

**Agenda Item No:** 15  
**Report To:** Cabinet  
**Date:** 8 September 2016  
**Report Title:** Budget Monitoring Report –First four months 2016/17  
**Portfolio Holder:** Cllr Shorter Portfolio Holder for Finance & Budget, Resource Management and Procurement  
**Report Author:** Maria Seddon – Accountancy Manager  
Jo Stocks – Senior Accountant



**Summary:** This report presents an assessment of an outturn position for this financial year based on the first four months actuals for the General Fund, the Housing Revenue Account and the Collection Fund.

During this period the General Fund is projected to have a balanced budget after transfers to reserves. There is a forecast service underspend of £183,000 this year. The full details of this variance are within the report including highlighting any current risks following this review.

The Housing Revenue Account is projecting an overall surplus of £1,598,000, many of the savings being reported are as a result of the budget review which has taken place since the underspend in 2015/16.

**Key Decision:** YES

**Affected Wards:** All

**Recommendations:** **The Cabinet be asked to:-**

- I. **note the Budget Monitoring position as at 31 July 2016 and approve the transfers to reserves in paragraphs 7 - 8**
- II. **Approve a loan to Brabourne Parish Council for the future planning appeals costs for the development on Hospital Field, for a maximum of £40,000 subject to legal agreements, see paragraphs 26 - 27**
- III. **Note the changes to financing for the Affordable Housing Programme in paragraph 28 & 29**
- IV. **Note the revised planned maintenance schedule in paragraph 30**

**Policy Overview:** The budget is a key element supporting the delivery of the Council's wider Policy Objectives

**Financial  
Implications:**

At this stage in the year the General Fund is reporting a balanced budget after transfers to reserves. The outturn will continue to be monitored and reviewed as pressures and savings/income opportunities arise to keep the outturn within budget.

The Housing Revenue Account is reporting a deficit £1,490,000 compared to a budgeted deficit of £3,088,000, see Housing Revenue Account section for details.

The Council's reserve balances remain healthy.

**Risk Assessment**

YES

**Contacts:**

Maria.seddon@ashford.gov.uk – Tel: (01233) 330547

## **Report Title: Budget Monitoring Report First Four Months 2016/17**

### **Purpose of the Report**

1. This report is to inform Members of the projected outturn for the financial year based on the first four months information (April to July) for the General Fund, Housing Revenue Account, and the Collection Fund.
2. To ask members to approve a transfer of the service underspend to the Repairs & Renewals reserve for future maintenance of Council assets and the interest favourable variance to the new initiatives reserve, and to approve a loan of up to £40,000 to Brabourne Parish Council.
3. To note changes in the financing of the Affordable Housing Programme and the updated Planned Maintenance Plan. There is also a schedule of treasury management activities in **Appendix A**

### **Issue to be Decided**

4. The Cabinet is asked to note the budget monitoring position for the General Fund, Housing Revenue Account, the Collection Fund and New Homes Bonus schedule.
5. Approve the transfers to the reserves
6. Approve a request for a loan to Brabourne Parish Council.

### **Budget monitoring assessment to end of July 2016**

7. Following the outturn for 2015/16, where a service underspend was reported a review of the 2016/17 budget was undertaken. This review has generated a reduction in the outturn position within the services of £183,000 and it is proposed to transfer this amount to the Repairs & Renewals reserve to provide for the maintenance the Council's assets, including recently acquired assets and car parks.
8. Borrowing decisions have also generated interest savings and increases in investment returns are likely to generate additional income. This amounts to £372,000 and it is proposed to transfer this to the new initiatives reserves to fund future Corporate Projects.
9. Reasons for this movement are detailed below.

### ***Key Variations***

#### Cultural Services

10. Over the last few years there has been a regular and significant underspend within member and community grants. The outturn is expected to be under budget by around £50,000 in total this year, the budget is still accessible by members and the community should requests come forward.

#### Environmental & Customer Services

11. Overall there has been a favourable variance of £115,000 from savings within the refuse collection contract and additional income for garden and bulky collections:
  - a) Reduction in the refuse and recycling contract due to low inflation and deflation on a number of indices against which the contract payment is indexed against. The resulting negative indexation has delivered a projected saving of £48,500

- b) Garden waste collection income increase of £46,500 based on maintaining current demand.
- c) Bulky waste collection additional income of £20,000 based on previous year income

#### Corporate Property & Projects

12. The £29,000 pressure is made up of a number of items including:
- a) Wilko's rental income overstated in the budget build creating a pressure of £41,000
  - b) Stanhope shop leases are in the process of being reviewed and although increases are expected timings of the increase has resulted in a pressure in the outturn of £35,000
  - c) Rental income not achieved from various land and buildings of £17,000
  - d) Additional income of £64,500 following the reconfiguration of the first floor in International House.

#### Health, Parking & Community Safety

13. An increase in parking and fine income is projected for the current year £110,000 is included partly achieved from delays in closing Dover Place and an increase in fine income; this is offset by income that will not be achieved in the monitoring centre of £27,000 for this year. This income is expected to be achieved in future years following the implementation of the new operating system, procurement of which is currently underway.

#### HR, Communications & Technology

14. The current budget includes a savings target from an expected retirement however due to restructuring this is now not expected to happen. The service took a report through to Management Team earlier in the year with proposals to retain the post due to Management changes following the departure of the Head of ICT.

#### Net Interest

15. The budget included debt interest based on the Council's Medium Term Financial Plan, during this year the decision has been taken not to take out borrowing as cash flows are sufficient to fund capital acquisitions and it is cheaper to do so at this time. The Council's treasury advisors are monitoring this and will advise the Council to borrow if it is advantageous to do so.
16. There has also been an adjustment to the interest receivable, with an addition £120,000 expected to be achieved this financial year based on last year data and projections for this year.

**Table 1 – General Fund Budget Outturn Forecast as at 31 July 2016**

Service	Current Budget (net)	Forecast Outturn (net) to 31/03/17	Variance (B-A)
	A	B	(B-A)
	£'000	£'000	£'000
Corporate & Strategy	1,289	1,289	0
Cultural Services	2,794	2,744	(50)
Financial Services	2,550	2,557	7
Housing Services	916	901	(15)
Environmental & Customer Services	4,710	4,595	(115)
Corporate Property & Projects	(1,400)	(1,371)	29
Health, Parking & Community Safety	853	765	(88)
HR, Communications & Technology	376	445	69
Legal & Democratic	1,384	1,388	4
Planning & Development	1,937	1,913	(24)
<b>Net Service Expenditure</b>	<b>15,409</b>	<b>15,226</b>	<b>(183)</b>
Capital Charges and net interest	(1,476)	(1,968)	(492)
Levies, Grants and Precepts	271	271	0
Contribution to reserves	1,317	1,992	675
<b>Budget Requirement</b>	<b>15,521</b>	<b>15,521</b>	<b>0</b>
<b>Financing:</b>			
Revenue Support Grant	(1,270)	(1,270)	0
NNDR. Pool	(3,410)	(3,410)	0
NNDR S31 Grant	(538)	(538)	0
Council Tax	(6,563)	(6,563)	0
CTS Payment For Parish Council	42	42	0
New Homes Bonus	(3,783)	(3,783)	0
	<b>3,782</b>	<b>3,107</b>	<b>0</b>

### Vacancy Management

17. The budget contains a number of savings targets to be delivered by managing vacancies totalling £108,130. During the first quarter savings of £52,890 have been achieved with the remaining target expected to be achieved by the end of the year.

### Collection Fund Monitoring

18. The Collection Fund is the statutory mechanism by which income gathered by a billing authority (in this case Ashford Borough Council) from Council Tax and Business Rates is distributed to Government and Precepting authorities (KCC, Fire, Police and Parishes).

## Council Tax

19. The monitoring information for the first four months is currently showing a surplus of £2,031,000 in the gross amount of council tax collected.
20. Within this figure there are however some important variances
  - a) The cost of the local Council Tax Support scheme is more than anticipated, however, the significant decrease in discounts covers this loss.
  - b) There has been an increase of around 200 new properties, whilst a level of growth was forecast it was anticipated that this would be phased throughout the year rather than the first quarter.
  - c) The bad debt provision has been reduced as the forecast was too high compared to trends of income, the contribution to the provision has also been reduced, as a result the bad debt provision has been reduced by £1,050,000, and this year contributions towards the provision reduced by £680,000 , amounting to an overall favourable variance of £1,728,000.

***It should be noted that in the event that there is a surplus on the collection fund at the end of the year, it will be divided between the precepting authorities and in the following year (so the General Fund summary is not effected this financial year), with the Council's share being approximately 10%.***

## Business Rates

21. The total Business Rate income is expected to be £415,000 higher than originally forecast; this variance is largely due to an adjustment in the bad debt provision. The original forecast anticipated an increase to the bad debt provision of £500,000, after an analysis of the debts owed we anticipate being able to reduce the bad debt provision by £355,000 resulting in a contribution to the Collection Fund.
22. This forecast surplus will not affect the amount of money the Council will draw from the Collection Fund for the current year. The surplus will be used to calculate the levy owed to Government in 2017/18.
23. The table below shows the current Business Rates forecast position:

**Table 2 – Business Rates Forecast**

	Original Budget	Forecast Outturn (net) to 31/03/17	Variance
	A	B	(B-A)
	£'000	£'000	£'000
Income from NNDR less discounts and exemptions	(48,540)	(48,275)	144
Contribution towards previous year deficit	48,040	48,040	0
Payments to Precepting authorities	(747)	(747)	0
Provision for bad debts and appeals	500	(59)	(559)
	<b>(747)</b>	<b>(1,162)</b>	<b>415</b>

## Reserve Balance

### Reserve Balance

24. The table below summarises the estimated reserves forecast to be held within the General Fund as at 31 March 2017. There are no changes to report to members.

**Table 3 – Reserve Summary**

	£'000	£'000
General Reserve	(1,891)	
Earmarked Reserves*	(9,049)	
<b>Opening Balance 31/03/16</b>		<b>(10,940)</b>
<b>Known/likely transfers to reserves</b>		
<i>Items previously reported</i>		
Items approved as part of the Budget	(245)	
Projected underspend on budget	(675)	
		(920)
<b>Known/likely draw downs</b>		
<i>Items previously reported</i>		
Items approved as part of the Budget	97	
Asset Surveyor (approved by MT 4/8/16)	14	
		111
<b>Estimated Closing Balance</b>		<b>(11,729)</b>

\* Excludes developer contributions

### Reserve Movements

25. The table above includes the Management Team approval of an Asset Surveyor for a term of two years at a total cost of £67,200, £14,000 for 2016/17. The post will inspect and record all infrastructure assets owed by the Council, programme works and deliver a future asset management plan.

### Brabourne Parish Council Loan Request

26. Brabourne Parish Council has approached the Council to request a loan to cover costs associated with a planning appeal which proposes the development of 125 homes on the Hospital Field site in the Parish. Due to the timing of the appeal this expenditure was not included in their budget for the year.
27. The Parish Council does not have sufficient reserves to fund these costs and it is proposed that a loan of £40,000 is made available to the Parish Council repayable through raising the precept in future years and subject to legal agreements being signed. This Loan will be for a duration of no longer than 3 years.

### Affordable Housing Programme

28. In April of this year the Affordable Housing Programme report was approved by Cabinet, within the report a structure for financing the programme was included. Following this report the Council has received developer contributions of £538,000 to be used on affordable housing provision. It is proposed that this funding is used for the approved programme.
29. This will reduce the Housing Revenue Account balances needed for this work however there are other future plans being prepared in the current Business Plan,

including further investment in shared ownership schemes and it is proposed to ring-fence this underspend for this investment.

### Revised Planned Maintenance Schedule

30. During the budget process the planned maintenance schedule was approved as part of the capital programme. The property team have had to review the plan due to current priorities and resources available to action the plan.
31. The Budget Setting process will include a five year updated plan which following an initial asset assessment including needs and priorities of work.
32. The revised plan is detailed in the table below:

**Table 4 – Planned Maintenance Schedule**

<b>Planned Maintenance Programme Original</b>	<b>2016/17 Original £</b>	<b>2016/17 Revised £</b>
Ellingham Industrial Estate & common parts	51,200	37,500
Tenterden Leisure Centre (Plant)	79,400	90,000
IT replacement various items	80,000	80,000
<b>Planned Maintenance Programme Revised additions</b>		
Stour Centre boilers		146,500
Stour Centre pool cover		30,000
SK8side re-roofing		18,000
St Mary's Churchyard wall		20,000
Spearpoint Car Park		5,000
<b>Planned Maintenance Programme Original Removed</b>		
Civic Centre	50,870	
Tenterden Gateway	1,000	
SWAN Centre football changing units	3,500	
Stour Centre (Un-modernised)	10,000	
Tenterden Leisure Centre (Structure)	6,500	
Kingsnorth Recreation Centre (Structure)	1,500	
Kingsnorth Recreation Centre (Plant)	500	
Foot Bridges (23 bridges)	5,000	
Julie Rose Stadium (Structure)	66,800	
Julie Rose Stadium (Plant)	30,000	
Car parks - surface	125,000	
Beaver Road (Victoria Way) Subway	1,500	
Tenterden Gateway Refurbishments (prior to release from lease)	22,000	
	<b>534,770</b>	<b>427,000</b>



## Housing Revenue Account

33. Following the underspend reported in the 2015/16 outturn report and the ongoing HRA Service review there has been an assessment of the 2016/17 budget position. This has resulted in a large number of variances, reported fully below.

**Table 5 - 2016/17 Housing Revenue Account Outturn Position**

<b>Budget Page</b>	<b>Current Budget A £'000</b>	<b>Forecast Outturn to 31/03/17 B £'000</b>	<b>Variance (B-A) £'000</b>
Income	(24,272)	(25,047)	(775)
Supervision and Management	5,529	5,461	(68)
Repairs and Maintenance	3,450	3,295	(155)
Other	18,463	18,073	(390)
<b>Net Revenue Expenditure</b>	<b>3,170</b>	<b>1,782</b>	<b>(1,348)</b>
Capital Works - Decent Homes	4,424	4,305	(119)
<i>Capital Works financed by:</i>			
Major Repairs Allowance (from Self Financing Determination)	(4,465)	(4,465)	0
Contribution to/(from) Major Repairs Reserve	(41)	(41)	0
Net Capital Expenditure	<b>(82)</b>	<b>(201)</b>	<b>(119)</b>
<b>Total Net Expenditure</b>	<b>3,088</b>	<b>1,581</b>	<b>(1,467)</b>

### Variances

34. Income is expected to be higher than originally forecast, with £742,000 additional rental income expected, this is due to a correction in the base budget and partly as a result of affordable rent being higher than anticipated. It is expected rents will be reduced later in the year, in order to ensure the HRA is below the Limit Rent (set by Government) however the calculations have not yet been finalised and are therefore not included in the figures above. Supporting People income is not expected to be reduced by KCC in 2016/17, however, it is expected we will see substantial reductions in future years.
35. There have been savings of £80,000 as a result of the deferral of fixtures and fittings at Farrow Court, which will be completed next year.
36. There are a number of savings in Repairs and Maintenance, including the removal of £85,000 of contingencies, as a result of historic underspends in this area.
37. There was £40,000 of expected income from works that are rechargeable to tenants that was omitted from the original budget.
38. Other savings include the contribution to the bad debt provision being revised down by £288,000, this reflects the improved collection rates over the past few years.
39. There has been a saving of £99,000 on the PFI, £37,000 is as a result of an insurance rebate, the remaining £62,000 saving is due to the actual RPIX in January being lower than anticipated several months earlier.
40. There have been a number of savings in Capital Works:

- a) As a result of underspends in previous years £70,000 of contingencies have been removed.
- b) £100,000 water mains works have been deferred to coincide with other major works requiring scaffolding.
- c) £50,000 saving on PV panels, due to changes in legislation there is no longer a financial benefit to proactively fit PV panels to existing properties.
- d) To partially offset these savings the bathroom tenders have come back £100,000 higher than anticipated.

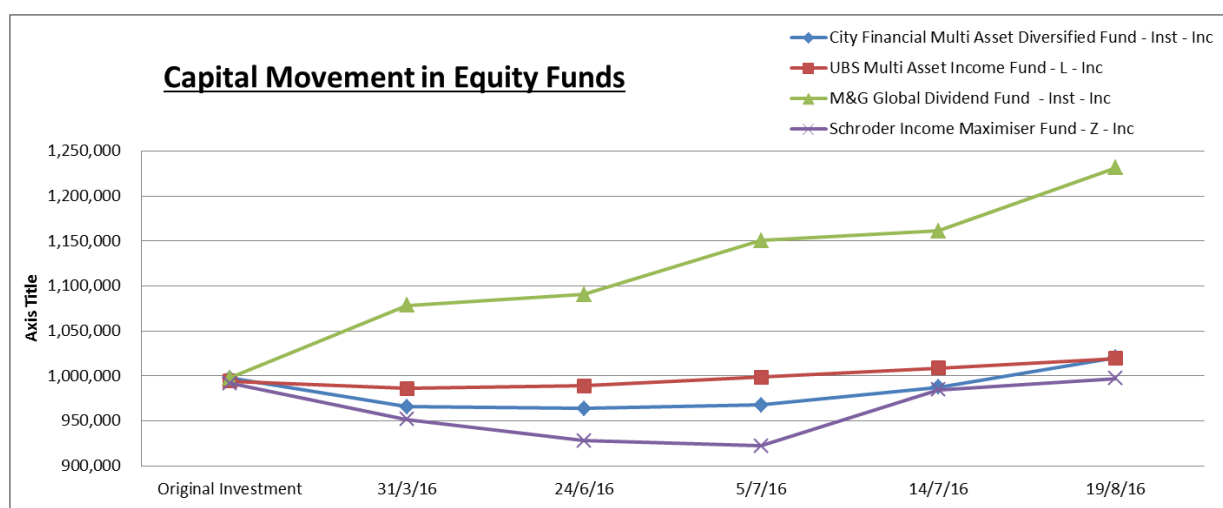
41. The HRA Business Plan is currently underway, these variances have been incorporated into the model.

## Treasury Management

42. The Council has four equity funds and one property fund which are subject to increases and decreases in capital value based on the share prices of the individual institutions.

43. Following the referendum and the subsequent decision to leave the European Union, there has been volatility in the markets and therefore the movement in the above instruments has been regularly monitored and discussed with the Portfolio Holder.

44. Market conditions are now settling and as at the 19<sup>th</sup> August 2016 the four equity funds had combined capital growth of £286,471. A graph and supporting figures showing the movement in capital values of these funds is shown below:-



Fund	Original Investment	31/3/16	24/6/16	5/7/16	14/7/16	19/8/16
City Financial Multi Asset Diversified Fund - Inst - Inc	997,687	965,605	963,885	967,816	987,798	1,020,637
UBS Multi Asset Income Fund - L - Inc	994,504	986,089	989,070	998,609	1,008,943	1,019,475
M&G Global Dividend Fund - Inst - Inc	997,914	1,078,660	1,090,797	1,150,506	1,161,410	1,231,373
Schroder Income Maximiser Fund - Z - Inc	992,152	951,921	927,928	922,365	984,631	997,241
<b>Total Portfolio Balance</b>	<b>3,982,256</b>	<b>3,982,275</b>	<b>3,971,680</b>	<b>4,039,296</b>	<b>4,142,781</b>	<b>4,268,727</b>

\* Original Investments were made between 26/08/2015 and 31/11/2015.

45. The Council's Property Fund which is with the CCLA (Churches Charities Local Authorities) suffered from the volatility in the Corporate Property markets following the referendum, which led some funds to suspend trading, although the CCLA remained trading and had no share redemptions during this period. The Council's investment in this fund over time has been £6,000,000 with the fund valued at £7,159,552 as at 31<sup>st</sup> March 2016. The volatility in the markets led the fund to be written down by 3.16% to £6,933,364 representing a reduction of £226,188.

However, even following this write down the Council still has a buffer of £933,364 (circa 15%) capital growth.

46. A full schedule of the treasury management positions as at 19<sup>th</sup> August 2016 are shown at Appendix A.

47. Portfolio Holder's Views

48. To be given at the meeting

49.

**Contact:** Maria Seddon

**Email:** [Maria.seddon@ashford.gov.uk](mailto:Maria.seddon@ashford.gov.uk)

## Treasury Management Portfolio as at 19th August 2016

Counter Party	Deal Date	Rate %	Amount £	Comment
<b>Temporary Investments</b>				
Lloyds Banking Group	04/01/2016	0.80	3,000,000	175 day notice account
<b>Total Temporary Investments</b>			<b>3,000,000</b>	
<b>Long Term Investments</b>				
Blaenau Gwent	21/10/2014	2.00	3,000,000	Matures 21/10/2019
Newport City Council	10/11/2014	1.50	2,500,000	Matures 10/07/2017
<b>Total Long Term Investments</b>			<b>5,500,000</b>	
<b>Investment Accounts</b>				
Santander	Various	0.50	500,000	Deposit Account
Handelsbanken	Various	0.50	3,000,000	Deposit Account
National Westminster Bank plc	Various	0.25	298,583	Deposit Account
Goldman Sachs	Various	Variable	50,000	AAA rated deposit facility *
Federated MMF	Various	Variable	1,500,000	AAA rated deposit facility *
ICD Portal - Invesco	Various	Circa 0.42	5,000,000	AAA rated deposit facility *
ICD Portal - BNP Paribas	Various	Circa 0.43	5,000,000	AAA rated deposit facility *
ICD Portal - Black Rock	Various	Circa 0.39	5,000,000	AAA rated deposit facility *
ICD Portal - HSBC	Various	Circa 0.34	4,500,000	AAA rated deposit facility *
<b>Total Investment Accounts</b>			<b>24,848,583</b>	
Local Authority Property Fund	Estimate	4.90	6,933,364	Rate is Net of Management Fees (Variable Rate of Return)
<b>Total pooled funds Accounts</b>			<b>6,933,364</b>	
City Financial Multi Asset Diversified Fund	27/08/2015	2.5% Est	1,020,637	Long term investment **
UBS Multi Asset Income Fund	26/08/2015	2.5% Est	1,019,475	Long term investment **
M&G Global Dividend Fund	27/08/2015	2.5% Est	1,231,373	Long term investment **
Schroder Income Maximiser	03/11/2015	2.5% Est	997,241	Long term investment **
<b>Total Equity funds **</b>			<b>4,268,726</b>	
<b>Total Investment Portfolio</b>			<b>44,550,673</b>	
<b>Long Term Borrowing</b>				
Public Works Loan Board***	various	various	119,664,150	Maturity Date - various
<b>Total Long Term Borrowing</b>			<b>119,664,150</b>	
<b>Grand Total Borrowing</b>			<b>119,664,150</b>	

\* Money Market Fund (MMF) are AAA rated deposit facilities which have variable rates of interest but have constant net asset values.

\*\* Equity funds have variable rates of interest and also have fluctuating capital values

\*\*\* HRA borrowing