Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Finance Performance Report (Q4)
Meeting/Date:	Cabinet – 17th June 2021
Executive Portfolio:	Executive Councillor for Strategic Finance (JG)
Report by:	Chief Finance Officer (CE)
Ward affected:	All

Executive Summary:

The Covid-19 pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 20th March 2020, has meant that many of the businesses in Huntingdonshire have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's commercial income. Furthermore, the Council has had to put considerable resources into ensuring that rough sleepers are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

Financial Impact

These additional costs have had a significant impact on the financial outturn for 2020/21 as we now entry into the 3rd national lockdown during this financial year. However, the true scale of its impact on the Council's finances in 2020/21 will not be truly known until March 2021. The Council is showing substantial losses across many of its largest streams of commercial income. These include rental income, Leisure income, parking, commercial waste, licensing fees and planning fees. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances.

On the expenditure front some of the key areas of additional pressure will include accommodation and support for rough sleepers, additional costs in supporting our most vulnerable with food parcels and assistance in accessing medical provisions – some of whom may not have required our support previously.

There has been significant Government funding, £2.2m of emergency Covid 19 funding to cover the Council's response to the pandemic and the Income Compensation Scheme covering losses within Leisure and Parking; claimed so far £5.398m. However, it is difficult to quantify the impact of Covid-19 with any certainty. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has sought in recent years to build up the general fund balance to

ensure the Council is financially resilient in a recession. The Council is therefore able to draw upon its general fund reserve balances if required to balance its budget.

Moving forward, the Council will reset its Medium-Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives. The Covid-19 crisis has meant that the Council has had to review what its most critical services areas and which are required to still be operational even during a global pandemic. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change going forward.

Recommendation(s):

It is recommended that:

- The Cabinet is invited to consider and comment on the financial performance at the end of March, as detailed in Appendix 1, and the register of reviews of Commercial Investment Strategy propositions at Appendix 2.
- The Cabinet is invited to consider and approve the proposed budget carry forwards for the revenue outturn as detailed in Appendix 3.
- The Cabinet is invited to consider and approve the proposed budget carry forwards for the capital outturn as detailed in Appendix 1.

PURPOSE OF THE REPORT

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

- Revenue outturn estimated underspend of £0.053m.
- Capital outturn estimated underspend of £13.415m

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 £4.372m, of which £2.816m has already been received. Together with furlough recovery of £1.301m (received £1.125m; due £0.176m)

BACKGROUND

2.1 The budget and MTFS for 2020/21 approved in February 2020, assumed a net expenditure budget of £17.688m, together with an increase in Council Tax of 2.6%. At the time of setting this budget it was not foreseen that a global pandemic was imminent, causing unprecedented actions to be taken within the UK and the rest of the world, in trying to restrict the spread of this pandemic.

Impact assessments were initially undertaken to estimate the impact on the council's budget and due to government support via emergency funding and the anticipated income compensation scheme, together with the ability to support the anticipated deficit with reserves, a revised budget for 20/21 was not produced.

2.2 The detailed analysis of the Q4 outturn as at 31st March 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 £17.688m with the forecast outturn being £17.634m which is an underspend of £0.053m, a decrease of £0.853m compared to Q3 forecast. The main reason for this is a net increase in one off grant funding; £110k income compensation scheme; £186k furlough recovery and £492k of clinically vulnerable grant funding not reflected in Q3 outturn.

MTFS The MTFS was updated as part of the 2020/21 Budget setting process and will again be updated as part of the 2021/22 Budget setting process which is now under way. The revision of the MTFS will include 2019/20 outturn variations and others occurring or foreseen in 2020/21 that have an impact on future years.

Capital The approved Budget is £16.611m plus the re-phasing of £3.909m giving a revised total Capital Programme of £20.520m. The forecast outturn is £7.105m giving an underspend of £13.415m.

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	Actual £'000s	Variance £'000s	Comments
AD Corporate Resources	5,899	5,238	(661)	Emergency funding for Covid 19 - £2.226m; offset by increased costs of £1.168m; reduction in CIS rental income +£0.732m due to no CIS acquisitions as planned, increase voids and expected lower rental growth across the whole portfolio
AD Transformation	401	178	(230)	Combination of delays in projects and recruitment to vacant posts due to focusing and support the response to Covid 19
Chief Operating Officer	4,425	4,061	(356)	Increase costs for customer portal licences; emergency planning and enforcement, offset by; -£110k adjustment on Housing Benefit, One of Government Funding for Clinically vulnerable of -£497k off set by various salary and efficiency across the whole service
Corporate Leadership	603	684	81	Increase costs due to supporting response to Covid 19
Head of ICT	2,139	2,007	(132)	Reduced activity for HDC
Head of Leisure & Health	(215)	361	576	Loss of income due to closure of Leisure Facilities, off set by more furlough compensation than expected
Head of Operations	3,347	4,082	735	Loss of income due to car park charges being suspended during lock down.
Housing Manager	177	154	(23)	
Growth Manager	842	811	(31)	Salary savings and reduced costs due to delay in projects due to Covid 19.
Programme Delivery Manager	70	58	(12)	
Total	**17,688**	**17,634**	**(53)**	

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 £16.11m plus the re-phasing of the £3.909m giving a revised total Capital Programme for 2020/21 of £20.520m.

The actual net expenditure outturn is £7.105m, an underspend of £13.444m.

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

	Budget £000	Actual £000	(underspend) / overspend £000	Main reasons for variance
AD Resources	12,371	1,440	-10,931	Delay's in projects in relation to Bridge Place Car Park; Oak Tree Remedial work Projects impacted by Covid 19 are Alms Close and Huntingdon Redevelopment which is being rephased within the current budget cycle for 21/22
AD Transformation	207	0	-207	Impacted by resources being redeployed elsewhere within the business to support the response to Covid 19
Chief Operating Officer	2,306	1,542	-764	Reduction in disabled adaptations
Head of ICT	62	51	-11	
Head of Leisure & Health	1,149	290	-859	Additional spend to be funded from CIL and grant income
Head of Operations	3,819	1,911	-1,908	Impacted by resources being redeployed elsewhere within the business to support the response to Covid 19
Housing Manager	0	0	0	Impacted by resources being redeployed elsewhere within the business to support the response to Covid 19
Planning Policy Manager	606	1,863	1,257	Additional spend is CIL funded projects not shown within the budget.
Covid 19 Accelerated projects	0	8	8	
Total	**20,520**	**7,105**	**-13,415**	

3.4 Finance Dashboard

The Outturn for Q4 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 collection rates are holding in line with 19/20 rates, however NDR is showing a decline compared to 19/20. This is mainly due to the impact of Covid 19 pandemic and the lock down of the economy, together with Government initiatives to support the hospitality sector with additional reliefs of £20.8m compared to 19/20. The

Council will be compensated for these reliefs via the normal grant income received via the business rates retention scheme.

Council Tax Support Scheme has seen a significate increase in caseload within the working age group of 11% compared to 19/20.

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 3, the financial projections for the CIS are:

CIS Investments	Budget (£'000)	Outturn (£'000)	Variance (£'000)
Cash Investments			
CCLA Property Fund	(162)	(162)	0
Total Cash Investments	**(162)**	**(162)**	**0**
Property Rental Income	(5,880)	(4,637)	1,243
MRP	879	512	(367)
Net Direct Property Income	**(5,001)**	**(4,125)**	**876**
Management Charge	144	0	(144)
Total Property Investments	**(4,857)**	**(4,125)**	**732**
TOTAL	**(5,019)**	**(4,287)**	**732**

4.3 **Investments**

The property investment market remains subdued, although there remains demand for investment properties, relatively few are coming to the open market. A number of retail parks and shopping centres have sold at high yields, some to owner occupiers capitalising on the soft pricing and some with an eye on repurposing or redevelopment or residential use. The industrial and distribution investment market continues to be buoyant with low yields but there is talk of the bubble bursting at some point, however rents are anticipated to show growth this year. No local opportunities arose in Q4 and a summary of opportunities is included within **Appendix 2**. The majority of opportunities being introduced to us are development/residential schemes nationwide. The main team focus at present is on maintaining income from existing investments and looking at asset management opportunities to secure income for the longer term.

Returns from the CCLA property fund have decreased in 2020/21. Other investment vehicles such as bank deposits and money market funds interest rates have also decreased significantly since the Covid-19 pandemic.

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

5.1 The Panel discussed the Financial Performance Report 2020/21 (Quarter 4) at its meeting on 2nd June 2021.

5.2 The Panel welcomed the report and thanked officers for their hard work and diligence over the course of the challenging year.

5.3 The Panel noted that the need to do the right thing for residents took precedence at the start of the pandemic and that the financial support from the Government which followed was unprecedented.

5.4 Following a query, it was confirmed that a one off grant providing funding for the clinically and extremely vulnerable was part of a national support package giving an amount per head on residents identified by local GPs.

6. RECOMMENDATIONS

6.1 The Cabinet are invited to consider and comment on financial performance at the end of March, as detailed in section 3 and in **Appendix 1**, and the register of reviews of Commercial Investment Strategy propositions at **Appendix 2**.

The Cabinet are invited to consider and approve the budget carry forwards proposed for capital in **Appendix 1** and for revenue in **Appendix 3**.

7. LIST OF APPENDICIES INCLUDED

Appendix 1 – Financial Performance Monitoring Q4
Appendix 2 – Register of reviews of CIS investment propositions, Q4
Appendix 3 – Revenue budget carry forwards

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