

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Finance Performance Report (Q1)
Meeting/Date:	Cabinet – 20th September 2022
Executive Portfolio:	Executive Councillor for Finance and Resources
Report by:	Director of Finance and Corporate Resources
Ward affected:	All

Executive Summary:

The quarter 1 expenditure forecast takes into account those factors affecting expenditure and income that are known by the end of June 2022.

Revenue Forecast;

The net revenue budget for 2022/23 totals £21.514m, the forecast outturn as at the end of quarter 1 is £21.789m, a forecast overspend of £275,000.

This is because of reductions in income (Development Management £40k, Car Parks £150k, One Leisure £253k) and increased staffing costs in Leisure and Health due to national living wage increases (£164k), and Development Management £200k due to use of agency staff to cover vacant posts.

Underspends offsetting this are saving in salaries at the Document Centre, Planning Policy and Licencing (£174k). Also saving in Operations on Parks, Street Cleansing and Waste Management (£345k), as a result of changed working practices, new income streams, and reduced recycling costs.

Capital Forecast;

The approved Budget is £12.776m plus the re-phasing of £26.898m gives a revised total gross capital programme of £39.674m. The forecast outturn is £30.253m as a result of potential rephasings (subject to evaluation during the upcoming MTFS process) and underspends of £9.421m. The largest being the potential rephase to the Future High Street and Market Town Programme schemes of £11.6m.

Recommendation(s):

It is recommended that:

- Cabinet considers and comments on the financial performance to the end of June 2022, 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 June 2022, as detailed in Appendix 1 and summarised in paragraph 3.3.

PURPOSE OF THE REPORT

1.1 To present details of the Council's projected financial performance for 2022/2023.

- Revenue outturn estimated overspend of £0.275m.
- Capital outturn estimated underspend/rephasing of £9.421m.

BACKGROUND

2.1 The budget and MTFS for 2022/23 approved in February 2022, assumed a net expenditure budget of £21.514m, and a Capital budget of £12.776m.

2.2 The detailed analysis of the Q1 forecast outturn as at 30th June 2022 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 £21.514m, the forecast outturn is £21.789 which is an overspend of £275k.

This is mainly as a result of reductions in income;

- Development Management £40k, due to the pausing of the pre-app service.
- Car Parks £150k, on street parking of £121k and other costs £29k.
- One Leisure £253k reduced membership fees across all sites.

As well as increased staffing costs;

- In Development Management due to use of agency staff to cover vacant posts (£200k)
- In Leisure and Health due to national living wage increases (£164k).

To offset these factors there were underspends in relation to;

- Staffing costs at the Document Centre (£72k)
- Staffing costs in Planning Policy (£33k) and Licencing (£70k).
- Savings in Parks (£48k), Street Cleansing (£63k) due to new operational delivery methods, and Waste Management (£345k), new income streams, and reduced recycling costs.

MTFS The MTFS was updated as part of the 2022/23 Budget setting process and will again be updated as part of the 2023/24 Budget setting process which is now under way. The revision of the MTFS will include 2021/22 outturn variations and others occurring or foreseen in 2022/23 that have an impact on future years.

Capital The approved Budget is £12.776m plus the re-phasing of £26.898m gives a revised total gross capital programme of £39.674m. The forecast outturn is £30.253m giving an underspend of £9.421m.

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
Director of Finance and Corporate Resources	6,878	0	0	6,878	6,833	(45)	Tenants operating lease breaks (unexpected and unbudgeted) £138k impact, balanced by better than budget forecast at Oak Tree Centre (£62k) and salary saving on unfilled posts (£45k). Savings have been made in the electoral registration budget due to canvas reform, and in addition savings have been made in the members allowances budget. Additional income has been generated by letting out part of 2nd floor Pathfinder House to CPCA (£80k)
Transformation	298	0	0	298	299	1	
Chief Operating Officer	4,919	0	0	4,919	5,041	122	£7k underachievement on Pest Control. £39k overspend on Homes for Ukraine and salary savings of £15k in Apr to Jun while posts were being filled. In Development Management costs of agency staff for vacant posts and pre-app service has been paused and therefore not generating the level of income expected in budget (£239k). Licencing the variance is mainly due to savings on the vacant Licencing Manager and Operations Manager (Business) posts approximately £126k, however this is offset slightly by the interim Licencing Manager arrangement approximately £24k. The income also on PH & HC is still down following covid and to date has not fully recovered.
Corporate Leadership	1,201	0	0	1,201	1,202	1	
Head of ICT	2,604	0	0	2,604	2,590	(14)	
Head of Leisure & Health	(25)	0	0	(25)	318	343	The key reasons for this significant movement are as follows: Unbudgeted salary increases based upon the national minimum wage increase and this related to staff on grades A-C (spinal point 9) £164k. The next key driver for a deficit position is around membership income mainly through direct debit performance across all sites which is £253k. The most significantly affected sites are Training Shed (£92k), Huntingdon (£64k) and St Ives (£64k). We have seen a detrimental impact on memberships particularly at Huntingdon LC where independent operators such as the Gym Group and Anytime Fitness have opened.
Head of Operations	4,483	0	0	4,483	4,380	(103)	Car parks income is on track for off street parking. Street Cleansing early implementation of some new operational delivery methods to meet 2023/24 savings targets set by SLT have resulted in some in year savings. Fuel prices are likely to have a negative impact. Additional income generated through bulky waste collections, house clearance

						etc, Reduced recycling re processing cost through our MRF contract due to a buoyant market, gate fees movement from negative to positive position meaning we are currently being paid to have our material reprocessed. In addition, increased income from recycling credit income due to increased recycling material tonnages. Delays to investment with the Hinchingsbrooke Country Park there is no additional income expected in 2022 or 2023 (£50k).
Housing Manager	187	0	0	187	187	0
Growth Manager	896	0	0	896	867	(29)
Programme Delivery Manager	73	0	0	73	72	(1)
Subtotal	21,514	0	0	21,514	21,789	275
Covid 19 Emergency Funding	0	0	0	0	0	0
Total	21,514	0	0	21,514	21,789	275

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 2022/23 is £12.776m plus rephasing of the £26.898m, gives a revised gross capital programme for 2022/23 of £39.674m.

The capital programme is forecast to have an in-year underspend of £9.421m, 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 where variances are greater than £50,000.

Service Area	Original Budget 2022/23 £	Budget B/F from 2021/22 £	Externally Funded Schemes £	Current Budget 2022/23 £	YTD Actual 2022/23 £	Q1* Forecast 2022/23 £	Forecast Variance 2022/23 £	Comment on Variances over £50,000
Director of Finance and Corporate Resources	7,876,000	10,041,110	0	17,917,110	69,101	18,009,749	92,639	Capital receipts will be used to offset the cost of Health and Safety measures in the commercial estate (£42k), and Building Efficiency improvements to be funded from energy savings (£50k)
Transformation	15,000	95,000	0	110,000	0	82,500	(27,500)	
Chief Operating Officer	47,000	88,000	0	135,000	0	100,999	(34,001)	
Corporate Director Place	675,000	12,372,000	0	13,047,000	(241,307)	1,413,693	(11,633,307)	Budget will be rephased to later years to reflect the revised expenditure profile as reported to the project board
Head of ICT	422,000	270,010	0	692,010	0	697,210	5,200	
Head of Leisure & Health	285,000	485,210	0	770,210	21,840	781,199	10,989	
Head of Operations	1,456,000	2,725,480	0	4,181,480	46,590	3,951,116	(230,364)	Postponed vehicle and fleet software expenditure (£174k), Secure Cycle Storage saving (£128k), Godmanchester Weir expenditure to be funded by CIL (£80k)
Housing Manager	1,800,000	0	0	1,800,000	387,273	1,800,000	0	
Growth Manager	200,000	821,000	0	1,021,000	25,000	3,415,985	2,394,985	Expenditure to be financed from CIL reserve £2.8m the individual projects will be added to the Q2 forecast (Note below). A14 upgrade (£200k) and Housing Co. (£206k)
Total	12.776.000	26,897,810	0	39,673,810	308,497	30,252.451	(9,421.359)	

Note The projects funded from CIL (CIL funding in brackets) are St Neots Riverside Paths (£445k), Godmanchester Weir (£248k), St Ives Park (£80k), Priory Park Mains Power (£15k), Hinchingsbrooke Country Park Enhancements (£1,495k).

3.4 Council Tax and Business Rates Collection

The Council Tax collection rate at the end of quarter 1 (28.73%) is broadly in line with that for the previous year (29.09%).

The Business Rates collection rate at the end of quarter 1 (32.32%) is significantly higher than at the end of quarter 1 in the previous year (27.47%), due to further covid related reliefs given to the retail, hospitality and leisure sectors.

The number of working age Council Tax Support claimants at the end of quarter 1 was 4,126 which is 449 less than at the end of quarter 1 in 2021/22 (4,575). The number of pensioner CTS claimants has remained fairly static, 2,900 at the end of quarter 1 2022/23 compared to 2,979 for the same period last year.

UPDATE ON THE COMMERCIAL INVESTMENT STRATEGY AND INVESTMENT PROPERTY

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 1, the financial projections for the CIS and investment properties are:

CIS Investments	Budget (£'000s)	Outturn (£'000s)	Variance (£'000s)
Cash Investments			
CCLA Property Fund	(162)	(162)	0
Total Cash Investments	(162)	(162)	0
Property Rental Income	(4,696)	(4,622)	74
MRP	581	581	0
Net Direct Property Income	(4,115)	(4,041)	74
Management Charge	100	100	0
Total Property Investments	(4,015)	(3,941)	74
TOTAL	(4,177)	(4,103)	74
CIS Borrowing (Maturity Loans)			
Property	Lender	Amount	% (Fixed)
Wakefield	PWLB	£11,963,000	2.18
Fareham	PWLB	£5,000,000	2.78
Rowley Centre	PWLB	£7,292,000	2.49

4.3 Market Update and Activity

There continue to be very few investment opportunities within District or Cambridgeshire, which could be acquired from the limited funds in CIS reserve. PWLB borrowing is restricted and no longer available to fund investments for yield.

The majority of the Council's investment properties were acquired using earmarked reserves or cash balances. Investments at Fareham, Rowley Centre and Tri-Link were funded from PWLB loans, although part of the price and acquisition costs were met from reserves.

The occupier market has shown continued cooling from the very buoyant conditions of 2021, the number of enquiries for letting premises shows continued slow down particularly for larger properties. There is a steady trickle of tenants looking to vacate premises at the end of leases, unable to bounce back trade post Covid or taking the lease expiry as an opportunity to retire.

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

Note, that activity described relates to investment property assets only, additional activity is undertaken to manage assets which fall under other services and every opportunity taken to maximise income from surplus space within offices and operational assets.

CIS and Investment Property Activity	Quarter 1 Actual	Quarter 2 Forecast
Number of lettable units (shops, industrial units, warehouses and offices)	140	140
Number of leases renewed and rent reviews completed	3 completed	13
Increases/(decrease) in annual rents receivable due to lease renewals	£8,000 (27.4%)	(£259,050)
Increases/(decrease) in annual rents receivable due to new leases	£1,700 (37.7%)	(£27,400)
Number of units under offer	3 (6.4% of lettable units)	2
Total number of vacant properties;	9	8
By town		
Huntingdon	2	2
St Neots	5	4
St Ives	2	2
Units vacated	1	4

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 June 2022, 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 June 2022, as detailed in Appendix 1 and summarised in paragraph 3.3.

7. LIST OF APPENDICES INCLUDED

Appendix 1 – Financial Performance Monitoring Q1

CONTACT OFFICER

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