

**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Finance Performance Report (Q3)
Meeting/Date: Cabinet – 10 February 2022
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 their facilities. Central Government restrictions have started lifting and normal services are being resumed.

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 Q3 and is ongoing in Q4 order to protect staff and customers.

Recommendation(s):

It is recommended that:

- Cabinet considers and comments on the financial performance to the end of December 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 2021/2022.

- Revenue outturn estimated underspend of £1.607m.
- Capital outturn estimated underspend of £13.694m.

The impact of the Covid 19 pandemic, as far as possible, has been reflected within the Council's financial position and 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. The approved Capital budget is £18.169m.

2.2 The detailed analysis of the Q3 forecast outturn as at 31 December 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 £99k and in year re-classification of (£692k) giving a revised current budget of £20.093m, with the forecast outturn being £18.486m which is an underspend of £1.607m. 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 almost complete. 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 £12.239m giving a revised total Capital Programme of £44.966m. The forecast outturn is £31.272m giving an underspend of £13.694m.

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	6,363	(656)	CIS performance (£151k), OTC saving (£220k), land charge searches Income (£114k), management charge reduced (£116k), rent income (£77k) Pressure of £113k on HR staffing, insurance premium reduction (£77k).
AD Transformation	298	0	0	298	301	3	
Chief Operating Officer	4,350	0	0	4,350	4,448	98	Housing needs (£111k); Environment protection (£59k); offset by overspend in Development Management – agency costs of £535k due to planning application back log, grant income re test & trace admin (£128k), staff underspends in licencing and business team (£123k)
Corporate Leadership	619	0	0	619	670	51	Communications manager unbudgeted £51k
Head of ICT	2,338	0	0	2,338	2,477	139	IEG 4 costs
Head of Leisure & Health	522	35	0	557	521	(36)	
Head of Operations	4,621	7	0	4,628	3,441	(1,187)	Car parking income (£739k), waste quantity & price variations (£655k), CCTV extra staff costs £89k, flood risk survey cost £70k, cancelled bin removal project unachieved saving £89k
Housing Manager	180	0	0	180	178	(2)	
Growth Manager	791	0	0	791	775	(16)	
Programme Delivery Manager	71	0	0	71	70	(1)	
Subtotal	20,686	99	66	20,851	19,244	(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	99	(692)	20,093	18,486	(1,607)	

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 £12.239m giving a revised total Capital Programme for 2021/22 of £44.966m.

The forecast net expenditure outturn is £31.272m, an underspend of £13.694m.

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 £	In year virement £	Current Budget 2021/22 £	YTD Actual 2021/22 £	Q3 Forecast 2021/22 £	Forecast Variance 2021/22 £	Comment on Variances over £50,000
AD Resources	729,000	11,057,891	4,192,141	(30,000)	15,949,032	3,193,942	5,884,130	(10,064,902)	Huntingdon Redevelopment will not happen until a feasibility study has been undertaken, leading to a saving of £8,500k this year. Oaktree remedial costs have been revised down with expected savings of £912k
AD Transformation	31,000	114,000	0	0	145,000	0	4,000	(141,000)	Projects stopped due to lack of business case
Chief Operating Officer	72,000	16,000	0	30,000	118,000	42,463	133,097	15,097	
Head of ICT	340,000	12,000	0	0	352,000	0	176,000	(176,000)	
Head of Leisure & Health	406,200	556,733	739,853	0	1,702,786	665,540	1,661,747	(41,039)	
Head of Operations	1,890,600	2,195,259	1,073,249	0	5,159,108	1,776,674	2,903,487	(2,255,621)	Reduced spending on the parking strategy in year
Housing Manager	1,850,000	0	0	0	1,850,000	845,400	1,275,000	(575,000)	Reduction due to referrals from Occupational Health
Growth Manager	12,850,000	606,000	6,234,546	0	19,690,546	0	19,234,546	(456,000)	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	12,239,789	0	44,966,472	6,524,020	31,272,007	(13,694,465)	

In the above table in year budget of £12,239m 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 Q3 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, the Council Tax collection rate is holding in line with 20/21 rates but is lower than pre-Covid performance.

The NDR collection rate is 1.25% less than in 20/21. However, the unique profile of retail, hospitality, leisure relief granted in 21/22 means that prior year comparison is not appropriate. Indications are that year-end collection will show some improvement on current rates but is likely to be lower than pre-COVID performance.

The number of working age people claiming Council Tax Support has seen a reduction of 1% compared to 20/21 and is now comparable to pre-Covid volumes.

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)	(150)	12
Total Cash Investments	(162)	(150)	12
Property Rental Income	(4,590)	(4,861)	(271)
MRP	581	581	0
Net Direct Property Income	(4,009)	(4,280)	(271)
Management Charge	144	28	(116)
Total Property Investments	(3,865)	(4,252)	(387)
TOTAL	(4,027)	(4,402)	(375)

4.3 Investments

The property investment market continues to be quiet with little or no let investments coming to the open market within the District. There has been an increase in vacant property for sale, mainly offices within Huntingdonshire, reflecting the challenges in letting this space. The industrial and distribution investment market continues to be buoyant with low yields, driven by occupier demand. The team are continuing to focus on securing lease renewals with the aim of securing longer term increased rental income, which in turn enhances capital values.

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

Please see below the O&S comments from the Financial Performance Report 2021/22, Quarter 3 for review and comment.

6. RECOMMENDATIONS

- Cabinet is invited to consider and comment on the financial performance at the end of December 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 APPENDICES INCLUDED

Appendix 1 – Financial Performance Monitoring Q3

CONTACT OFFICER

Eric Symons, Chief Finance Officer