

Agenda Item No: 6
Report To: Cabinet
Date of Meeting: 29 July 2021
Report Title: Financial Outturn 2020/21
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Portfolio Holder for: Finance & IT



Summary:

This report presents the outturn revenue position for the General Fund and the Housing Revenue Account for 2020/21 financial year.

It also presents the outturn for capital works and how these works were financed, the Collection Fund position, reserves outturn, and a treasury management update.

In February the Cabinet received a forecast based on the third quarter position, forecasting a general fund surplus of £75,000. This position improved slightly over the last quarter and an outturn surplus of £168,097 is reported.

The Housing Revenue Account had net surplus of £3.479m in year against a budgeted deficit of £630,000 resulting in a favourable movement of £4.1m.

The presentation in this report follows that of the management structure in place during 2020/21 as that was the reporting year.

Key Decision: No

Significantly Affected Wards: All, none significantly

The Cabinet is asked to:-

- I. Note the financial outturn for 2020/21**
- II. Note the Capital Outturn, Collection Fund position, and Treasury management update**
- III. Approve the reserve transfers and position (Table 5).**

Policy Overview: Upholding a strong focus on managing the Council's resources in line with the Council's Recovery Plan, emerging Corporate Plan and the Medium Term Financial Plan is 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 surplus of £168,000 after transfers to reserves.

The Housing Revenue Account resulted in a surplus of £3.479m in year against forecast deficit of £630,000.

Various transfers to and from reserves have been made with the overall level of earmarked reserves (which includes developer contributions) there was an increase of £21.495m in year which includes £13m to fund Ashford's share of the Collection Fund deficit and £4.2m for Ashford Port Health.

Legal Implications

N/a

Equalities Impact Assessment

Please see the Budget setting process assessment

Exempt from Publication:

N/A

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Report Title: 2020/21 Outturn Report

Introduction and Background

1. Following the closure of the 2020/21 service accounts this report provides Members with the outturn results for the General Fund (GF) and the Housing Revenue Account (HRA) for 2020/21. It also covers outturn of capital spending, collection fund, reserve movements and an update on treasury management.
2. Members are being asked to note the outturn position for 2020/21 for the GF and HRA, the capital outturn, the collection fund, and treasury management position. Members are also asked to approve the reserve transfers and position shown in Table 5 of this report.

COVID19 Pandemic

3. The impact of Covid19 is prevalent throughout this report and has been reported extensively in previous reports. This section provides some of headline figures relating to the pandemic that are not covered elsewhere within the report.
4. The summary below provides a high-level overview of the direct costs incurred and grants received as a consequence of the Covid 19 Pandemic during 2020/21.

Covid Impact Summary	2020/21 £'000
Covid Related Costs	2,256
Sales Fees and Charges Losses	2,973
Total Expenditure	5,229
Covid General Grant	(2,066)
Sales, Fees, Charges Support	(1,870)
Other Covid Grants	(595)
Sports England Grant	(183)
Total Grant Funding	(4,714)
Direct Impact of Covid	515

5. **Government Grants** – despite early indicators not being overly positive, following a call for evidence and data submissions the council received £2.07m in general Covid Support Grant, and £1.7m to support lost Sales Fees and Charges income.
6. **Grant Distribution** – The Revenues and Benefits Team processed circa 8,000 grants during 2020/21 totalling £41.5m, and the Economic Development Team processed a further 2,400 grants totalling £4.9m. The Council also received numerous other smaller grants which were largely re-distributed such as the CEV (Clinically Extremely vulnerable) Grant.

7. **Expenditure** - Employee costs across the Council reduced by £1.1m in 2020/21 as the Council challenged all request to fill applications at a Director level. £1.9m was saved against the employee salary budget although £540,000 was used to fund Agency Staff to maintain service levels, notably in Planning.
8. **Premises costs** overall were reduced by circa £300,000 with staff having to depart from the Civic Centre and despite extra cleaning costs as some staff returned. The biggest reduction was in utility charges of £175,000.

2020/21 General Fund Outturn

9. The final outturn position was a surplus of £168,000 over the approved budget, as shown at **Table 1**, with further analysis, by Head of Service, at **Table 2**.
10. Narrative is provided below **Table 2** setting out the key movements between the original budget and the outturn for the year.

Table 1 – General Fund Budget Outturn – by Directorate

*	Service and General Fund Summary	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	2020/21 Annual Variance
		£'000	£'000	£'000	£'000
a	Chief Executive	1,416	1,416	1,360	(56)
b	Director Of Finance & Economy	2,741	2,831	2,398	(433)
c	Director Of Law & Governance	2,051	1,990	3,209	1,219
d	Director Of Place & Space	10,922	10,893	12,177	1,284
	Net Service Expenditure	17,130	17,130	19,144	2,014
e	Non service specific items	(1,163)	(1,163)	15,083	16,246
	Budget Requirement	15,967	15,967	34,227	18,260
f	Financing	(15,967)	(15,967)	(34,395)	(18,428)
	General Fund (Surplus)/Deficit	0	0	(168)	(168)

Table 2 - General Fund Outturn – by Head of Service

*	Service and General Fund Summary	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Outturn	2020/21 Annual Variance
		£'000	£'000	£'000	£'000
a	Corp Policy, Eco Dev & Comms, CMO	1,416	1,416	1,360	(56)
b	Corporate Property & Projects	(1,778)	(1,778)	(1,733)	45
b	Finance & Ict	3,659	3,749	2,754	(995)
b	Housing Services	860	860	1,377	517
c	Community Safety and Wellbeing	428	426	2,004	1,578
c	HR & Customer Services	197	138	75	(63)
c	Legal & Democratic Services	1,426	1,426	1,180	(246)
c	Ashford Port Health	0	0	(50)	(50)
d	Culture	3,342	3,332	4,563	1,231
d	Environmental & Land Management	5,453	5,460	5,181	(279)
d	Planning	2,127	2,101	2,433	332
	Total Service Expenditure	17,130	17,130	19,144	2,014
e	Capital Charges & Net Interest	(2,588)	(2,588)	(4,246)	(1,658)
e	Levies, Grants and Precepts	271	271	270	(1)
e	Revenue Funding of Capital Exp.	0	0	950	950
e	Contribution to Balances	1,154	1,154	18,109	16,955
	Financing:				
f	Retained Business Rates	(4,991)	(4,991)	(18,047)	(13,056)
f	Government Grants	0	0	(5,283)	(5,283)
f	New Homes Bonus	(3,053)	(3,053)	(3,053)	0
f	Council Tax	(7,923)	(7,923)	(8,012)	(89)
f	Financing and Other General Fund Movements	(17,130)	(17,130)	(19,312)	(2,182)
	General Fund (Surplus)/Deficit	0	0	(168)	(168)

Chief Executive

11. **Economic Development** shows an in year saving of £65,000 as Town Centre works were paused due to Covid19 and the team focused on the administration of Government Grants schemes to local businesses.

Director of Finance and Economy

5. **Corporate Property & Projects** had an overall deficit of £45,000 in year however, the impact of the pandemic is now starting to stretch businesses and it is expected that further support for businesses will be necessary (in the short and medium term) as businesses enter the recovery phase of the pandemic and national support schemes such as furlough end.
6. The movements within Property Services are as follows:
- CQ38 generated additional income of £88,000 as income from previous works was recovered in year.
 - Carlton road Depot felt the impact of the pandemic as new tenancies were not secured in line with pre-covid expectations. This resulted in a rental shortfall of £122,000 compared to the budget, and a Business Rates liability of £180,000 on void units.
 - Elwick Place made positive strides in securing new tenants although concessions and delays still resulted in income for the site being £150,000 below budget.

- d. Park Mall is comprised of smaller units, has been under pressure during the pandemic with service charges adding a pressure of £125,000, rents were also down by £95,000 although these were offset by savings in business rates and general building maintenance costs.
 - e. International House has secured new tenants and has increased rents by £150,000 over the original budget.
7. In other areas of the Service there has been £50,000 of savings in general plant maintenance and salary savings of £150,000 within the Project Delivery Team. Electricity savings from the Civic Centre amounted to £50,000 however, there was a pressure of £110,000 within the Corporate Property and Projects team; included in this amount is expenditure incurred of £55,000 for PPE in response to the pandemic.
8. **Finance and ICT** had a surplus of £995,000, this included the following variances:
- a. Pension back funding costs were £150,000 less than budget
 - b. Expenditure in discretionary housing allowances was £250,000 less than budget
 - c. Recovery of overpaid benefit out performed budget by £425,000
 - d. Corporate bad debt provision was increased by £350,000, this is done at year end based on current aged debt profiles
 - e. Staff savings in Accountancy delivered amounted to £100,000
 - f. Staff saving in Management Team totalled £110,000
 - g. Additional grant received for National Non Domestic Rates was £110,000
 - h. Savings on corporate recharges £170,000
 - i. £50,000 was saved in IT licensing costs.

General Fund Housing

9. Homelessness was one of the key priorities at the start of Covid and the Council was required to provide Temporary Accommodation for homeless people, with Government providing additional grant funding. Even with additional grant funding, and allowing for wider homelessness cases, there was a pressure of £400,000 to the budget.
10. The refugee resettlement programme had a shortfall in funding of £150,000 in year as Covid restrictions limited the number of new arrivals to the scheme, which generated significant non-specific grant income. It is anticipated that this amount will be recovered over the coming years as the scheme is fully funded and new cost saving measures are introduced.

Director of Law & Governance

11. **Community Safety and Wellbeing** - Income from parking services was significantly impacted during the pandemic which saw a deficit of £1.812m against budget of £2.923m representing a loss of circa 62%. It should be noted that £1.253m has been recoverable through the government sales

fees and charges compensation scheme which is shown within the Government Grants line within the table.

12. Expenditure in parking was reduced by £121,000, this includes £70,000 of salary savings. In other areas within the service Environmental Health made salary savings of £45,000, telecare saved £27,000 on maintenance charges and £35,000 of savings come from the One You service.
13. **HR and Customer Services** made net saving of £42,000 on employee costs and a saving of £22,000 on the centralised training budget.
14. **Legal and Democratic Services** saved £118,000 in employee costs and generated additional income of £36,000. There was also £48,000 of savings in election costs from reducing canvassing fees, postage and external printing charges.

Director of Place & Space

15. **Culture**
16. The Leisure sector suffered from the pandemic with it falling between many of the support schemes although a scheme was eventually delivered on behalf of the Government through sports England. It was therefore necessary for the Council to step in and support leisure centres in the interim where possible. This was also complicated as we had a new operator in September 2020 for the Stour Centre, Julie Rose Stadium and Spearpoint Pavilion and a contract ending March 2021 at Tenterden Leisure Centre.
17. Overall an additional £1.1m was spent managing the transition to the new Stour Centre and Julie Rose Stadium operator which supported both the previous and current providers' agreed contract payments. Extensive capital works at the Stour Centre began in July 2020
18. The Council has also supported Tenterden Leisure centre (TLC) to ensure the operator opened when possible to maintain leisure centre provision in the Borough. Following some offsetting of the National Leisure Recovery Fund from Sports England the total cost of supporting the centre during 2020/21 was £127,000.
19. Other venues such as Pitchside and Courtside saw lost income of £60,000 although as a Council run site this is partly offset by Government grant.
20. **Environmental and Land Management** - Garden Waste continued to be popular in 2020/21 and the Council generated an additional £160,000 in receipts. The service also had an increase in bulky waste collections generating £33,000 of additional income and the sale of bins to developers generated an additional £42,000. The income from garden waste and developer bin sales supported an increase in container costs of £130,000.
21. The Council's Grounds Maintenance Service 'Aspire' had salary savings of £27,000 in year and received additional commuted sum contributions (S106) of £37,000, there was a £22,000 pressure for additional cleansing of public toilets due to additional Covid19 cleaning requirements.
22. **Planning** continued to have recruitment issues through 2020/21 and saved £600,000 in salaries however, this was offset by £454,000 of agency staff to undertake the day job.

23. Additional professional and consultant costs added £52,000 and counsel fees also costs an extra £64,000. Government grants expected in year were not received, adding a pressure of £45,000.
24. Planning income reduced by £348,000, although this is eligible for the Sales Fees and Charges (SFC) scheme support, so partly funded by government and held in the government grant section.

Capital Charges and Net Interest

25. Capital and Net Interest is covered in the Treasury Management section further on within this report.

Collection Fund Outturn

26. 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).
27. Overall the collection rates for both Council Tax and Business Rates have been lower than normal due to the pandemic and due to no recovery action being taken through the courts as a result of their closure and accessibility. The final in-year collection rates were 97.70% for Council Tax and 90.82% for Business Rates (2019/20 rates of 98.1% and 99.1% respectively), which have necessitated some increases in allowances for bad and doubtful debts.
28. The impact of the pandemic on Council Tax Payers and Business Rates Payers, as well as the related support provided by Central Government, has led to in-year deficits on the Collection Fund in both areas, and is particularly significant for Business Rates, as shown in the tables for the separate areas below. Additional S31 Grant has been provided by Government to help the Council cover its shares of the deficits, as below.

Council Tax

29. The year-end position for Council Tax shows an in-year deficit of £501,580, with an overall deficit of £500,676 after prior year distributions.
30. The in-year position is in line with the estimates reported throughout the year. The Council's share of the overall deficit is £58,162.
31. The amount of Council Tax billed in the table below includes a transfer of £929,599 from the General Fund to offset the Covid19 Hardship discounts given to Council Tax payers. Within the General Fund Comprehensive Income and Expenditure Statement (the statement of accounts) is a compensating amount of Covid19 Grant awarded by Central Government to cover this General Fund cost.
32. Additionally, there was an increase in the Council Tax Reduction Scheme discounts awarded to Council Tax payers during the year, which contributed to the in-year deficit below. A further amount of 'Tax Income Guarantee' (TIG) compensation grant from Central Government is accrued within the General Fund CIES towards Ashford's share of the deficit (£77,688 ABC share of TIG grant).

Table 3 - Council Tax Position

	Outturn (net) to 31/03/21
	£'000
Opening Surplus	(537)
Surplus distributed to Major Preceptors	536
2020/21	
Amount of Council Tax to be paid to Major Preceptors	87,431
Amount of Council Tax billed	(87,945)
In Year Write Offs and Bad Debt Provision increase	1,016
In year (Surplus)/Deficit	502
Overall (Surplus)/Deficit	501

Business Rates

33. Net rates payable by Business Rates customers is significantly reduced by Retail and Nursery Discounts given to assist businesses during the pandemic. This was allowed for within the forecasts during the 2020/21 year. As such, Net Rates Payable by businesses decreased to £26,566,626 from £54,819,236 budgeted (NNDR1 stage forecast for 20/21), a decrease of £28,252,610 or 51.5%.
34. The amount of Retail and Nursery Discounts given as at 31/03/2021 is £27,555,594 vs. £1,134,364 budgeted (NNDR1 stage forecast), an increase of £26,421,230. The Council is compensated by Central Government for these additional discounts through extra S31 Grant funding, which is accrued into its General Fund Comprehensive Income and Expenditure Statement (the statement of accounts).
35. Following the introduction of check, challenge and appeals, the number of appeals coming forward has substantially reduced. All Kent authorities have therefore reviewed their appeals provisions and recalculated the potential risk to be 2.7% of net rates payable and this continues to be a suitable general provision.
36. In May 2020 the Supreme Court dismissed the appeal to uphold the separate rating valuation of Automated Teller Machines within supermarkets and similar locations. This decision meant that significant refunds were payable to retailers and these were settled during 2020/21 (£470,698 up to the 2019/20 year, and a further £62,275 reduction relating to the 2020/21 year, which will be ongoing). A separate appeals provision had been created for these repayments, of £523,330 as at 31/03/20, and the balance has now been released, and no further provision is required.
37. The Valuation Office had also informed Local Authorities that purpose built GP surgeries would receive a 30% reduction which would be applied to the 2017 ratings list. These reductions were applied during 2020/21 with a backdated cost to the collection fund of £129,954 up to the 2019/20 year, and a further £72,201 reduction relating to the 2020/21 year, which will be ongoing. No further specific provision is needed.
38. Finally, local authorities are also expecting Hospitals and Fire stations to receive a backdated reduction in their 2017 rateable values of circa 10%,

and a separate appeals provision of £474,691 has been established at 31/03/21 for the expected refunds, as these have not yet been processed by The Valuation Office.

39. As a result of the above, the provision for appeals charged against the collection fund has been increased to £1,937,818 for 2020/21, from £1,512,519 budgeted (NNDR1 stage forecast), an increase of £425,299.
40. In light of the pandemic and exceptionally difficult circumstances for businesses, collection rates decreased and therefore arrears from Business Rates payers increased to £4,379,203 as at 31/03/21 (incl. costs), a significant change from £1,511,061 at 31/03/2020.
41. As such, it is necessary to increase the provision for bad and doubtful debts charged against the collection fund to £1,278,260 for 2020/21, from £265,096 budgeted (NNDR1 stage forecast), an increase of £1,013,164. This is despite numerous bills being reduced by the additional Retail and Nursery Discounts.
42. Taking into account all adverse factors, including the payment to preceptors during 2020/21 of a surplus estimated for the 2019/20 year of £1,638,529 when, in fact, the final position at 31/03/20 was a deficit of £168,600, the overall final position on the business rates collection fund is a deficit of £31,911,552, as shown in Table 4 below, and the Council's share of this deficit is £12,764,621.

Table 4 - Business Rates Position

- Business Rates Position

	Original Budget 2020/21	Outturn (net) 2020/21
	£'000	£'000
Opening (Surplus)/Deficit		169
Surplus paid to Major Preceptors		1,636
		1,805
2020/21		
Amount of Business Rates to be paid to Major Preceptors	52,961	52,961
Amount of Business Rates Billed	(54,819)	(26,567)
Transitional Relief (Recovered)/Payable	(222)	213
Other Items Charged to the Collection Fund:		
Appeals and Rateable Value Reductions	1,512	1,938
Bad and Doubtful Debts	265	1,278
Renewable Energy	111	92
Cost of Collection	192	192
In year (Surplus)/Deficit	0	30,107
Overall (Surplus)/Deficit	0	31,912

Kent Business Pool Update

5. 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 £1,689,183 to the Pool from Ashford's result.
6. Under the pooling agreement for 2020/21, Ashford Borough Council retains 30%, or £506,755 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%, or £169,918 being put aside for use as a Safety Net Reserve to mitigate risk.
7. The benefit of the levy is not budgeted for, 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).
8. The amount receivable, estimated as £1,013,510 (being 30% direct share plus 30% growth fund share) has been transferred into reserves.

Transfers to/from Reserves

9. Earmarked reserves are balances held for specific purposes, at the end of the year transfers to and from earmarked reserves increased by £23.5m resulting in reserve balances of £50.6m.
10. This includes the General Fund balance of £2.562m which is in line with the minimum balance of 15% of the Net Budget Requirement for 2021/22.
11. It should be noted though that in light of the Covid19 pandemic and moving forward from the Recovery Plan to the Corporate Plan, many of the reserves have been earmarked for specific purposes. This is to ensure that the Council strikes the right balance between prudent provision for risk, both current and future, but also identifies funds to deliver enhancements to the borough and corporate priorities such as climate change.
12. A significant new reserve 'Section 31 grants and reliefs reserve' has been created to separately identify the amount set aside from government grants to fund the Council's share of the 2020/21 Business Rates Deficit (already spent).
13. Ashford Port Health reserve was also established to capture the £4.2m of remaining grant funding that was provided by Government to establish the Port Health Authority and will now be used to fund costs within 2021/22. This is a ring fenced service for the Council and this movement is reflected in the 'Required by statute Reserves and other ring-fenced amounts' reserve.
14. The remaining reserves were bolstered primarily from the following sources:-
 - a. £1.4m interest receipt from Elwick Development
 - b. £1.8m saving from change in borrowing strategy and non-ring fenced grants
 - c. £0.5m annual transfer to repairs and maintenance reserve to provide for maintenance of assets
 - d. £0.5m remaining EU transition funding
 - e. £0.5m for specific grants relating to South Ashford community garden and cyber security measures
 - f. £0.8m from reinstating CT/NNDR Debtors and additional grant funding to the Revenues and Benefits Team
 - g. £0.3 from 2020/21 service contingency budget which was not applied in year
15. The reserve positions as at the 31 March 2021 are tabled below, there is also a brief summary of each reserve purpose.
16. **The Cabinet are asked to endorse these allocations and revised reserve positions in Table 5.**

Table 5 - Summary of Earmarked Reserves

Analysis of Estimates Revenue Reserves	Balance at 1 April 2020	2020/21 Reserve Movement	Balance at 31 March 2021
	£'000	£'000	£'000
General Fund Balance	2394	168	2562
Earmarked Reserves			
Recovery Project Reserve (now including Victoria Park)	0	1,063	1,063
Climate Change Delivery Fund	0	2,000	2,000
Improvement Delivery Fund	5,515	(2,515)	3,000
Economic Growth and Risk Fund	3,905	5,095	9,000
Fund Future Expenditure (Risk, Legislation, Transformation)	7,605	(3,052)	4,553
Provide for Maintenance of Assets	1,811	1,689	3,500
Provision for Discretionary Spend	18,836	4,280	23,116
Required by Statute Reserves and other ring-fenced amounts	143	5,812	5,955
Section 31 grants and relief reserves (ring-fenced)	0	13,000	13,000
Developer Contributions	5,736	235	5,971
Amount ring-fenced, held under statute	5,879	19,047	24,926
Total General Fund Reserve	27,109	23,495	50,604

Purpose of reserves

17. **General fund balance** is in accordance with the corporate policy that 15% of net revenue budget is held as a minimum level of reserves.
18. **Recovery Project reserve** to be used to support the delivery of the Recovery Plan. All projects are underway and includes Victoria Park.
19. **Climate Change Delivery Fund** will be used to support projects the support the reduction of Carbon within the Borough.
20. **Improvement Delivery Fund** will be used to focus on delivering projects in the more deprived areas, and those further afield in the Borough.
21. **Economic Growth and Risk Fund**, this fund is held for two purposes. £5m is held to fund the current Medium Term Finance Plan deficit. £4m is held to manage the risks in the 2021/22 budget. These risks will be monitored regularly and as risks dissipate these reserves can be redistributed.
22. **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. £1m will be allocation to Transformational projects that look to make services more accessible and efficient to absorb future capacity and improve services.
23. **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.

24. **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.
25. **Section 31 grant** – this new ‘temporary’ reserve has been established to clearly identify the funds necessary to fund collection fund deficits resulting from the Covid19 pandemic. These losses have already been incurred.
26. **Developer contributions** are funds the Council hold primarily from S106 Contributions and have to be spent in accordance with the S106 agreements.

2020/21 Housing Revenue Outturn (HRA)

27. The outturn on the HRA is showing net receipt at year end of £3.479m which represents an underspend against the original budget of £4.109m for the year as shown at Table 6.
28. The in-year saving and a contribution from reserves enabled the HRA to repay £7m of scheduled PWLB (Public Works Loans Board) debt and deferred the need to re-finance that debt as anticipated.

Table 6 – 2020/21 Housing Revenue Account Outturn

Housing Revenue Account	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Provisional Outturn	2020/21 Annual Variance
	A £'000	B £'000	B £'000	(B-A) £'000
Income	(25,369)	(25,369)	(25,595)	(226)
Supervision and Management	6,283	6,283	6,505	222
Repairs and Maintenance	3,758	3,758	3,404	(354)
Other	15,958	15,958	12,207	(3,751)
Net Revenue Expenditure	630	630	(3,479)	(4,109)
Capital Works - Decent Homes Financed By:	4,435	4,435	1,844	(2,591)
Contribution To/(From) Major Repairs Reserve	(4,435)	(4,435)	(1,844)	2,591
Net Capital Expenditure	0	0	0	0
Total Net Expenditure	630	630	(3,479)	(4,109)

29. **Income** –Additional income of £226,000 was received in the 2020/21 financial year. However due to the Covid pandemic rent arrears had increased at year end and with government support schemes ending in 2021/22 this position will be monitored closely going forward.
30. **Repairs and Maintenance** – £354,000 reduction in repairs and maintenance costs due to accessibility issues during the Covid19 Pandemic.
31. **Other** – An allowance for £3.325m of revenue funds was allowed for within the budget to fund capital expenditure. Due to delays as a result of Covid19, capital expenditure was lower than expected and this allocation was not required.
32. The delays in capital spending also affected the Capital Works budget which was underspent by £2.591m in 2020/21 with the work being re-profiled into 2021/22.

Capital Outturn

33. In addition to the Revenue Budget the Council operates a Capital Programme.
34. 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 2020/21 Budget Book which is available on the Council's website.
35. 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.
36. Major projects during 2020/21 included:
 - a. Purchase of NCP carpark £2.9m which will generate parking revenues to the Council and is a strategic location.
 - b. Stour Centre renovation programme £3.3m, plus additional £1.4m decarbonisation works funded from external grant.
 - c. The final payment for the Elwick road development totalling £3.6m.
 - d. Purchase of 44 new Apartments (Somerset Heights) in the town centre comprising of one and two bed apartments for £7.8m, Homes England grant funding was secured on this acquisition totalling £1.29m.
 - e. Street Purchase scheme during 2020/21 saw 46 units added to the HRA portfolio costing around £9.7m. Capital receipts totalling £3.1m from the sale of RTB (right to buy) Council properties supported these costs.
 - f. Work commenced on social housing developments at Halstow Way, Poplars and East Stour Court costing £9.2m.
 - g. Spend on existing housing stock amounted to £1.8m ensuring Decent Homes Standards are maintained.

Table 7 – Summary of Capital Spending and Financing

	<i>£'000</i>	<i>2020/21 £'000</i>
<i>Capital investment</i>		
General Fund capital expenditure	15,115	
HRA capital expenditure	31,743	
Total expenditure		46,858
<i>Sources of finance</i>		
Prudential borrowing	33,681	33,681
Capital receipts		
- 1-4-1 capital receipts	3,115	
- General capital receipts (HRA)	376	
- General capital receipts (GF)	230	3,721
Grants and contributions		
- External grants and contributions	6,658	6,658
Contribution to/(from) Major Repairs Reserve	1,848	1,848
Direct revenue contributions		
- General Fund financing	368	368
- Project NNDR funded	385	385
- HRA Revenue contributions	0	0
- Developer contributions	197	197
Total financing		46,858

Table 8 – Capital Receipts

	<i>£'000</i>	Total Received £'000
Right to Buy Sales Receipts		2,058
<u>Less</u>		
Admin Costs	(9)	
Government share (Pooling liability)	(486)	(495)
<u>Other Capital Receipts</u>		
Other HRA Capital Receipts		1,683
General Fund Capital Receipts		163
Total Capital Receipts		3,409
Housing Revenue Account Receipts		
<i>Unringfenced receipts</i>		2,094
<i>1-4-1 capital receipts for affordable housing</i>		915
Total HRA Receipts		3,009
General Fund Receipts		400

2020/21 Treasury Management Position (Capital Charges and Net Interest)

37. The breakdown of the Capital Charges and Net Interest line is shown below at **Table 9**. 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 9 – Capital Charges and Net Interest

Capital Charges and Net Interest	2020/21 Original Budget	2020/21 Outturn	2020/21 Annual Variance
	£'000	£'000	£'000
Interest payable	1,531	480	(1,051)
Interest receivable	(3,189)	(4,312)	(1,123)
Minimum revenue provision	1,020	1,536	516
Depreciation	(1,950)	(1,950)	0
Total Net Interest	(2,588)	(4,246)	(1,658)

38. **Interest Payable** – Overall £1.051m was saved in interest payable for the year. The original budget allowed for some long term placements in year and also allowed for further increases in the Bank of England (BOE) base rate. However as a result of the Covid19 Pandemic and the subsequent drop in the BOE base rate, the decision was taken to not make any long term placements in 2020/21, and shorten borrowing durations to 3-6 months to maximise savings to support Covid19 pressures. As can be seen in Appendix A, the highest yield paid for short term borrowing was 0.10% in 2020/21.
39. A full list of the Council's borrowing positions at year end are shown at **Appendix A**.
40. **Interest Receivable** - The performance of strategic investments performed better than expected given the economic shock following Covid with interest from strategic placements performing slightly over budget. There was a £250,000 drop in expected interest from the Council's Property Company though as borrowing did not come forward as expected due to delays in the Planning process for the Companies major sites.
41. Additional interest was received from the Elwick Development for £1.37m, which was used to strengthen reserve positions going forward.
42. **Capital Values** – At the end of 2019/20 the Council's strategic investment portfolio saw significant falls in capital value due to the global economic crash which has resulted in a reduction of nearly £4m.
43. During 2020/21 capital values of the Strategic investments started to recover and as at the 31 March 2021 they had recovered to just below par (what we originally paid).

44. With the global recovery still teetering between further waves of the pandemic and recovery, the strategic funds will continue to be monitored on a regular basis in conjunction with the Council's Treasury Management Advisors Arlingclose.

Implications and Risk Assessment

45. 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

46. 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

47. This report will support the statement of Accounts. The Accounts will be audited in August/September and signed off by the Audit Committee once confirmed.
48. Any material changes as a result of the external audit will be reported to the Audit Committee.

Portfolio Holder's Views

49. Having just taken over responsibility for this Portfolio it is encouraging to see that the Council managed to deliver a small surplus in year and made contributions to reserves despite the impacts of Covid19.
50. With the impact of Covid19 still to be understood and other risks, such as Stodmarsh and the Ashford Port it is reassuring to see the transfers to reserves for these risks.

Contact and Email

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Appendix A

Treasury Management Portfolio as at 31 March 2021

Counter Party	Deal Date	Rate %	Amount £	Fair Value £	Comment
Investment Accounts					
Goldman Sachs	Various	0.53%	50,000	52,391	**
ICD Portal - CCLA	Various	0.05%	8,772,000	8,772,000	*
Payden Global MMF	Various	0.91%	3,000,000	3,006,685	**
Total Investment Accounts			11,822,000	11,831,076	
Long Term Investments					
Property Investment					
A Better Choice of Property Ltd.***	Various		605,001	1,096,000	Value as at 31/03/2021
CCLA Local Authority Property Fund	Various	4.66%	11,000,000	11,780,010	
Equity Funds**					
CCLA Diversified Income Fund	Various	3.51%	3,000,000	2,941,074	
Investec Diversified Income Fund	28/03/2019	3.88%	2,500,000	2,490,328	
Kames Diversified Income Fund	13/05/2019	4.30%	5,500,000	5,439,945	
Schroder Income Maximiser	Various	5.64%	3,500,000	2,943,789	
UBS Multi Asset Income Fund	Various	5.81%	3,000,000	2,823,698	
UBS Global Income Equity Fund	29/07/2019	2.44%	1,500,000	1,411,617	
Total Long Term Investments			30,605,001	30,926,461	
Total Investment Portfolio			42,427,001	42,757,537	

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

** Equity funds and the Property fund have variable rates of interest and also have fluctuating capital values, the

*** A Better Choice Of Property Ltd. is a solely owned subsidiary of ABC

Debt Portfolio as at 31 March 2021

Counter Party	Deal Date	Rate	Amount	Fair Value	Maturity Date
		%	£		
Temporary Borrowing					
Bath & Northeast Somerset DC	20/11/2020	0.08%	5,000,000		01/04/2021
PCC for Humberside	21/12/2020	0.05%	4,000,000		21/05/2021
Wokingham Borough Council	21/12/2020	0.05%	10,000,000		21/06/2021
Ribble Valley Borough Council	19/01/2021	0.03%	2,500,000		19/04/2021
Lichfield District Council	19/01/2021	0.10%	2,000,000		19/07/2021
Trafford Council	19/01/2021	0.10%	2,500,000		19/07/2021
Shropshire Council	20/01/2021	0.08%	5,000,000		20/07/2021
Wigan Metropolitan Borough Council	20/01/2021	0.08%	5,000,000		20/07/2021
London Borough of Redbridge	20/01/2021	0.08%	5,000,000		20/07/2021
Crawley Borough Council	21/01/2021	0.07%	5,000,000		21/04/2021
Middlesbrough Council	21/01/2021	0.10%	5,000,000		21/07/2021
Cambridge City Council	22/01/2021	0.05%	5,000,000		22/07/2021
Tendering District Council	22/01/2021	0.05%	4,000,000		22/07/2021
Warwickshire County Council	05/02/2021	0.06%	10,000,000		05/08/2021
Middlesbrough Teeside PF	19/02/2021	0.06%	7,000,000		19/08/2021
Middlesbrough Council B	22/02/2021	0.03%	3,000,000		24/05/2021
Erewash Borough Council	24/02/2021	0.03%	1,500,000		24/05/2021
Bridgend County Borough Council	24/02/2021	0.10%	5,000,000		24/08/2021
North Somerset Council	25/02/2021	0.07%	2,000,000		25/08/2021
Mid Devon District Council	25/02/2021	0.08%	2,000,000		25/11/2021
Broxbourne Borough Council	26/02/2021	0.06%	2,000,000		24/08/2021
Craven District Council	26/02/2021	0.06%	1,000,000		31/08/2021
South Northamptonshire Council	26/02/2021	0.06%	1,000,000		31/08/2021
London Borough of Croydon	09/03/2021	0.08%	5,000,000		09/04/2021
South Northamptonshire Council	11/03/2021	0.06%	3,000,000		13/09/2021
West of England Combined Authority	15/03/2021	0.05%	5,000,000		17/05/2021
West of England Combined Authority	17/03/2021	0.06%	5,000,000		17/09/2021
Hampshire Fire and Rescue Authority	22/03/2021	0.05%	1,000,000		22/06/2021
London Borough of Sutton	22/03/2021	0.07%	3,000,000		22/06/2021
Northern Ireland Housing Executive	26/03/2021	0.06%	2,000,000		27/09/2021
Total Temporary Borrowing			118,500,000		
Long Term Borrowing					
Public Works Loan Board***	various	various	106,664,150		various
Total Long Term Borrowing			106,664,150		
Grand Total Borrowing			225,164,150		

*** HRA borrowing

Detail of PWLB Loans Outstanding at 31 March 2021

Date of Advance	Loan Ref Number	Date of Repayment	Amount Outstanding	Rate
			£	%
28/03/2012	499500	28/03/2022	7,000,000	0.90%
28/03/2012	499516	28/03/2022	2,000,000	2.40%
28/03/2012	499514	28/03/2023	2,000,000	2.56%
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%
		Total	106,664,150	

* Variable Rate Loan, the others are fixed rate

A Better Choice for Property Loans as at 31 March 2021

Loans	Deal Date	Rate %	Amount £	Principal Repaid £	Balance Outstanding £
Loan 3	12/02/2015	2.83%	400,000	72,826	327,174
Loan 9	22/07/2017	3.04%	1,445,000	46,383	1,398,617
Loan 12	25/03/2018	3.06%	240,000	6,513	233,487
Loan 13	04/05/2018	3.13%	2,490,000	54,846	2,435,154
Loan 14	05/06/2018	3.06%	1,196,311	26,827	1,169,484
Loan 15	05/07/2018	3.10%	113,000	2,507	110,493
Loan 16	25/09/2018	3.19%	823,000	17,784	805,216
Loan 17*	17/10/2018	3.45%	659,000	10,485	648,515
Loan 18	02/11/2018	3.31%	820,000	13,602	806,398
Loan 19	09/11/2018	3.29%	6,517,425	108,584	6,408,841
Loan 20*	01/02/2019	3.10%	93,890	1,654	92,236
Loan 21*	04/02/2019	3.10%	7,103,180	125,182	6,977,998
Loan 22	22/02/2019	3.03%	809,240	14,549	794,691
Loan 23*	04/03/2019	3.10%	941,360	16,608	924,752
Loan 24	17/06/2019	2.80%	160,000	2,290	157,710
Loan 25	01/07/2019	2.81%	91,776	1,310	90,466
Loan 26	06/09/2019	2.24%	568,400	9,625	558,775
Loan 27	08/09/2019	2.24%	3,821,595	160,719	3,660,876
Loan 28*	16/04/2020	3.57%	1,208,000	4,514	1,203,486
Loan 29*	16/10/2020	3.84%	1,029,820	0	1,029,820
Loan 30	20/11/2020	3.61%	2,175,000	4,021	2,170,979
Total loans to A Better Choice For Property Ltd			32,705,997	700,828	32,005,169
* These loans have been subsequently loaned to the companies subsidiary A Better Choice for Property Development Ltd.					