

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Finance Performance Report (Q3)
Meeting/Date: Cabinet – 19th March 2024
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 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 3 is £22.963m. Including a contribution to reserves of £0.546m this gives a forecast underspend of £1.381m.

This is as a result of (large variations);

Corporate Resources underspend £2.0m as a result of; Transfer of the provision for Garden Waste Subscription scheme implementation costs to Operations, increased interest received, vacancies in Finance, reduced election costs (canvassers and postage), reduced staffing costs in Land Charges, reduced commercial property maintenance costs, utilities and business rates. Against increased expenditure on audit fees, Internal Drainage Board levies, and committee meetings streaming. There is also a reduction in Commercial Estates rents.

Chief Operating Officer underspend £0.2m as a result of; Underspends on Building Control, funding received for domestic abuse prevention, vacancies in Environmental Health Licencing and Customer Services, additional CT funding for annexes and additional grant for homelessness prevention. Against a shortfall in HB subsidy, reduced pest control income, refunds for Mobile Home Park residents.

Chief Planning Officer underspend £0.1m as a result of: Staff saving due to vacancies, increase in pre-application income, additional external funding, against reduced planning application fees.

ICT underspend £0.1m as a result of; Savings from consolidation of contracts by use of EastNet framework.

Strategic Insight and Delivery overspend £0.1m as a result of; Reduced market and parking income, upgrades to pay and display machines due to 3G ending. Against lower parks sub-contractors expenditure, home energy grant received, increased income at HCP and saving from Sports Development vacancy

Operations overspend £0.8m as a result of; An underspend in day to day operations of £92k (additional Recycling and CCTV income offset by lower Street Cleansing income and increased Grounds Maintenance costs) less the costs of implementing the Garden Waste Subscription scheme; the budgeted costs of £848k have been accrued

into 2023/24 in line with the 2024/25 budget treatment that was presented to Council on February 21st.

Leisure and Health overspend £0.1m as a result of; a drop off in income but remains stable in comparison to the budget, against a reduction in expenditure due to electricity and water bill credits.

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 £17.667m as a result of potential re-phasing to 2024/25 (subject to evaluation and agreement) and underspendings of £15.483m.

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

The most significant variations being, in-year underspends(may be approved as rephasings); Market Town Programme £13.0m, Hinchingsbrooke Country Park £2.7m, Vehicles £0.8m, ICT projects £0.3m Car Parking £0.4m, Housing Company £0.2m; Commercial Property enhancements £0.9m, Parks and signage £0.2m. **against overspends;** on Fareham office enhancements £0.6m and CIL grants £0.7m (funded from CIL reserve), Housing Fund £1.7m (externally funded).

Recommendation(s):

It is recommended that:

- Cabinet considers and comments on the revenue financial performance to the end of December 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 December 2023, 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 at the end of December 2023, as detailed in Appendix 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 £1.381m.
 - Capital outturn estimated underspend/potential rephasing of £15.483m.

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 Replacements of £1.314m not included in the original budget.
- 2.2 The detailed analysis of the Q3 forecast outturn as at 31 December 2023 is attached at Appendix 1 for revenue, and Appendix 2 for capital.
- 2.3 Prudential indicators and Treasury indicators for Q3 are attached as Appendix 3.

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 £0.546m), is £22.963m which is an underspend of £1.381m.

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	7,878	51	7,929	5,163	760	(2,006)	Increased interest receipts, increased audit fees and IDB levies. Commercial Estates income down on key properties. Facilities Management savings and insurance premium savings, as well as vacant post savings across Corporate Resources.
Chief Operating Officer	5,313	36	5,349	5,069	50	(230)	Underspends in Building Control, Communities (grants received), Environmental Health (salary savings), Licencing (extra income and salary savings), Council Tax (extra funding), Housing Needs (extra funding), Customer Services (previous salary savings in posts now filled). Overspends in Mobile Home Park (utilities) and Housing Benefits (subsidy shortfall)
Economic Development	207	-	207	207	-	-	
Housing Strategy	200	-	200	201	-	1	
Corporate Leadership	1,295	-	1,295	1,284	-	(11)	Salary savings offset by recruitment costs
Chief Planning Officer	989	128	1,117	1,038	-	(79)	Staff savings, extra PPA income, planning application fees down, and vacant post savings.
Strategic Insight and Delivery	117	16	133	498	(197)	168	Markets and car parks income lower, and costs to upgrade pay and display machines. Higher than expected income at Hinchingsbrooke Country Park.
Operations	5,152	-	5,152	5,908	-	756	Increased CCTV and grounds maintenance income. Loss of Street Cleansing income from Places for People. Cost of green bin subscription service implementation.
Leisure and Health	304	-	304	428	-	124	Income is slightly behind projection but expenditure position has improved.
ICT	2,658	-	2,658	2,622	(67)	(103)	Contract consolidation savings
Total	24,113	231	24,344	22,417	546	(1,381)	

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 £15.483m, as detailed in the table below. As part of the MTFs, capital expenditure rephasings 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 £000	Budget Rephase (1) £000	Original Budget £000	Year End Rephase (2) £000	Net Rephase (3)	Growth £000	Current Budget £000	YTD Actual £000	Forecast £000	Over/(Under) Spend £000	Comment on Variances
Finance and Corporate Resources	1,398	452	1,850	1,033	581	0	2,431	1,345	2,257	(174)	Additional expenditure on Fareham to enhance tenant appeal. Also in-year underspending on commercial property improvement budgets.
Community Services	1,650	39	1,689	0	(39)	0	1,650	1,534	1,867	217	Previous pre-approval scheme with Places for People has now ended. The overspend is offset by increased grant funding received.
Chief Planning Officer	3,570	0	3,570	0	0	0	3,570	2,070	3,906	336	Additional CIL expenditure funded from the CIL reserve
Housing Manager	0	206	206	206	0	744	950	0	2,480	1,530	Housing fund expenditure will all be made in this year rather than phased across 2 years, this is externally funded. Housing Company not going ahead this year
Customer Services	0	0	0	34	34	0	34	0	0	(34)	
Leisure and Health	600	12	612	133	121	275	1,008	794	989	(19)	Condition Survey expenditure under budget offset by small amount of overspend on OLSI pitch
Operations	1,638	328	1,966	584	256	0	2,222	942	1,396	(826)	Extending of vehicle lives, and more wheeled bin income.
Insights and Delivery	43	3,217	3,260	3,661	444	0	3,704	44	481	(3,223)	Hinchingbrooke Country Park largely delayed until 2024/25, Car parks and CPE delayed until 2024/25.
ICT	498	431	929	403	(28)	0	901	521	600	(301)	Savings in data centre racks and Windows 2012 upgrade, hardware replacement, and Public Switched Network.
Place	4,097	11,213	15,310	12,289	1,076	295	16,681	554	3,690	(12,991)	Work on the Market Town Programme to be rephased to 2024/25, this will be examined in detail by the MTP Board.
Total	13,494	15,898	29,392	18,342	2,444	1,314	33,150	7,805	17,667	(15,483)	
<p>⁽¹⁾ This is the estimated rephase when the budget is set.</p> <p>⁽²⁾ This is the actual rephase at the year end when all costs are known</p> <p>⁽³⁾ This is the actual rephase less the budget rephase. Original budget + net rephase + growth = Current budget</p>											

3.4 Council Tax and Business Rates Collection

The Council Tax collection rate at the end of quarter 3 (83.19%) is slightly lower than the previous year (84.4%), 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 3 (84.95%) is slightly higher than at the end of quarter 3 in the previous year (84.91%).

The number of working age Council Tax Support claimants at the end of quarter 3 was 4,033 which is 72 more than at the end of quarter 3 in 2022/23 (3,961). The number of pensioner council tax support claimants continues to fall, 2,832 at the end of quarter 3 2023/24, compared to 2,874 for the same period last year.

3.5 Miscellaneous Debt Update

The table below shows the debtor analysis as at 31st December 2023.

Service	Debtor Aging Days						Total Debt
	Current	<90	91 to 180	181 to 365	>365	Future	
	£000s	£000s	£000s	£000s	£000s	£000s	
3C Shared Services	16	6	5	3	144		173
Business Improvement District	0	50	0	0	6		57
Commercial Rent	0	80	38	32	224	1	375
Community	1	14	1	5	6		28
Community Infrastructure Levy	57	699			148	3,958	4,863
Corporate	0	10			0		10
Economic Development		89					89
Environmental			1		3		4
Finance	2	12	0	5	18		37
Green Bin			0				0
Hinchingbrooke Country Park		1	0	0	2		4
Housing	22	38	20	40	313		432
Housing Benefits Overpayment					22		22
Licensing		18	10	2	14		44
Markets	0	0	1	0			1
Miscellaneous					0		0
Moorings	0	0	0	2		2	4
One Leisure	31	31	3	10	4	29	108
Operations	20	55	3	68	10	6	161
Paxton Pits	11	4		30			45
Planning	15				0		15
Prepayments		(31)	(70)	(73)	(126)		(300)
Section 106	17	19					37
Trade Waste	10	2	0	0	0	18	31
Total	203	1,098	12	124	789	4,014	6,240

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 3, 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)	(185)	(23)
Total Cash Investments	(162)	(185)	(23)
Property Rental Income	(4,379)	(4,180)	199
MRP	581	581	0
Total Property Investments	(3,798)	(3,599)	199
TOTAL	(3,960)	(3,784)	176
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 continues to face challenges. Although there is speculation that interest rates may fall in 2024 this has yet to translate to an increase in market activity. We are achieving renewals of existing leases but those offers received for vacant space are generally demanding in terms of the levels of incentives required.

New investment activity by the Council continues to be restrained by high rates of borrowing and budget constraints although we 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 continues to provide a small but diverse portfolio of good quality property investments. Vacancies within it remain at the same level as previously, although a further unit is likely to become vacant at 23a Little End Road, St Neots as the tenant has recently entered administration.

Refurbishment of the two vacant Fareham office properties continues, to 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 started some time ago but until very recently interest has been at a disappointing level. We currently have tentative interest in one building from a single tenant but no other active interest.

2 Stonehill, Huntingdon has now been vacant for almost a year. We continue to receive a healthy number of enquiries but no offers. We are currently obtaining quotations for roof repairs, which be funded by the dilapidations claim against the former tenant which has recently been agreed.

Interest in 21a Little End Road, Eaton Socon continues to be very disappointing despite a significant reduction in the asking rent.

Two of the restaurant units at Rowley Arts Centre remain vacant but there has been an improvement in the level of interest in them and an offer received from a local operator wishing to rent Unit 3.

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 Actual	Quarter 4 Forecast
Number of lettable units held by HDC	186	186	186	186
No. let on typical commercial leases	128	128	128	128
No. let on long leases	24	24	24	24
No. let on non commercial leases	17	17	17	17
No. vacant	15	15	15	15
Vacant properties by town;				
• Huntingdon	8	7	7	6
• St Neots	5	6	6	7
• St Ives	0	0	0	0
• Fareham	2	2	2	2
Property Activity	Quarter 1 Actual	Quarter 2 Actual	Quarter 3 Actual	Quarter 4 Forecast
Number of leases renewed	0	0	2	5
Number of rents reviewed	5	1	0	3
Number of new lettings	2	1	1	2
Number of units under offer	2	1	1	0
Number of leases ended	2	1	0	0
Financial changes	Quarter 1 Actual	Quarter 2 Actual	Quarter 3 Actual	Quarter 4 Forecast
Increases/(decrease) in annual rents receivable due to lease renewals*	£0	(£11,125)	(£270,950)	£1,495
Increases/(decrease) in annual rents receivable due to rent reviews	£11,457	£8,666	£0	£184,132
Increase in annual rents receivable due to new leases	£53,299	£10,500	£4,000	£17,500
Decrease in annual rents receivable due to vacations & insolvencies	(£87,140)	(£59,640)	£0	£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 December 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 December 2023, 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 at the end of December 2023, as detailed in Appendix 3.

7. **LIST OF APPENDICES INCLUDED**

Appendix 1 – Financial Performance Monitoring Q3 Revenue

Appendix 2 – Financial Performance Monitoring Q3 Capital

Appendix 3 – Prudential and Treasury Indicators for Q3

CONTACT OFFICER

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