

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Finance Performance Report (Q2)
Meeting/Date:	Cabinet – 12th December 2022
Executive Portfolio:	Executive Councillor for Finance and Resources
Report by:	Director of Finance and Corporate Resources
Ward affected:	All

Executive Summary:

The quarter 2 expenditure forecast takes into account those factors affecting expenditure and income that are known by the end of September 2022.

Revenue Forecast;

The net revenue budget for 2022/23 totals £21.514m, the forecast outturn as at the end of quarter 2 is £21.933m, a forecast overspend of £0.418m.

This is as a result of (significant variations only)

Reductions in income - Parking £131k, One Leisure £257k, Markets £85k.

Increased staff costs- Development Management £239k, One Leisure £210k.

Increased operating costs – One Leisure £230k, ICT £171k, Housing Benefits £406k.

Underspends – Waste Management £793k, Corporate Finance £112k, Democratic and Elections £125k, Document Centre £68k, Licensing £77k, Parks £80k, Planning Policy £82k.

Capital Forecast;

The approved Budget is £12.776m plus re-phrasings of £26.790m and growth (funded by CIL) of £2.333m gives a revised total gross capital programme of £41.899m. The forecast outturn is £11.035m as a result of potential re-phrasings (subject to evaluation during the upcoming MTFS process) and underspends of £30.864m. The most significant variations being Huntingdon Redevelopment £16.095m, Future High Street /MTP £11.486m, Hinchingsbrooke Country Park £2.689m, vehicle replacements £0.622m.

Recommendation(s):

It is recommended that:

- Cabinet considers and comments on the financial performance to the end of September 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 September 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 £0.418m.
 - Capital outturn estimated underspend/rephasing of £30.864m.

BACKGROUND

- 2.1 The budget and MTFs for 2022/23 approved in February 2022, assumed a net expenditure budget of £21.514m, and a gross capital budget of £12.776m, increased to £41.899m due to re-phasing of schemes, and new schemes funded by CIL.
- 2.2 The detailed analysis of the Q2 forecast outturn as at 30th September 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 £21.933 which is an overspend of £0.418m.

This is mainly as a result of reductions in income;

- On street parking due to suspension of charges (£131k).
- One Leisure, reduced net membership fees across all sites (£257k).
- Markets income due to lack of trader interest (£85k)

As well as increased staffing costs;

- In Development Management due to use of agency staff to cover vacant posts and work through the backlog of cases (£239k)
- In Leisure and Health due to national living wage increases, market supplements, maternity pay, overtime (£210k).

In addition increased costs including;

- One Leisure gas and electricity costs (£230k)
- ICT change in share of staff costs (£171k)
- Housing Benefits, temporary accommodation costs not met through Housing Benefit payments and reduced court fees received (£406k)

To offset these factors there were underspends in relation to;

- Waste Management, new income streams, and reduced recycling costs (£793k).

- Corporate Finance reduced net interest charges (£112k)
- Democratic and Elections increased income and savings on members allowances (£125k)
- Document Centre staffing costs (£68k)
- Licensing team staffing costs (£77k)
- Parks staffing costs (£80k)
- Planning Policy staff costs (£82k)

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 gross capital programme for 2022/23 is £12.776m, rephasing of schemes totalling £26.790m, and growth (schemes funded by CIL) of £2.333m gives a revised gross capital programme for 2022/23 of £41.899m. The forecast outturn is £11.035m giving an underspend of £30.864m.

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
Dir of Finance and Resources	6,878			6,878	6,857	(22)	Reduced commercial estates rent income, lower net interest payments, increased land charges fees, increased FM rent, vacant Director post.
Chief Operating Officer	5,176			5,176	5,287	111	3 vacant posts in the Document Centre, temporary accommodation costs not met from HB payments, reduced bad debt charge, vacant posts in Licencing.
Programme Delivery Manager	73			73	40	(33)	Vacant post
Chief Planning Officer	441			441	592	151	Increased costs because vacant posts and backlog work being covered by agency staff.
Economic Development	198			198	200	2	
Housing Manager	187			187	191	4	
Corporate Leadership	1,201			1,201	1,226	26	
Transformation	298			298	298	0	
Head of Operations	4,483			4,483	3,874	(610)	Reduced car park income, HCP delays reducing income, loss of markets income, Climate Strategy Review delay, Street Cleaning savings from new methods, increased recycling income and reduced recycling fees.
Head of Leisure and Health	(25)			(25)	592	617	Increased electricity costs, reduced membership income and minimum wage costs
Head of ICT	2,604			2,604	2,776	172	Digital Team funding partnership change
Total	21,514	0	0	21,514	21,933	418	

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, re-phasing of schemes totalling £26.790m, and growth (schemes funded by CIL) of £2.333m gives a revised gross capital programme for 2022/23 of £41.899m.

The capital programme is forecast to have an in-year underspend of £30.864m, 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 £	Growth and Other Adjustments £	Current Budget 2022/23 £	YTD Actual 2022/23 £	Q2 Forecast 2022/23 £	Forecast Variance 2022/23 £	Comment on Variances over £50,000
Director of Finance and Resources	7,876,000	9,957,790	(7,680)	17,826,110	79,399	1,216,004	(16,610,106)	Huntingdon Redevelopment (£16.1m), feasibility not yet undertaken. Retrofit buildings (£226k) replaced by decarb scheme. Bridge Place car park (£93k) delayed until land sold.
Chief Operating Officer	47,000	88,000	0	135,000	15,385	46,718	(88,282)	Reduced conservation project costs (£94k)
Corporate Director Place	675,000	12,354,825	108,175	13,138,000	(22,574)	1,651,858	(11,486,142)	Future High St (£10.88m) and Market Towns (£610k) rephasing.
Growth Manager	200,000	806,000	0	1,006,000	98,687	3,054,937	2,048,937	Funding CIL schemes from CIL reserve £2.4m, A14 rephase (£200k).
Head of ICT	437,000	321,955	(6,945)	752,010	43,701	391,300	(360,710)	Datacentre Racks (£244k) partnership funding not yet available, telephone replacement (£67k)
Head of Leisure & Health	285,000	485,210	0	770,210	106,931	757,525	(12,685)	
Head of Operations	1,456,000	2,726,680	2,239,010	6,421,690	270,169	2,105,824	(4,315,870)	HCP (£2.7m) project rephasing, vehicle delivery delays (£621k), less wheeled bin purchases (£152k), Godmanchester weir (£163k), St Ives Park (£80k), St Neots Riverside (£433k), Cycle Storage (£128k)
Housing Manager	1,800,000	0	0	1,800,000	(500,667)	1,760,541	(39,459)	
Transformation	0	50,000	0	50,000	0	50,000	0	
Total	12,776,000	26,790,460	2,332,560	41,899,020	91,031	11,034,707	(30,864,317)	

Note; The projects funded from CIL (CIL funding in brackets) and included in the growth column are St Neots Riverside Paths (£445k), Godmanchester Weir (£248k), St Ives Park (£22k), 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 2 (57.00%) is broadly in line with that for the previous year (56.96%).

The Business Rates collection rate at the end of quarter 2 (58.88%) is slightly higher than at the end of quarter 2 in the previous year (55.92%), due to continued 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 2 was 4,036 which is 438 less than at the end of quarter 2 in 2021/22 (4,474). The

number of pensioner CTS claimants has remained fairly static, 2,874 at the end of quarter 2 2022/23, compared to 2,951 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 2, the financial projections for the CIS and investment properties are:

CIS Investments	Budget (£'000s)	Forecast Outturn (£'000s)	Variance (£'000s)
Cash Investments			
CCLA Property Fund	(162)	(162)	0
Total Cash Investments	(162)	(162)	0
Property Rental Income	(4,696)	(5,501)	(805)
MRP	581	581	0
Net Direct Property Income	(4,115)	(4,920)	(805)
Management Charge	100	100	0
Total Property Investments	(4,015)	(4,820)	(805)
TOTAL	(4,177)	(4,982)	(805)
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 remain very few investment opportunities within District or Cambridgeshire, which could be acquired from the limited funds in CIS reserve. PWLB borrowing is now restricted and is 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.

Based on our own experience and anecdotally from discussions with local agents, there is still healthy demand in the small/starter units (up to 1,500sqft). However, enquiries for the larger industrial units have cooled; whether due to general economic uncertainty or specifics such as the rises in energy costs – meaning businesses are being cautious rather than committing to new leases.

The retail and the restaurant market remains fragile, the council has had a couple of approaches from small businesses enquiring about their options to vacate; considering their options dependent on business levels over Christmas 2022.

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.

The activity noted 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 Actual Cumulative	Quarter 3 Forecast
Number of lettable units (shops, industrial units, warehouses and offices)	140	140	140
Number of leases renewed and rent reviews completed	3	6	13
Increases/(decrease) in annual rents receivable due to lease renewals	£8,000 (27.4%)	£16,650 (27%)	(£253,000)
Increase/(decrease) in annual rents receivable due to new leases	£1,700 (37.7%)	£1,700 37.7%	(£26,385)
Number of units under offer	3	5	2
Total number of vacant properties;	9	12^(a)	10
By town			
Huntingdon	2	2	2
St Neots	5	5	4
St Ives	2	3	2
Fareham	0	2	2
Units vacated (in each quarter)	1	3	2

^(a)8.6% of lettable units

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

7. LIST OF APPENDICES INCLUDED

Appendix 1 – Financial Performance Monitoring Q2

CONTACT OFFICER

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