required on watercourses, offset by loss of Street Cleansing income.

CAPITAL FORECAST

The approved original budget is £29.392m, which included re-phased budget from prior years of £15.898m. At the year end the actual budget rephased was £18.342m, which is £2.444m more rephased than budgeted, in addition funded housing grant of £0.744m has been confirmed from DLUHC, £0.295m funding for Ramsey Public Realm, and £0.275m for One Leisure St Ives Pitch Replacement. The current budget is therefore £33.150m (£29.392m + £2.444m + £1.314m). The forecast outturn is £19.533m as a result of potential re-phasing to 2024/25 (subject to evaluation during the upcoming MTFs process) of £13.617m.

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

The most significant variations being, in-year underspends(may be approved as rephasings); Future High Streets £8.3m, Market Town Programme £1.4m, Market Town Programme smaller schemes £0.2m, Ramsey Food Hall £1.4m, Rural Prosperity £0.2m, Hinchingsbrooke Country Park £2.6m, Vehicles £0.4m, Housing Company £0.2m, Disabled Facilities Grants £0.1m; **against overspends**; on Fareham office enhancements £0.6m and CIL grants £0.7m (funded from CIL reserve).

Recommendation(s):

It is recommended that:

- Cabinet considers and comments on the revenue financial performance to the end of September 2023, 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 September 2023, as detailed in Appendix 2 and summarised in paragraph 3.3.

PURPOSE OF THE REPORT

1.1 To present details of the Council's projected financial performance for 2023/2024.

- Revenue outturn estimated underspend of £1.202m.
- Capital outturn estimated underspend/rephasing of £13.617m.

BACKGROUND

2.1 The budget and MTFS for 2023/24 approved in February 2023, assumed a net expenditure budget of £24.113m in addition to this £231k of carry forwards have been added to make a current budget for 2023/24 of £24.344m. A gross capital budget of £29.392m was approved, increased to £33.150m due to additional re-phasing of schemes at the year-end of £2.444m, and funding for housing grant, Ramsey Public Realm and OLSI Pitch Replacement of £1.314m not included in the original budget.

2.2 The detailed analysis of the Q2 forecast outturn as at 30 September 2023 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 £24.344m, the forecast outturn, (including contribution to reserves of £0.569m), is £22.573m which is an underspend of £1.202m.

MTFS The MTFS was updated as part of the 2023/24 Budget setting process and will again be updated as part of the 2024/25 Budget setting process which has now commenced. The revision of the MTFS will include 2022/23 outturn variations and others occurring or foreseen in 2023/24 that have an impact on future years.

Capital The approved original budget is £29.392m, which included budgeted rephasings of £15.898m. At the year end the actual budget rephased was £18.342m, which is £2.444m more rephased than budgeted. As a result, the current budget including growth from funded schemes, is £33.150m (£29.392m+£2.444m+£1.314m).

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	8,099	51	8,150	6,504	757	(889)	Increased interest receipts, vacant posts in Finance, Legal and Commercial Estates. Facilities management costs reduced, increased cost due to streaming committee meetings
Chief Operating Officer	5,262	36	5,298	5,164	-	(134)	Building Control savings, government grant for supporting Ukrainians, vacant posts in Customer Services (that are now filled). Costs remain for HDC as a consequence of shortfall from Housing Benefit payments for homelessness from Govt (known as subsidy) and increased postage costs due to Royal Mail increases.
Economic Development	206	-	206	210	-	4	
Housing Strategy	196	-	196	198	-	2	
Corporate Leadership	1,288	-	1,288	1,245	-	(43)	Staff saving offset by recruitment and consultancy costs
Chief Planning Officer	967	128	1,095	993	-	(102)	Staff vacancy savings, increase in PPA/preapplication income and reduced reliance on contractors (to date)
Strategic Insight and Delivery	99	16	115	341	(121)	105	Market and parking income down, support team vacancy, Countryside vacancy and utilities savings
Operations	5,108	-	5,108	4,948	-	(160)	Increased CCTV projects income, Grounds Maintenance increased income, reduced works required on watercourses and loss of Street Cleansing income.
Leisure and Health	266	-	266	361	-	95	See separate commentary in Appendix
ICT	2,622	-	2,622	2,609	(67)	(80)	Savings from network contracts consolidation
Total	24,113	231	24,344	22,573	569	(1,202)	

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 (Appendix 2 for detail)

The approved gross capital programme for 2023/24 is £29.392m, this total included budgeted rephasings of £15.898m. At the year end a total of £18.342m was rephased, an additional rephase of £2.444m. The total current budget is £33.150m including growth of £1.314m (£29.392m+£2.444m+£1.314m).

The capital programme is forecast to have an in-year underspend of £13.617m, 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 for the variances.

Head of Service	Existing and New Bids	Budget Rephase (1)	Original Budget	Year End Rephase (2)	Net Rephase (3)	Growth	Current Budget	YTD Actual	Forecast	Over/(Under) Spend	Comment on Variances
	£000	£000	£000	£000		£000	£000	£000	£000	£000	
Finance and Corporate Resources	1,398	452	1,850	1,033	581	0	2,431	249	3,145	714	Additional expenditure on Fareham to enhance tenant appeal. Will be funded from savings in other budgets
Community Services	1,650	39	1,689	0	(39)	0	1,650	732	1,512	(138)	The DFG approval process takes longer than previously
Chief Planning Officer	3,570	0	3,570	0	0	0	3,570	0	4,257	687	Additional CIL expenditure funded from the CIL reserve
Housing Manager	0	206	206	206	0	744	950	0	744	(206)	Housing Company not going ahead this year
Customer Services	0	0	0	34	34	0	34	0	23	(11)	
Leisure and Health	600	12	612	133	121	275	1,008	137	1,008	0	
Operations	1,638	328	1,966	584	256	0	2,222	934	1,934	(288)	Extending of vehicle lives, and more wheeled bin income
Insights and Delivery	43	3,217	3,260	3,661	444	0	3,704	16	957	(2,746)	Hinchingbrooke Country Park largely delayed until 2024/25, as a result of planning permission delays.
ICT	498	431	929	403	(28)	0	901	68	809	(92)	Savings in data centre racks and Windows 2012 upgrade
Place	4,097	11,213	15,310	12,289	1,076	295	16,681	256	5,143	(11,538)	Work on the Market Town Programme to be rephased to 2024/25
Total	13,494	15,898	29,392	18,342	2,444	1,314	33,150	2,391	19,533	(13,617)	
⁽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 2 (55.38%) is slightly lower than the previous year (57%), due to the reprofiling of some instalments; as a result, more are due in February and March 2024.

The Business Rates collection rate at the end of quarter 2 (58.64%) is slightly lower than at the end of quarter 2 in the previous year (58.88%).

The number of working age Council Tax Support claimants at the end of quarter 2 was 3,989 which is 47 less than at the end of quarter 2 in 2022/23 (4,036). The number of pensioner council tax support claimants continues to fall, 2,840 at the end of quarter 2 2023/24, compared to 2,874 for the same period last year.

3.5 Miscellaneous Debt Update

The table below shows the outstanding invoices held on the sundry debtor ledger.

Invoice Type	Invoices Outstanding 31/03/2023 £000	Invoices Raised 2023/24 £000	Invoices Paid 2023/24 £000	Invoices Outstanding 30/09/2023 £000
CIL	14,228	2,547	(7,518)	9,257
Housing	474	416	(395)	495
Commercial Rents	422	2,866	(2,252)	1,035
Operations	585	1,739	(1,776)	548
3CICT	5,226	1,783	(6,730)	279
One Leisure	139	554	(520)	173
Community	27	70	(50)	47
Legal/Finance	333	555	(829)	59
Hinchingbrooke Country Park	59	91	(63)	87
Licensing	33	94	(53)	74
Economic Development	2	0	(2)	0
Private Sector Housing	31	28	(59)	0
Corporate	0	29	(19)	10
Planning	2	89	(90)	0
Section 106	96	432	(357)	171
Prepayments	(178)	318	0	140
Totals Outstanding	21,477	11,611	(20,712)	12,375

The largest amounts outstanding at the end of quarter 2 are CIL, these invoices although raised are not wholly due until future years up to August 2025, and commercial rents although raised at the end of quarter 2 the majority will not be due until the following 2 months.

On 31st March 2023 the 3CICT large balance was due to the invoices raised relating to services provided to SCDC and Cambridge City Council the previous quarter, and also any outstanding charges for the previous year. The large Legal/Finance balance being mainly an annual invoice to Places for People for right to buy clawback.

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 At the end of Quarter 2, the financial projections for the CIS and investment properties are:

CIS Investments	Budget £000	Forecast Outturn £000	Variance £000
Cash Investments			
CCLA Property Fund	(162)	(162)	0
Total Cash Investments	(162)	(162)	0
Property Rental Income	(4,379)	(4,224)	155
MRP	581	581	0
Total Property Investments	(3,798)	(3,643)	155
TOTAL	(3,960)	(3,805)	155
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 Market Update and Activity

The commercial property market remains much the same as last quarter, facing challenges created by cost of living pressures and higher interest rates. The summer quarter is traditionally a quiet one in terms of market activity. This has been the case this year but enquiries have failed to pick up to normal levels in September. Some demand remains for smaller units, but occupiers still seem reluctant to commit to larger spaces.

New investment activity by the Council remains temporarily paused due to high rates of borrowing and budget constraints. We continue to remain alert to the availability of any opportunities that may add extra value to the current portfolio, or that could potentially generate exceptional returns, sufficient to justify borrowing.

The CIS portfolio provides a small but diverse portfolio of good quality property investments. Unfortunately, reflective of market conditions for larger units, it continues to suffer from a number of vacancies at present.

The two Fareham office properties were vacated in the third quarter of last year and refurbishment and reconfiguration of them continues. This will give them an improved specification and greater scope for future letting, enabling them to be let either on a floor by floor basis, or as whole buildings. Marketing of the space has started and there has been some local interest but no offers yet.

2 Stonehill, Huntingdon was vacated in February and, although our agents report a healthy number of enquiries, interested parties seem to be holding back from making

offers. It is however encouraging that a local operator returned for a second viewing this week. We are currently obtaining quotations for roof repairs, which should be funded by the dilapidations claim against the former tenant.

21a Little End Road, Eaton Socon has now been vacant for over a year. Local demand had initially justified an optimistic asking price but a fall in enquiries led us to reduce the asking rent. Unfortunately, this has so far failed to generate any offers for the space.

Two of the restaurant units at Rowley Arts Centre are now vacant, with a surrender of the lease of Prezzo having been accepted in July after a court approved company restructure absolved them of any requirement to abide by the covenants of their lease – including the requirement for them to pay rent. There is limited interest in the vacant units at present, but measures taken to reduce the anti-social behaviour that we encountered in the summer seem to be working. The gym at Rowley Arts Centre continues to thrive and both Pizza Express and Cineworld remain open and trading.

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

Property Statistics	Quarter 1 Actual	Quarter 2 Actual	Quarter 3 Forecast
Number of lettable units held by HDC	186	186	186
No. let on typical commercial leases	128	128	128
No. let on long leases	24	24	24
No. let on non commercial leases	17	17	17
No. vacant	15	15	15
Vacant properties by town;			
• Huntingdon	8	7	7
• St Neots	5	6	6
• St Ives	0	0	0
• Fareham	2	2	2
Property Activity	Quarter 1 Actual	Quarter 2 Actual	Quarter 3 Forecast
Number of leases renewed	0	0	4
Number of rents reviewed	5	1	2
Number of new lettings	2	1	1
Number of units under offer	2	1	0
Number of leases ended	2	1	0
Financial changes	Quarter 1 Actual	Quarter 2 Actual	Quarter 3 Forecast
Increases/(decrease) in annual rents receivable due to lease renewals*	£0	(£11,125)	(£310,874.66)
Increases/(decrease) in annual rents receivable due to rent reviews	£11,457	£8,666	£2497
Increase in annual rents receivable due to new leases	£53,299	£10,500	£6250
Decrease in annual rents receivable due to vacations & insolvencies	(£87,140)	(£59,640)	£0

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 include renewal of Oak Tree Medical Centre lease (Q3) at substantially reduced rent – previous rents having been index linked over many years rather than related to open market value. Also rent free periods were given for renewal of leases of retail units at Sudbury and the year 1 rents showing the reduced income are shown here (Q2 &3).

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 September 2023, 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 September 2023, as detailed in Appendix 2 and summarised in paragraph 3.3.

7. LIST OF APPENDICES INCLUDED

Appendix 1 – Financial Performance Monitoring Q2 Revenue

Appendix 2 – Financial Performance Monitoring Q2 Capital

CONTACT OFFICER

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