

**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Finance Performance Report (Q2)

Meeting/Date: Cabinet – 18th November 2021

Executive Portfolio: Executive Councillor for Strategic Finance (JG)

Report by: Chief Finance Officer (ES)

Ward affected: All

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 have now fully opened all of their facilities. However, as winter approaches there remains a risk that restrictions may be reintroduced by Central Government although they are reluctant to impose further lockdowns as things stand.

Financial Impact

2021/22 budget included assumptions regarding the impact of the pandemic on the economy and the council based in the information available in December 2020. Since then, the restrictions were extended and only lifted in July, later than anticipated. The income compensation scheme was still available to support Local Government in Q1, £0.595m was factored into the base funding for 2021/22, and this has now been claimed. £0.758m for the final tranche 5 of the Covid Emergency funding was also factored into the base funding.

There was 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. This continued in Q2 and is ongoing in order to protect staff and customers.

Recommendation(s):

It is recommended that:

- Cabinet considers and comments on the financial performance to the end of September 2021, as detailed in Appendix 1 and summarised in paragraph 3.2.
- Cabinet considers and approves the proposed budget changes to the Capital Budget to accommodate reclassification of budget and in year activity not included within the MTFS as outlined in paragraph 3.3.

PURPOSE OF THE REPORT

- 1.1 To present details of the Council's projected financial performance for 2020/2021.
- Revenue outturn estimated underspend of £0.304m.
 - Capital outturn estimated underspend of £10.677m.

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 Q2 forecast outturn as at 30th September 2021 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 authorised carry forwards of £147k and in year re-classification of (£692k) giving a revised current budget of £20.141m, with the forecast outturn being £19.837m which is an underspend of £304k. Despite the forecast underspend and start to recovery there remains pressure from continuing some Covid related activities, such as maintaining 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 £18.169m plus the re-phasing of £14.558m and in year activity of £12.542m giving a revised total Capital Programme of £45.269m. The forecast outturn is £34.591m giving an underspend of £10.677m.

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
AD Corporate Resources	6,896	57	66	7,019	6,530	(489)	CIS income (£67k), reduction in insurance premium (£83k), Voluntary MRP (£111k) accounted corporately now, OTC saving (£243k), management charge reduced (£64k). Pressure of £87k on HR staffing.
AD Transformation	298	48	0	346	293	(53)	Grant Funding to be used to fund in year project costs.
Chief Operating Officer	4,350	0	0	4,350	4,771	421	Housing needs (£87k) and Housing Benefits £104k; Environment protection (£56k); offset by overspend in Development Management – agency costs of £450k due to planning application back log; £50k provision for judicial review;
Corporate Leadership	619	0	0	619	658	39	
Head of ICT	2,338	0	0	2,338	2,363	25	
Head of Leisure & Health	522	35	0	557	515	(42)	
Head of Operations	4,621	7	0	4,628	4,458	(170)	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. Operational performance offsetting pressures.
Housing Manager	180	0	0	180	178	(2)	
Growth Manager	791	0	0	791	758	(33)	

Programme Delivery Manager	71	0	0	71	71	0	
Subtotal	20,686	147	66	20,899	20,595	(304)	
Covid 19 Emergency Funding	0	0	(758)	(758)	(758)	0	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	0	0	Ongoing costs in relation to delivering Covid recovery projects
Total	20,686	147	(692)	20,141	19,837	(304)	

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 £12.543m giving a revised total Capital Programme for 2021/22 of £45.269m.

The forecast net expenditure outturn is £34.591m, an underspend of £10.678m.

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 £	Q2 Forecast 2021/22 £	Forecast Variance 2021/22 £	Comment on Variances over £50,000
AD Resources	729,000	11,057,891	4,192,141	15,949,032	1,693,440	15,018,653	(930,379)	Oaktree remedial costs have been revised down with expected savings of £912k
AD Transformation	31,000	114,000	0	145,000	0	13,335	(131,665)	Projects stopped due to lack of business case
Chief Operating Officer	72,000	16,000	0	118,000	31,277	137,240	19,240	
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	682,215	1,685,508	(17,278)	
Head of Operations	1,890,600	2,195,259	1,375,986	5,461,845	1,466,469	3,511,240	(1,950,605)	Reduced spending on the parking strategy in year
Housing Manager	1,850,000	0	0	1,850,000	563,677	1,450,000	(400,000)	Reduction due to referrals from Occupational Health
Growth Manager	12,850,000	606,000	6,234,546	19,690,546	0	12,423,290	(7,267,256)	Impact of phasing the Future High Street Fund into future years as whole life costs included in budget.
Total	18,168,800	14,557,883	12,542,526	45,269,209	4,437,077	34,591,266	(10,677,943)	

In the above table in year budget of £12,543m 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.

3.4 Finance Dashboard

The Outturn for Q2 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)
Cash Investments			
CCLA Property Fund	(162)	(155)	7
Total Cash Investments	(162)	(155)	7
Property Rental Income	(4,590)	(4,864)	(274)
MRP	581	581	0
Net Direct Property Income	(4,009)	(4,283)	(274)
Management Charge	144	80	(64)0
Total Property Investments	(3,865)	(4,203)	(338)
TOTAL	(4,027)	(4,358)	(331)

4.3 Investments

The property investment market remains subdued with relatively few investment properties coming to the open market and few within the District. The industrial and distribution investment market continues to be buoyant with low yields. The only opportunity in Q2 within District is Jewsons warehouse on St Peters Road, Huntingdon, which could be available at just under £3m (yield of circa 5%). The team are using the current buoyant industrial market to secure lease renewals for longer term secure income.

Returns from the CCLA property fund have returned a drop in income, likely as a result of reduced income due to Covid measures. Other investment vehicles such as bank deposits and money market funds interest rates remain low and are not expected to increase materially 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

The comments of the relevant Overview and Scrutiny Panel will be added prior to the Cabinet.

6. RECOMMENDATIONS

Cabinet is invited to consider and comment on the financial performance at the end of September 2021, as detailed in Appendix 1 and summarised in paragraph 3.2.

Cabinet considers and approves the proposed budget changes to the Capital Budget to accommodate reclassification of budget and in year activity not included within the MTFs as outlined in paragraph 3.3.

7. LIST OF APPENDICIES INCLUDED

Appendix 1 – Financial Performance Monitoring Q2

CONTACT OFFICER

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