



CABINET

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on
Thursday, 29th June, 2023 at 7.00 pm.

Agenda

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7. Final Outturn 2022/23 (to follow)

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Agenda Item No: 7
Report To: Cabinet
Date of Meeting: 29 June 2023
Report Title: Financial Outturn 2022/23
Report Author & Job Title: Lee Foreman – Service Lead Finance
Portfolio Holder: Cllr Ovenden - Leader of the Council
Portfolio Holder for: Prosperity and Resource

Summary:

2022/23 was a very challenging financial year for the Council with inflation and interest rates rising rapidly and unexpectedly.

The general fund reports a deficit of £484,000 for the year overall with a **£1.8m pressure in operational budgets.**

There was also significant draw on reserves in year with operational reserves reducing by £1.8m.

Looking forward, the operational overspend will need to be reviewed and factored into future medium term financial planning (MTFP) assumptions, and will add further pressure to future budgets and increase the need for savings. Equally reserve funded projects may need reviewing as the focus for using reserves shifts from funding projects to balance the MTFP.

The Housing Revenue Account had a net deficit of £74,000 in year against a budgeted surplus of £1.5m resulting in an adverse movement of £1.6m, this largely related to depreciation charges on new properties.

The HRA capital programme had an underspend of £1.8m in year due to resourcing issues within the service, this is being addressed and the surplus will be retained in the major repairs reserve to fund future works.

Key Decision: No
Significantly Affected Wards: All, none significantly

The Cabinet is asked to:-

- I. **Note the financial outturn for 2022/23**
- II. **Note the Capital Outturn, Collection Fund position, and Treasury management update**
- III. **Approve the provisional reserve transfers and position (Table 2).**

- IV. **Note the Looking forward section of the report**
- V. **Delegate to the Chief Financial Officer the responsibility to make any minor changes to reserves in consultation with the Leader.**
- VI. **Note the update and continued support for Tenterden Leisure Centre while a new long term operator is tendered for.**

Policy Overview: Upholding a strong focus on managing the Council's resources in line with the Medium Term Financial Plan which includes corporate savings targets as a top priority for the Council. This is exercised through our regular monitoring procedures and the responsibilities that managers have for the stewardship of budgets.

Financial Implications: The General Fund outturn shows a deficit of £484,000 after transfers to and from reserves.

The Housing Revenue Account resulted in a deficit of £74,000 in year against a budgeted surplus of £1.5m, an adverse movement of £1.6m.

Various transfers to and from reserves have been made with the overall level of earmarked reserves decreasing by £4.2m, of which reserves for operational purposes dropped £1.8m in year.

Legal Implications: N/a

Equalities Impact Assessment N/a

Exempt from Publication: N/A

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Report Title: 2022/23 Outturn Report

Introduction and Background

1. Following the closure of the 2022/23 service accounts this report provides Members with the outturn results for the General Fund (GF) and the Housing Revenue Account (HRA) for 2022/23. It covers outturn of capital spending, collection fund, reserve movements and an update on treasury management. A section entitled 'looking forward' has also been included within the report highlighting some of the key risks being faced by the Council as we progress through 2023/24 as a result of the ongoing economic conditions.
2. Members are being asked to note the outturn position for 2022/23 for the GF and HRA, the capital outturn, the collection fund, and treasury management position. Members are also asked to approve the reserve transfers position as shown in **Table 2** of this report, and note the Looking Forward section and Tenterden Leisure Centre update at Appendix D.
3. Following 2022/23 budget setting the outlook was shifted quickly as Russia was building up forces on the Ukraine border, driving up energy prices and inflation which was at 9% at the commencement of the year. Interest rates then followed suit to try and bring inflation under control and despite a year of consecutive rises, more are potentially needed. At the time of writing this report inflation was still at 8.7% and interest rates at 4.5% with strong expectations of further rises. These economic pressures impacted service expenditure across the Council but also contributed to additional demand on services, especially homeless representations.
4. The government reacted to the cost of living crises by capping energy costs, and by providing a number of cost of living payment initiatives which the Council's Revenues and Benefits Team helped administer.
5. The impact on interest rate rises will have mixed impacts for each authority depending on whether it is a net lender or borrower.
6. With continued high inflation and with possible further interest rate rises, 2023/24 is forecast to bring further financial challenges to the Council and its residents as costs continue to rise.

2022/23 General Fund Outturn

7. The final outturn position was a deficit of £484,000 over the approved budget, as shown at **Table 1** below. Narrative explaining the movements in each service are covered at **Appendix A**.
8. The overall pressure of £484,000 masks a number of bigger issues that need to be addressed as part of our budget strategy going forwards:
 - a. **Service spending pressures** have been high for a number of years and have previously been supported by investment income and reserves. **Use of reserves to fund budget pressures is unsustainable in the long term.**
 - b. **Reduction in operational reserves by £1.8m in 2022/23 -** Operational reserves are a finite resource that are starting to be drawn

on considerably to support funding pressures during the current economic crises as intended.

- c. There is an increase in ring fenced grants (such as the Port and Refugee Schemes) but also from S106 receipts, while this is positive the ring-fencing of government funding reduces flexibility.
 - d. **Spending to maintain an aging property portfolio** – the Council has an aging property portfolio that both needs revenue and capital spend, the latter adding to revenue pressures (debt costs).
 - e. **Significant number of projects funded from reserves** - As can be seen from the reserves section of this report the Council is funding a lot of work streams through reserves.
9. The pressures in services expenditure will need to be closely monitored in 2023/24 and will be a major consideration in preparing next year's medium term financial plan. A section on looking forward to 2023/24 has been included within this report to highlight some of risks already emerging for 2023/24.

Table 1 - General Fund Outturn

General Fund Summary at Assistant Director Level	2022/23 Original Budget	2022/23 Current Budget	2022/23 Final Outturn	Variance
		A	B	B-A
	£'000	£'000	£'000	£'000
Finance and IT	2,331	2,283	1,550	(733)
HR, Customer Services, Comms and Digitalisation	630	462	389	(73)
Housing	1,259	1,237	2,197	960
Safety Wellbeing and Port	761	652	925	273
Environment, Property and Recreation	5,267	5,082	6,522	1,440
Planning and Development	2,356	2,309	2,525	216
Corporate Management Costs	935	1,650	1,492	(158)
Head of Economic Development	630	686	660	(26)
Head of Performance and Policy	1,442	1,353	1,335	(18)
Solicitor to The Council and Monitoring Officer	411	305	242	(63)
Total Service Expenditure	16,022	16,019	17,837	1,818
Capital Charges & Net Interest	(2,154)	(2,154)	(2,998)	(844)
Levies, Grants and Precepts	282	282	298	16
Revenue Contribution to Capital	0	0	145	145
Contribution to Balances	1,944	1,947	2,025	78
Budget Requirement	16,094	16,094	17,307	1,213
Financing:				
Retained Business Rates	(4,685)	(4,685)	(5,375)	(690)
Government Grants	(398)	(398)	(297)	101
Rural Services Delivery Grant	(87)	(87)	(87)	0
New Homes Bonus	(1,886)	(1,886)	(1,886)	0
Council Tax	(9,038)	(9,038)	(9,178)	(140)
Total Financing	(16,094)	(16,094)	(16,823)	(729)
Total	0	0	484	484

10. Appendix A has additional narrative on the individual service pressures, however the main pressures to note are:
- a. Homelessness increase in demand adding - £900,000
 - b. F Utilities - £325,000, primary increase in Car Parking and Facilities Management.
 - c. Refuses and recycling inflation of contract – £385,000
 - d. Leisure centres (Stour and TLT) - £377,00 for re-profiling income stream although this will be recovered over the life of the contract, TLC was supported by £900,000 of reserves to stay open, further facility works were conducted on both sites.

Transfers to/from Reserves

11. The reserve positions as at the 31 March 2023 are tabled below, there is also a summary and details of significant movements to and from reserves in the section below. A list summarising the purpose of each reserve is included at **Appendix C**.
12. **The Cabinet are asked to endorse these allocations and note the reserve positions in Table 2 and note the delegation at recommendation 5.**

Table 2 - Summary of Earmarked Reserves

Earmarked Reserves				
	Balance at 31 March 2022	2021/22		Balance at 31 March 2023
	£'000	Transfers In £'000	Transfers Out £'000	£'000
General fund general reserves	(2,602)	0	0	(2,602)
<u>Earmarked general fund reserves</u>				
Recovery Project Reserve (now including Victoria Park)	(1,093)	(0)	333	(760)
Improvement Delivery Fund	(3,000)	(1,886)	87	(4,799)
Fund Future Expenditure (Risk, Legislation, Transformation)	(6,104)	(1,268)	325	(7,047)
Economic Growth and Risk Fund	(8,346)	(1,129)	3,257	(6,218)
Climate Change Delivery Fund	(2,000)	(0)	1,105	(895)
Provide for Maintenance of Assets	(4,932)	(783)	1,853	(3,862)
Useable for operational purposes	(25,475)	(5,067)	6,961	(23,581)
Required by Statute Reserves and other ring fenced amounts	(11,871)	(3,764)	7,264	(8,371)
Developer contributions	(7,220)	(2,499)	1,297	(8,422)
Ring fenced reserves	(19,091)	(6,263)	8,561	(16,793)
Total Useable Reserves	(47,168)	(11,330)	15,522	(42,976)

13. Earmarked reserves are balances held for specific purposes, at the end of the year transfers to and from earmarked reserves reduced the reserve by £4.192m resulting in reserve balances of £42.976m.
14. This reserve total includes General Fund balances of £2.6m which is lower than the recommended level of 15% of the Net Budget Requirement for 2023/24, the reserve therefore will need to be increased to £2.8m within 2023/24.
15. Significant movements in operational reserves are detailed below:-
 - a. **Fund future expenditure reserve**
 - i. Transfer of business rates pool funding to reserve £1.268m.
 - ii. Section 31 grant from reserves to support collection fund £6.3m.
 - iii. Transfer from planning reserve to support one off projects £125,000.
 - iv. Various smaller projects funded from reserves £200,000.
 - b. **Improvement Delivery Fund**
 - i. Transfer of new homes bonus to reserve as per budget, £1.9m.

c. Economic Growth and Risk Fund

- i. Transfer £290,000 of insurance receipts received in year to fund insurance risk under new contract.
- ii. Transfer £400,000 of subsidiary arrangement fee to reserves to support future risks.
- iii. Move £440,000 of MRP funding to risk reserve.
- iv. Funding of previous years costs relating to Vicarage lane project, £1.6m.
- v. Transfer to clear annual deficit £484,000.
- vi. Funding of Tenterden Leisure Centre £900,000.
- vii. Funding work towards resolving Stodmarsh £140,000.

d. Climate Change Delivery Fund

- i. Decarbonisation works at Tenterden Leisure Centre £968,000.
- ii. Funding of climate change team, £130,000.

e. Provide for Maintenance of Assets

- i. Transfer of £600,000 to reserve as per budget.
- ii. Transfer Aspire income to reserve to fund future equipment costs, £170,000.
- iii. Fund Acoustic dampening for Stour Centre Heat Pump £270,000.
- iv. Fund maintenance of Play Parks - £140,000.
- v. Fund Edinburgh Car park works £170,000.
- vi. Fund Tenterden Leisure Centre works, including roof, £620,000.
- vii. Fund Aspire equipment totalling £280,000.
- viii. Contribute to Victoria Park rejuvenation works, £160,000.

2022/23 Housing Revenue Outturn (HRA)

17. The outturn on the HRA is showing net deficit at year end of £74,000 which represents an overspend against the original budget of £1.6m for the year as shown at **Table 3**. The key movements in the HRA are detailed below the table with the deficit being funded from the HRA reserve.

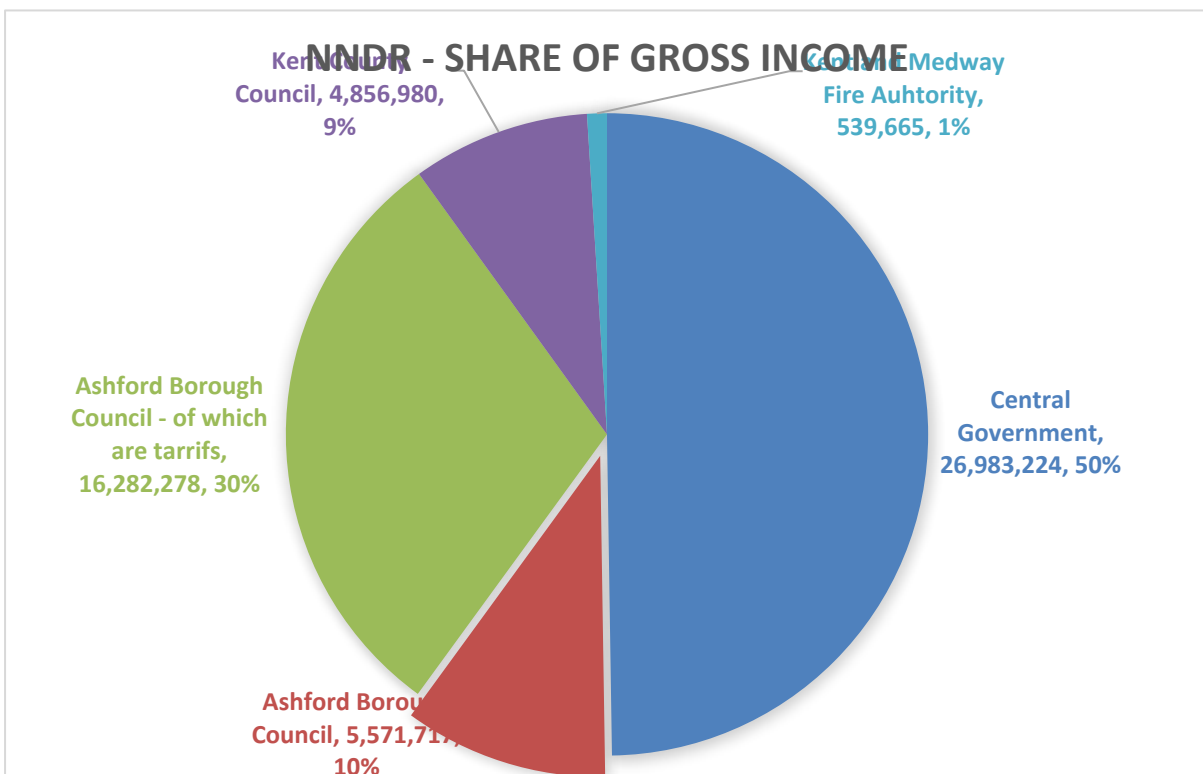
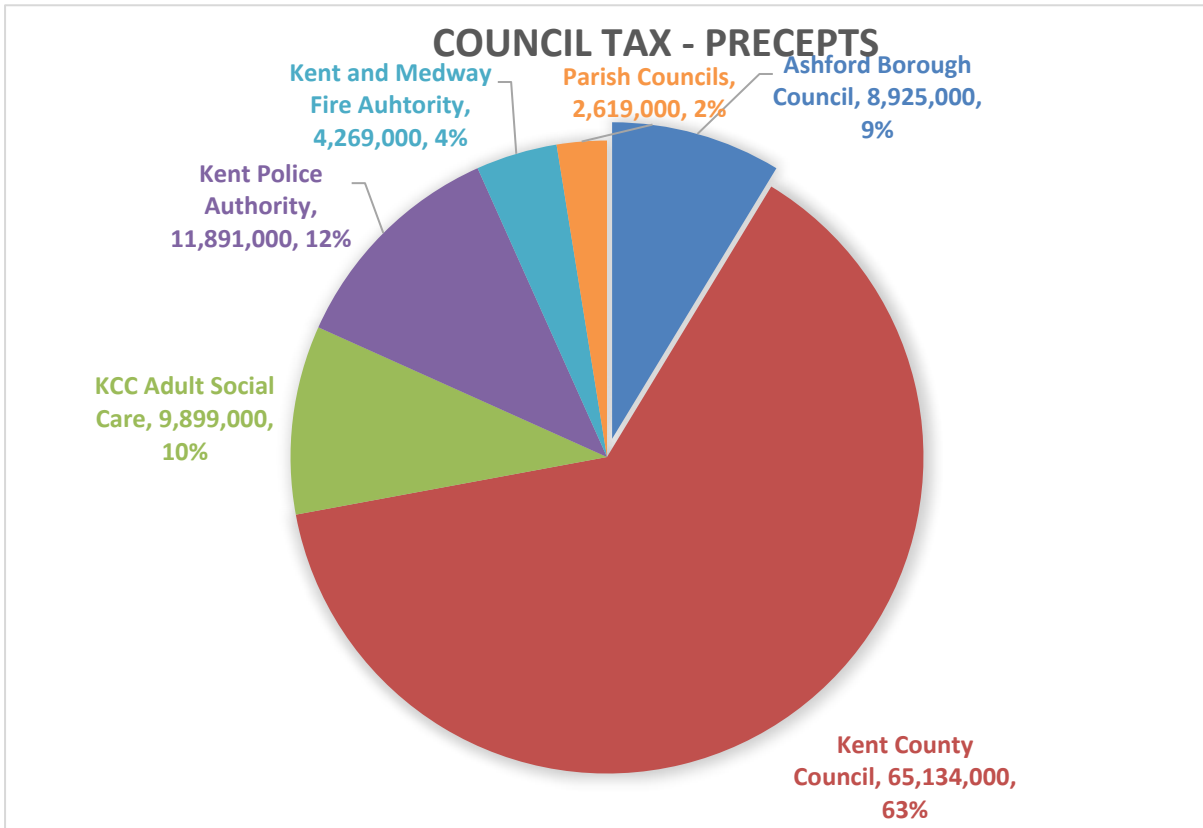
Table 3 – 2022/23 Housing Revenue Account Outturn

Housing Revenue Account	2022/23 Original Budget	2022/23 Revised Budget	Adjusted Actuals	Annual Variance (Outturn - Budget 2)
		A	B	B-A
	£'000	£'000	£'000	£'000
Income	(28,775)	(28,775)	(29,339)	(564)
Supervision and Management	6,732	6,732	7,180	448
New Build	201	201	8	(192)
Other	15,960	15,960	17,807	1,848
Repairs and Maintenance	4,347	4,347	4,417	70
Net Revenue Expenditure	(1,536)	(1,536)	74	1,610
Capital Works - Decent Homes	6,142	6,142	4,286	(1,856)
Financed By:				
Major Repairs Allowance (from self-financing determination)	(6,142)	(6,142)	(4,286)	1,856
Total Net Expenditure	(1,536)	(1,536)	74	1,610

18. **Income** – Additional income of £564,000 was received in the 2022/23 financial year, to provide context this is less than 2% of the total income budget.
19. **Supervision & Management** – the overall pressure in this area was £448,000. Of this amount £112,000 relates to Council Tax Premium at Oakleigh House which remains empty, there was also £543,000 increase in utility costs with £456,000 linked to Independent Living schemes. Salary savings and IT development savings generated a saving of £186,000.
20. **Other** – The significant contribution to spend in this areas was Capital Charges (depreciation) relating to the New Quarter properties that were not factored into the original budget. There was also an increase in the provision of bad debts of £134,000.
21. **Capital Works** – Planned capital works were not completed as forecast due to resourcing issued within the planned maintenance team. This surplus funding will be retained within the HRA major repairs reserve for future use. However there may be knock on effects of these delays affecting tenant complaints and increased responsive repairs.

Collection Fund Outturn

22. 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). The graphics below shows how the 2023/24 collection will be distributed:



23. Overall the collection rates for both Council Tax and Business Rates are in-line, albeit slightly lower, than pre-pandemic averages, but continuing to improve year on year. The final in-year collection rates for 2022/23 were 97.5% for Council Tax and 98.6% for Business Rates (2021/22 rates of 97.4% and 97.6% respectively).

Council Tax

24. The year-end position for Council Tax shows an in-year deficit of £208,353, with an overall deficit of £1,405,253 after prior year distributions.
25. The Council's share of the overall deficit is £158,416. The in-year position is broadly in line with the estimates reported throughout the year, however the bad debt provision has increased by £1,169,270. This was due to a change in the way the provision was calculated, using actual historical figures, as opposed to an estimate.

Table 4 - Council Tax Position

	Original Forecast	Final Outturn	Variance
	2022/23	2022/23	
	£'000	£'000	£'000
Opening Deficit/Surplus	(3,505)	(3,505)	0
Surplus/(Deficit) Contributed by Major Preceptors	3,891	4,702	811
2022/23			
Amount of Council Tax to be Paid to Major Preceptors	97,347	97,347	0
Amount of Council Tax Billed	(97,347)	(97,325)	22
In Year Write Offs and Bad Debt Provision Increase/(Decrease)	(983)	186	1,169
In Year (Surplus)/Deficit	(983)	208	1,191
Overall (Surplus)/Deficit	(597)	1,405	2,002

Business Rates

26. The amount of Business Rates billed is £3.725m less than originally forecast, this is largely due to successful appeals, by supermarkets, against their rateable value. This national trend of supermarket appeals has been anticipated during the financial year, and reported through the quarterly monitoring reports.
27. The Kent Business Rates Pool has reviewed appeals provisions and recalculated the potential risk to be 2.7% of net rates payable and this continues to be a suitable general provision. Therefore, the provision for appeals charged against the collection fund has been increased to £2.860m for 2022/23, from £2.654m in 2021/22.
28. Collection rates in this area have improved significantly, and are back to around pre-pandemic levels (98.6% in 2022/23, compared to 97.6% in 2021/22, and 98.7% in 2019/20). Again, in line with the change in methodology outlined for Council Tax, the provision for bad debts has been increased from £720,445 (2021/22) to £833,886 (2022/23), to reflect actual historical collection rates.
29. Taking into account all these factors, the final position at 31/03/23 was a surplus of £1.238m, the Council's share of this surplus is £495,000, as shown in Table 5 below.

Table 5 - Business Rates Position

	Original Forecast 2022/23 £'000	Final Outturn 2022/23 £'000	Variance £'000
Opening (Surplus)/Deficit		13,285	
Deficit paid to Major Preceptors		(16,771)	
		(3,486)	
2022/23			
Amount of Business Rates to be Paid to Major Preceptors	49,326	49,326	0
Amount of Business Rates Billed	(52,038)	(48,313)	3,725
Transitional Relief (Recovered)/Payable	0	77	77
Other Items Charged to the Collection Fund:			
Appeals and Rateable Value Reductions	1,500	514	(986)
Bad and Doubtful Debts	900	347	(553)
Renewable Energy	106	98	(8)
Cost of Collection	205	199	(6)
In Year (Surplus)/Deficit	(1)	2,248	2,249
Overall (Surplus)/Deficit	(1)	(1,238)	(1,238)

Kent Business Rates Pool Update

30. The Council continues to be a member of the Kent Business Rates Pool. The benefit of pooling is that the levy paid to Government is significantly lower than if the Council had acted individually, resulting in an estimated net benefit of £2.1m to the Pool from Ashford's result.
31. Under the pooling agreement for 2022/23, Ashford Borough Council retains 30%, or £633,762 of this benefit, while a further 30% goes to Kent County Council, and 30% is put into a 'Growth Fund' for Economic Development within Ashford, with the remaining 10% being provided to shadow pool members and provide for future risk.
32. The benefit of the levy was not budgeted for in 2022/23, as the success of the Pool is dependent on all of the members being in net growth positions, i.e. no member(s) requiring assistance that would exceed the aggregate Safety Net Reserve (created from the 10% contingency contributions for making safety net and related payments).
33. The amount receivable, estimated as £1,267,524 (being 30% direct share plus 30% growth fund share) has been transferred into reserves.

Capital Outturn

34. In addition to the Revenue Budget the Council operates a Capital Programme.
35. As part of the closing process the capital spending for the year is assigned to various assets, and funding identified. Details of capital spend and financing are contained in the 2023/24 Budget Book which is available on the Council's website.
36. The Council uses many sources of funding for projects including Section 106 Developer Contributions, Homes & Community Agency Grants, other grants, Council's capital receipts, revenue reserves and borrowing.
37. Major projects during 2022/23 included:
 - a. Newtown Works Phase 1 commenced in May 2022 to deliver an education facility for Ashford College and circa 300 residential units. The development has been awarded £14.7m from the Governments Levelling up Fund of which £3.9m was received in year.
 - b. Decarbonisation works at Tenterden Leisure Centre of which £2m was funded from external grant and £465,000 from Climate Change Reserve.
 - c. Victoria Park Rejuvenation £2.3m, funded by £1.7m from external grants and £386,400 from Section 106 contributions.
 - d. Purchase of five properties costing £1.2m under the Rough Sleepers Accommodation Programme which is part funded from external grant, receiving £486,600 in year.
 - e. Street Purchase scheme during 2022/23 saw just five units added to the HRA portfolio costing around £1.3m. Capital receipts totalling £537,800 from the sale of RTB (right to buy) Council properties supported these costs.
 - f. Works completed on the Halstow Way (Brickworks) costing £2.7m, Homes England grant funding was secured on this acquisition totalling £255,000.
 - g. Spend on existing housing stock through the planned maintenance programme amounted to £4.2m.

Table 6 – Summary of Capital Spending and Financing

	£'000	2022/23 £'000
<i>Capital investment</i>		
General Fund capital expenditure	16,161	
HRA capital expenditure	<u>7,949</u>	
Total expenditure		24,110
<i>Sources of finance</i>		
Prudential borrowing	<u>6,417</u>	6,417
Capital receipts		
- 1-4-1 capital receipts	809	
- General capital receipts (HRA)	400	
- General capital receipts (GF)	<u>861</u>	2,070
Grants and contributions		
- External grants and contributions	<u>8,629</u>	8,629
Contribution to/(from) Major Repairs Reserve	<u>4,220</u>	4,220
Direct revenue contributions		
- General Fund financing	1,192	
- Project NNDR funded	0	
- HRA Revenue contributions	0	
- Developer contributions	<u>407</u>	2,774
Total financing		24,110

Table 7 – Capital Receipts

	£'000	Total Received £'000
Right to Buy Sales Receipts		3,059
<u>Less</u>		
Admin Costs		
Government share (Pooling liability)	0	0
<u>Other Capital Receipts</u>		
Other HRA Capital Receipts		27
General Fund Capital Receipts		639
Total Capital Receipts		3,725
Housing Revenue Account Receipts		
<i>Unringfenced receipts</i>		624
<i>1-4-1 capital receipts for affordable housing</i>		2,235
Total HRA Receipts		2,859
General Fund Receipts		866

2022/23 Treasury Management Position (Capital Charges and Net Interest)

38. The breakdown of the Capital Charges and Net Interest line is shown below at **Table 8**. This table shows the Interest Payable and receivable budget, Minimum Revenue Provision (MRP) and depreciation. The MRP is a statutory payment the Council has to make to offset the costs of capital borrowing over the life of the associated asset.

Table 8 – Capital Charges and Net Interest

	2022/23 Original Budget	2022/23 Current Budget	2022/23 Final Outturn	Variance
		A	B	B-A
	£'000	£'000	£'000	£'000
Interest payable	945	945	1,040	95
Interest receivable	(2,821)	(2,821)	(3,557)	(736)
Minimum revenue provision	1,664	1,664	1,462	(202)
Depreciation	(1,942)	(1,942)	(1,942)	0
Total Net Interest	(2,154)	(2,154)	(2,998)	(844)

39. **Interest Payable** – Additional interest of £95,000 was paid in 2022/23 as interest rates increased. This position would have been worse had the Council's subsidiary, A Better Choice for Property Ltd. had been able to draw down loan funding as originally anticipated, although ongoing Stodmarsh issues are still delaying development. The Council also benefited from a number of 1 year loan deals that were taken last march at competitive rates before the increases. As these loans mature and need re-financing the rates will be at considerably higher.
40. Due to the increase in rates the Council did not take any longer term debt and used the additional budget to support the rise in short term debt costs. Going forward the Council will need to manage the increased interest payable levels in the short term until interest rates start to decline, the situation will constantly be kept under review.
41. A full list of the Council's borrowing positions at year end are shown at **Appendix B**.
42. **Interest Receivable** - The performance of strategic investments performed better than expected in the market conditions and delivered £736,000 more than anticipated. However, there are a number of distinct areas that make up that net position which are covered below:-
- Property Company**, as discussed in interest payable paragraph above, where loans are not drawn by the Property Company they do not requires financing, but equally they do not generate interest receipts to the Council creating a pressure of £555,000.
 - Strategic investments** – these investments delivered and additional £680,000 of income in total with equity funds delivering an additional

£285,000, and due to increases in interest rates liquid cash deposits generated and additional £330,000, the CCLA Property fund delivered an additional £65,000.

- c. **Ashford International Development Company (AIDC)** – the Council makes loans to its 65% owned subsidiary AIDC for the New Town Works Development. The loan was not budgeted for in 2022/23 and generated a receipt of £613,000 to the Council.
43. **Capital Values** – At the end of 2022/23 the capital values for long term investments was £30.6m, a decrease of £2.9m in year. The biggest drop was with the CCLA Property fund which dropped by £2.3m in year reversing significant gains in 2021/22. The overall portfolio is slightly below the original investment value although the funds are expected to recover over time. This position does limit the ability to exit funds though without crystallising losses.
 44. With current global tensions, persistent inflation and the continued risk of recession strategic funds will continue to be monitored on a regular basis in conjunction with the Council’s Treasury Management Advisors Arlingclose.
 45. **Minimum Revenue Provision** – There was a saving on MRP of £202,000 due to the profiling of Park Mall to represent a longer asset life.

Looking forward to 2023/24

46. The current financial climate is seeing inflation remain higher than anticipated than in the medium term financial plan which will add further pressure to service expenditure in year, and while many the pressure will be small and difficult to capture they will be significant across all services. Interest rates have also gone higher than expected and therefore the interest payable budget for 2023/24 will be higher, as will projections in the next medium term financial planning cycle.
47. Many households are coming under continued pressure from rising costs which could have an impact of corporate collection rates, and discretionary income levels. Equally demand on support services could increase.
48. A further review will be conducted as part of the first quarter monitoring but there are already some areas of concern that should be highlighted:-
 - a. **Tenterden Leisure Centre (TLC)** – the Council has committed to supporting the operation of TLC since the Covid pandemic and during the replacement roof works. At the start of May 2023 a new interim operator (Freedom Leisure) has taken over the operation of the site from the previous incumbent Ashford Leisure Trust. The new arrangement will see the support package dramatically reduce over 2023/24 with support estimated at £484,000 for the 11 Months of operation. Forecasting by Freedom shows the support reducing over the period of the interim arrangement. This support will put the centre in a much stronger position as it looks to re-tender for a permanent long term operator. A further update is provided at **Appendix D**.
 - b. **Borrowing costs** – Continued interest rate rises above expectation and with more to come have moved actual rates beyond the levels forecast in the MTFP, there are also ongoing delays in the Property Company loan drawdowns for development as a result of ongoing restrictions relating to Stodmarsh. It is anticipated that the Council will have a pressure of £485,000 from Property Company Loans not being drawn, in addition to a general increase in borrowing costs of £335,000. There is forecast to be some additional income from liquid cash investments of £220,000 leaving an overall pressure of £600,000 in year. These increases will also need to be built in to the new MTFP.
 - c. **Temporary Accommodation** – the need for temporary accommodation to support homelessness requirements continues to be at an elevated level. Early indications indicate that there will be an additional pressure of £500,000 in year allowing for a steady increase in representations moving through the year. Some of the pressure also comes from delays in the Council procuring its own provision including Henwood and RSAP properties (rough sleeper accommodation programme).
 - d. **Refuse collection contract** – the new waste contract does not come online until March 2024 and we are currently in an interim arrangement. The interim arrangement include a mid-year uplift to protect the contractor from further pressures although current monitoring indicates that the approved budget will be sufficient, although this will be monitored moving forward as actual data becomes available.

- e. **Collection rates**– the Council has a number of significant income streams that are related to residents/businesses ability to pay including Council Tax, Business Rates and Housing Rent. The current and continued cost of living crises will place household and business finances under pressure and could impact Council collection rates. Collection rates will be monitored in year and pressures reported accordingly.
 - f. **Discretionary Services** – the council operates a number of discretionary services that support the revenue budget of the Council including planning fee income, car parking charges, and garden waste bins. As household finances worsen these services could see a reduction in usage/subscription that could impact resources. These income streams and usage data will need to be consider moving forward to forecast in year and possible future year pressures.
 - g. **Reserves** – There was a significant draw on reserves in 2022/23 which saw operational reserves significantly reduce. In previous years reserves have been topped up from New Home Bonus and Business Rates Pooling although from 2023/24 they are being used to fund revenue budgets. Without these contribution reserves balances will sharply reduce if existing spend is not brought under control.
 - h. **Savings requirement already identified** – the 2022/23 budget was balanced through the use of reserves as savings are identified and implemented across the organisation. These savings are being developed and will be reported in financial monitoring reports accordingly and must be delivered. However, with worsening economic conditions further savings may need to be developed which takes time, and therefore further draws on reserves may be necessary to bridge this gap.
49. Beyond 2024/25 the additional pressures listed above and continued increase in interest rates and inflation will place further stress on Council budgets. Furthermore with stubbornly high inflation, wage growth requirements could add more stress to the budget, if Ashford needs to deliver a closer to inflation pay award to ensure it can recruit and retain the best staff.
50. The themes discussed above, in addition to the requirement to deliver significant savings in year will continue to be reported through financial papers that come to various committees, to ensure financial pressures can be tackled head on through savings, efficiencies and innovative income generating opportunities.

Implications and Risk Assessment

51. The figures in the published Accounts may change if the audit identifies a need, this may lead to a change in the reported outturn.

Consultation Planned or Undertaken

52. As part of routine budget monitoring all budget holders are consulted about their outturn estimates and this forms the basis of the outturn forecasts. Services have been consulted for explanations of variances.

Next Steps in Process

53. This report will support the statement of Accounts. The Accounts will be audited in November and signed off by the Audit Committee once confirmed.
54. Any material changes as a result of the external audit will be reported to the Audit Committee.

Portfolio Holder's Views

55. To be given at the meeting.

Contact and Email

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General Fund Summary and Narrative of Significant Movements

General Fund Summary at Assistant Director Level	2022/23 Original Budget	2022/23 Current Budget	2022/23 Final Outturn	Variance
		A	B	B-A
	£'000	£'000	£'000	£'000
Finance and IT	2,331	2,283	1,550	(733)
HR, Customer Services, Comms and Digitalisation	630	462	389	(73)
Housing	1,259	1,237	2,197	960
Safety Wellbeing and Port	761	652	925	273
Environment, Property and Recreation	5,267	5,082	6,522	1,440
Planning and Development	2,356	2,309	2,525	216
Corporate Management Costs	935	1,650	1,492	(158)
Head of Economic Development	630	686	660	(26)
Head of Performance and Policy	1,442	1,353	1,335	(18)
Solicitor to The Council and Monitoring Officer	411	305	242	(63)
Total Service Expenditure	16,022	16,019	17,837	1,818
Capital Charges & Net Interest	(2,154)	(2,154)	(2,998)	(844)
Levies, Grants and Precepts	282	282	298	16
Revenue Contribution to Capital	0	0	145	145
Contribution to Balances	1,944	1,947	2,025	78
Budget Requirement	16,094	16,094	17,307	1,213
Financing:				
Retained Business Rates	(4,685)	(4,685)	(5,375)	(690)
Government Grants	(398)	(398)	(297)	101
Rural Services Delivery Grant	(87)	(87)	(87)	0
New Homes Bonus	(1,886)	(1,886)	(1,886)	0
Council Tax	(9,038)	(9,038)	(9,178)	(140)
Total Financing	(16,094)	(16,094)	(16,823)	(729)
Total	0	0	484	484

Narrative on significant service pressure

56. **Finance and IT** had an overall surplus of £733,000 within 2022/23 which included the following variances:
- Net £315,000 from financing agreement with subsidiary having transferred £400,000 to reserves to support future risk.
 - £421,000 of additional grants for Revenues and Benefits including support for the administration of Government support packages.
 - A pressure of £470,000 from a reduction in recovered benefits as people transfer to universal credit. There was also a saving in discretionary housing allowance payments of £250,000.
 - Corporate bad debt provision was reduced by £245,000 based on current aged debt profiles at year end.
 - There was a net pressure of £130,000 in non-distributed costs as a result of restructure redundancy costs and savings in pension backfunding contributions.

- f. ICT had a saving in employee costs of £118,000 following a number of vacancies.
57. **HR, Customer Services, Communications and Digitalisation** reported an overall annual saving of £73,000. This savings was generated from staff savings in the customer contact centre and HR of £50,000, and a saving of £52,000 in the corporate training budget. There was pressure of £15,000 for the residents magazine as printing costs increased.
58. **General Fund Housing** - Homelessness continues to increase and add pressure to the budget with a net movement of £900,000 in year, the team saw a significant increases in single person representations which is attributed to the cost of living crises where friends can no longer afford to support them. The budget anticipated around 100 people in temporary accommodation although the actual figure was between 120 and 150 throughout the year. Increases above budgeted figure are disproportionately more expensive as the budget allows for the consumption of the lower rental cost units within the borough, therefore any further need has to utilise more expensive accommodation.
59. The Council is looking to mitigate some of the additional expense and capacity buy owning its own temporary accommodation units as it has a previously with Christchurch lodge, however delays as a result of Stodmarsh have delayed projects such as Henwood which will provide an addition 23 units.
60. An additional £76,000 of pressure was also identified in the Project Delivery Team as savings originally identified were not deliverable.
61. **Safety, Wellbeing and Port** had a pressure of £273,000 which was largely attributable to an increase in utility charges of £177,000 for the Council's car parks. There was an increase of £118,000 in Environment Health with an increase in establishment costs of £55,000 due to regradings, £28,000 to fund the vacant insurance Officer post and £35,000 of savings originally proposed not deliverable. Community Safety and Licensing also saw costs increase with regrading costs adding £60,000 to the AMC budget, licensing generated additional income of £35,000 from licensing fees. **Ashford Port Health** is still being funded from Government Grant and a further £1.1m was added to the reserve to fund future risks associated with the service once it becomes operational and self-funding.
62. **Environment, Property and Recreation** had an overall pressure of £1.44m in year and included the following movements
- a. Facilities management had a pressure of £287,000 with utility costs increasing by £148,000, there was also reduced income and additional security and cleaning costs for Pitch side and Courtside adding a pressure of £93,000.
 - b. Property Services had an overall pressure of £315,000 for additional security measures to prevent vandalism of the Heat Source pump housing at the Stour Centre during construction, £35,000 increase in public convenience costs, £57,000 for undertaking building surveying works and £200,000 of costs relating to the Vicarage lane project although largely offset by £145,000 of salary savings in Commercial

Projects. Additional spend of £485,000 was required in year for emergency maintenance of assets and this was funded from reserves.

- c. Refuse recycling and street cleansing saw increase costs of £490,000 predominantly from an increase in the collection contract that increased by £385,000 as the contractual uplift was higher than anticipated. Higher recycling container costs of £80,000, reduced garden waste income of £50,000 and increased income from bulky waste collections of £40,000 were the other significant movements.
 - d. Grounds maintenance costs increased by £60,000 with vehicle costs increasing by £90,000 although there was a £25,000 saving in employee costs.
 - e. Recreation had increased pressure of £377,000 in year relating to the re-profiling of Stour Centre income across the term of the contract. The service also provided ongoing support to Tenterden Leisure Centre which has been necessary since the Covid19 pandemic to keep the site open, this is covered in the reserve section of this report, with additional information provided around the ongoing arrangements at Appendix D.
63. **Planning and Development** had an overall pressure in 2022/23 of £216,000 as savings of £160,000 through additional fee income and IT system efficiencies were not fully realised, there was also pressure of £76,000 for increased legal fees for appeal costs.
64. **Corporate Management Costs** – received additional income as a result of legal proceedings where costs were awarded to the organisation.
- Capital Charges and Net Interest**
65. Capital and Net Interest is covered in the Treasury Management section further on within this report.

Treasury Management Portfolio as at 31 March 2023

Counter Party	Deal Date	Rate %	Amount £	Fair Value £
Investment Accounts				
Goldman Sachs	Various		53,459	53,459
ICD Portal - BNP	Various	4.20%	5,984,000	5,984,000
Payden Global MMF	Various	2.14%	3,000,000	2,926,375
Total Investment Accounts			9,037,459	8,963,835
Long Term Investments				
Property Investment				
A Better Choice of Property Ltd.***	Various	0.00%	991,907	2,674,623
CCLA Local Authority Property Fund	Various	5.07%	11,000,000	11,564,850
Equity Funds**				
Aegon Diversified Income Fund	13/05/2019	5.69%	5,500,000	4,803,596
CCLA Diversified Income Fund	Various	3.02%	3,000,000	2,803,984
Ninety One Diversified Income Fund	28/03/2019	4.23%	2,500,000	2,237,431
Schroder Income Maximiser	Various	7.52%	3,500,000	3,077,327
UBS Global Income Equity Fund	29/07/2019	10.71%	1,500,000	1,233,725
UBS Multi Asset Income Fund	Various	6.74%	3,000,000	2,233,961
Total Long Term Investments			30,991,907	30,629,498
Total Investment Portfolio			40,029,366	39,593,333
* Money Market Fund (MMF) are AAA rated deposit facilities which have variable rates of interest but have constant net asset values. Interest rates are shown at the time of producing this report.				
** Equity funds and the Property fund have variable rates of interest and also have fluctuating capital values, the amount stated is the current fair value.				
*** A Better Choice Of Property Ltd. is a solely owned subsidiary of ABC.				

Debt Portfolio as at 31 March 2023

Counterparty	Start Date	Rate	Amount	Maturity Date
		%	£	
Temporary Borrowing				
London Borough of Newham	01/07/2022	1.30%	10,000,000	03/04/2023
West Yorkshire Combined Authority	25/07/2022	1.25%	8,000,000	25/04/2023
West Yorkshire Combined Authority	24/08/2022	1.25%	4,000,000	24/05/2023
West Yorkshire Combined Authority	22/08/2022	1.25%	3,000,000	22/05/2023
North East Derbyshire District Council	16/12/2022	1.20%	5,000,000	15/12/2023
Bedford Borough Council	19/12/2022	3.20%	3,000,000	19/06/2023
City & County of Swansea	04/01/2023	3.80%	5,000,000	04/07/2023
Tendring District Council	05/01/2023	3.40%	5,000,000	05/07/2023
Police & Crime Commissioners for Warwickshire	05/01/2023	3.65%	2,000,000	05/07/2023
Oxfordshire County Council	05/01/2023	4.00%	5,000,000	22/09/2023
Somerset County Council Pension Fund	09/01/2023	4.00%	5,000,000	25/09/2023
Middlesbrough Teeside PF	13/01/2023	3.85%	15,000,000	13/07/2023
Vale of White Horse District Council	24/01/2023	4.00%	5,000,000	23/01/2024
Torfaen County Borough Council	27/01/2023	3.55%	5,000,000	27/04/2023
Cambridgeshire & Peterborough Combined Authority	30/01/2023	4.00%	5,000,000	15/12/2023
Tewkesbury Borough Council	30/01/2023	3.90%	2,000,000	31/07/2023
Cambridgeshire & Peterborough Combined Authority	23/02/2023	4.00%	5,000,000	24/11/2023
Somerset County Council	13/03/2023	4.20%	5,000,000	13/04/2023
East Sussex County Council	27/03/2023	4.60%	5,000,000	27/09/2023
Cherwell District Council	30/03/2023	4.45%	5,000,000	18/05/2023
Wandsworth Borough Council	31/03/2023	4.40%	6,000,000	30/06/2023
Total Temporary Borrowing			113,000,000	
Long Term Borrowing				
Public Works Loan Board - HRA	various	various	111,389,150	various
Public Works Loan Board - GF	13/07/2021	1.56%	13,875,000	13/07/2041
Total Long Term Borrowing			125,264,150	
Grand Total Borrowing			238,264,150	

PWLB Loans Outstanding as at 31 March 2023

Date of Advance	Loan Ref Number	Date of Repayment	Amount Outstanding £	Rate %
28/03/2012	499507	28/03/2024	3,000,000	2.70%
28/03/2012	499503	28/03/2025	3,000,000	2.82%
28/03/2012	499505	28/03/2026	1,000,000	2.92%
28/03/2012	499496	28/03/2027	1,000,000	3.01%
28/03/2012	499509	28/03/2028	2,000,000	3.08%
28/03/2012	499497	28/03/2029	2,000,000	3.15%
28/03/2012	499510	28/03/2030	2,000,000	3.21%
28/03/2012	499498	28/03/2031	8,000,000	3.26%
28/03/2012	499511	28/03/2032	9,000,000	3.30%
28/03/2012	499499	28/03/2033	10,000,000	3.34%
28/03/2012	499512	28/03/2034	11,000,000	3.37%
28/03/2012	499506	28/03/2035	12,000,000	3.40%
28/03/2012	499513	28/03/2036	9,000,000	3.42%
28/03/2012	499515	28/02/2037	16,713,000	3.44%
29/03/2011	498502	29/03/2061	5,951,150	5.26%
13/07/2021	374161	13/07/2041	15,725,000	1.56%
Total HRA Borrowing			111,389,150	
13/07/2021	374159	13/07/2041	13,875,000	1.56%
Total GF Borrowing			13,875,000	

A Better Choice for Property Loans as at 31 March 2023

Loans	Deal Date	Rate %	Amount £	Principal Repaid £	Balance Outstanding £
Loan 3	12/02/2015	2.83%	400,000	(99,956)	300,044
Loan 9	22/07/2017	3.04%	1,445,000	(75,172)	1,369,828
Loan 12	25/03/2018	3.06%	240,000	(11,196)	228,804
Loan 13	04/05/2018	3.13%	2,490,000	(101,891)	2,388,109
Loan 14	05/06/2018	3.06%	1,196,311	(49,806)	1,146,505
Loan 15	05/07/2018	3.10%	113,000	(4,656)	108,344
Loan 16	25/09/2018	3.19%	823,000	(33,060)	789,940
Loan 17*	17/10/2018	3.45%	659,000	(21,713)	637,287
Loan 18	02/11/2018	3.31%	820,000	(28,126)	791,874
Loan 19	09/11/2018	3.29%	6,517,425	(224,495)	6,292,930
Loan 20*	01/02/2019	3.10%	93,890	(3,414)	90,476
Loan 21*	04/02/2019	3.10%	7,103,180	(258,305)	6,844,875
Loan 22	22/02/2019	3.03%	809,240	(30,000)	779,240
Loan 23*	04/03/2019	3.10%	941,360	(34,268)	907,092
Loan 24	17/06/2019	2.80%	160,000	(5,496)	154,504
Loan 25	01/07/2019	2.81%	91,776	(3,143)	88,633
Loan 26	06/09/2019	2.24%	568,400	(22,959)	545,441
Loan 27	08/09/2019	2.24%	3,821,595	(219,542)	3,602,053
Loan 28*	16/04/2020	3.57%	1,208,000	(23,390)	1,184,610
Loan 29*	16/10/2020	3.84%	1,029,820	(14,586)	1,015,234
Loan 30	20/11/2020	3.61%	2,175,000	(37,519)	2,137,481
Loan 31*	08/11/2021	3.22%	427,050	-3,574	423,476
Loan 32*	21/04/2022	4.05%	650,000	-2,096	647,904
Loan 33*	06/10/2022	5.50%	50,000	0	50,000
Loan 34*	12/12/2022	5.25%	1,300,000	0	1,300,000
Total loans to ABCFPL			35,133,047	(1,308,361)	33,824,686

* These loans have been subsequently loaned to the companies subsidiary A Better Choice for Property Development Ltd.

Purpose of reserves

- **General fund balance** is in accordance with the corporate policy that 15% of net revenue budget is held as a minimum level of reserves.
- **Recovery Project reserve** to be used to support the delivery of the corporate plan (formerly recovery plan). Includes Victoria Park rejuvenation works.
- **Climate Change Delivery Fund** will be used to support projects the support the reduction of Carbon within the Borough.
- **Improvement Delivery Fund** will be used to focus on delivering projects in the more deprived areas, and those further afield in the Borough.
- **Economic Growth and Risk Fund**, this fund is held to support pressures arising in the Medium Term Finance and risks associated with economic growth. These risks will be monitored regularly and as risks dissipate these reserves can be redistributed.
- **Fund Future Expenditure (Risks, Legislation and Transformation)** - this reserve is to manage unforeseen risk that may come from legislative changes that could impact on the activities of the Council or funding streams, such as the New Homes Bonus and Fair Funding review. £900,000 will be allocated to Transformational projects that look to make services more accessible and efficient to absorb future capacity and improve services.
- **Provide Maintenance of Assets** – The Council has significant general fund assets that need to be maintained to ensure they are fit for purpose and last into the future. This reserve in addition to the annual allocations will enable appropriate maintenance of these assets. This reserve needs to be reviewed regularly and increased as the Council acquires new assets.
- **Required by Statute Reserves and Other Ring Fenced Amounts** – this reserve protects surplus funds from ring fenced services such as Ashford Port Health, Land Charges and Building Control. These reserves cannot be used for other purposes.
- **Developer contributions** are funds the Council hold primarily from S106 Contributions and have to be spent in accordance with the S106 agreements.

Tenterden Leisure Centre - Update

1. Tenterden Leisure Centre Trust (TLCT) surrendered their lease of Tenterden Leisure Centre on 30th April 2023, and Serco ceased being the leisure operator on this date. The 31st April 2023 also coincided with the end of the Support Agreement the Council had put in place to financially support TLCT and Serco from the impact of the Covid-19 pandemic. The Support Agreement has cost the Council £1.6m over a 2 year period.
2. The Council has agreed for Freedom Leisure to operate Tenterden Leisure Centre for an interim 2 year period, whilst a full procurement exercise is run to appoint a long term operator. Freedom Leisure began operation on 1st May 2023, and a seamless handover was achieved with service continuity. Freedom Leisure re-opened the swimming pool on 1st June 2023.
3. Freedom Leisure's 2 year interim agreement is based on an open book approach, with the Council paying the cost of any operating deficit, and any surplus split 50/50. The forecast for 2023/24 shows an operating deficit of £468,000.
4. There has been a requirement to complete works at the centre relating to health & safety, essential maintenance and redecoration. The cost of these works is £192,000, and is separate to Freedom Leisure's open book operating account. The works have allowed Freedom Leisure to operate the centre in a safe and effective manner, and have provided a visual uplift and improved customer experience.
5. Freedom Leisure have identified a number of additional centre improvements:
 - a. **New air conditioning units in gym and studios (£29,000):** the current air conditioning units are end of life, frequently break down, and struggle to maintain the correct temperature in the activity areas. It is the cause of a significant number of customer complaints.
 - b. **Health & Fitness upgrade (£155,000):** covering new fitness equipment, gym redecoration and new flooring, spin bikes, spin studio redecoration and virtual spin product. This investment would lead to an uplift in the membership level and produce an estimated ROI of £62,000 in 23/24, followed by £120,000 in 2024/25.
 - c. **Replacement Sports Hall Floor (£45,000):** The existing sports hall floor is end of life and contractors are reluctant to complete any maintenance (sanding), at risk of the surface breaking up. The floor will need to be replaced within the next couple of years.
 - d. **Studio Floor (£20,000):** this floor is also at end of life and needs replacing within the next couple of years.

6. The recommendation is to proceed with the air conditioning (£29,000) and health & fitness upgrade (£155,000), as these items will have the biggest impact on customer experience and financial performance of the centre, helping to get the business in the best possible shape ready for the procurement exercise.