

**Agenda Item No:** 8  
**Report To:** Cabinet  
**Date of Meeting:** 30 June 2022  
**Report Title:** Financial Outturn 2021/22  
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Jo Stocks – Senior Accountant  
**Portfolio Holder** Neil Shorter  
**Portfolio Holder for:** Finance & IT



**Summary:**

This report presents the outturn revenue position for the General Fund and the Housing Revenue Account for 2021/22 financial year.

It presents the outturn for capital works and how these works were financed, the Collection Fund position, reserves position, and a treasury management update. A 'looking forward' section has been added to this report to reflect the current economic climate.

In February the Cabinet received a forecast based on the third quarter position, forecasting a general fund surplus of £224,000. Additional pressure come forward in the final quarter of the year and the final outturn position is reporting a surplus of £39,000 which has been transferred to general reserves.

The Housing Revenue Account had a net deficit of £3.5m in year against a budgeted deficit of £4.2m resulting in a favourable movement of £700,000.

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

**The Cabinet is asked to:-**

- I. **Note the financial outturn for 2021/22**
- II. **Note the Capital Outturn, Collection Fund position, and Treasury management update**
- III. **Approve the provisional reserve transfers and position (Table 4).**
- 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 and Portfolio Holder for Finance and IT.**

**Policy Overview:** Upholding a strong focus on managing the Council's resources in line with the Council's Recovery Plan, new 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 £39,000 after transfers to reserves.

The Housing Revenue Account resulted in a deficit of £3.5m in year against a budgeted deficit of £4.2m, a favourable movement of £700,000.

Various transfers to and from reserves have been made with the overall level of earmarked reserves (which includes developer contributions) there was a decrease of £3.4m in year which includes £5.3m being taken out of reserves to support the collection fund deficit from 2020/21. Reserves held for discretionary spend increased by £2.4m.

**Legal Implications** N/a

**Equalities Impact Assessment** N/a

**Exempt from Publication:** N/A

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## Report Title: 2021/22 Outturn Report

### Introduction and Background

1. Following the closure of the 2021/22 service accounts this report provides Members with the outturn results for the General Fund (GF) and the Housing Revenue Account (HRA) for 2021/22. 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 2022/23 as a result of current economic conditions.
2. Members are being asked to note the outturn position for 2021/22 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 4** of this report and note the Looking Forward section.
3. At the start of 2021/22 the Country was still working through the Government's Road map out of Lockdown and the Council continued to receive support through the Government Sales Fees and Charges compensation scheme up until 30 June 2021 which enabled the Council to Claim £389,000 in lost revenue.
4. The Council received a further general Covid19 grant of £704,000 in addition to a number of smaller more targeted grants such as the containment outbreak management fund and clinically extremely vulnerable grant, these grants run throughout 2021/22 are were passed on to individuals and the voluntary sector as permitted within the scheme conditions.
5. The Council continued to support Government with the distribution of grants with the Revenues and Benefits Team processing 1,638 grants totalling £9.9m, and Economic Development delivering 526 grants totalling £1.6m.

### 2021/22 General Fund Outturn

6. The final outturn position was a surplus of £39,000 over the approved budget, as shown at **Table 1**, narrative is provided below the table to highlight the significant pressures in year at a Head of Service level.
7. Although the overall position was positive and some of the pressures are Covid related and understandable, it is worth highlighting that net service expenditure was £1.2m over budget which needs to be addressed moving into 2022/23. A section on looking forward to 2022/23 has been added to this report to provide early insight into some of the risk already evolving for 2022/23.

**Table 1 - General Fund Outturn – by Head of Service**

Service and General Fund Summary	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Outturn	2021/22 Annual Variance
	£'000	£'000	£'000	£'000
Ashford Port Health	0	0	0	0
Corporate Core	691	730	454	(275)
Corporate Policy, Economic Development, Communications and CMO	1,173	1,168	1,184	16
Community Safety and Wellbeing	712	715	1,101	386
Hr & Customer Services	155	113	(14)	(128)
Legal & Democratic Services	1,233	1,275	1,286	11
Corporate Property & Projects	(1,269)	(1,282)	(1,498)	(216)
Finance & Ict	2,579	2,589	2,462	(127)
Housing Services	914	917	1,181	265
Culture	3,208	3,208	3,729	521
Environmental & Land Management	4,739	4,724	4,852	128
Planning	2,168	2,146	2,783	636
<b>Net Service Expenditure</b>	<b>16,303</b>	<b>16,304</b>	<b>17,520</b>	<b>1,217</b>
Capital Charges and net interest	(2,188)	(2,188)	(2,621)	(433)
Government Grant	(859)	(859)	(2,505)	(1,646)
Revenue Contribution to Capital	0	0	140	140
Levies, Grants and Precepts	276	276	276	(0)
Contribution (from)/to reserves	349	349	601	252
<b>Budget Requirement</b>	<b>13,881</b>	<b>13,881</b>	<b>13,411</b>	<b>(470)</b>
<b>Financing:</b>				
Retained Business Rates	(4,093)	(4,093)	(3,700)	393
Council Tax	(7,792)	(7,792)	(7,755)	38
New Homes Bonus	(1,908)	(1,908)	(1,908)	0
Rural Service Delivery Grant	(88)	(88)	(88)	(0)
<b>Total movement</b>	<b>(0)</b>	<b>(0)</b>	<b>(39)</b>	<b>(39)</b>

**Narrative on significant service pressure**

8. **Ashford Port Health** is currently being supported by Government grant which enables this ring fenced account to be balanced at year end. Due to ongoing delays in becoming fully operational, a contribution of £2.8m from the Ports earmarked reserves was necessary to mitigate costs incurred during the year, notably staffing. Further comment on the risks going forward are covered in the looking forward section of this report.
9. **Corporate Core** –There was a saving of circa £260,000 on corporate internal recharges.
10. **Corporate Policy, Economic Development and Communications**  
Economic development administered £1.6m of grants within 2021/22 although this had a nil impact on the financial outturn as it was funded by Government grant. Overall the budget was slightly over due to increase distribution costs for the One You magazine.

11. **Community Safety and Wellbeing** includes the Parking Services which saw an overall pressure of £386,000, £271,000 relating to parking income which is still recovering from a reduction in demand especially for commuter season tickets, this loss was partially funded by the Covid sales fees and compensation scheme. Other pressures in parking included an increase in cashless transition fees of £80,000, £68,000 increase in business rates and a saving of £40,000 in salary costs.
12. **HR and Customer Services** reported and overall annual saving of £128,000. This savings was generated from staff savings in the customer contact centre of £25,000, and a further salary saving of £45,000 in HR. There was also due to restrictions with face to face training events a saving of £58,000 in the corporate training budget.
13. **Corporate Property & Projects** had an overall surplus of £214,000 which included additional rental inflows to the property portfolio of £360,000 as strong demand for Council properties continued, this also supported a £86,000 saving in Council service charge liabilities for void units. It was a busy year for general repairs and maintenance of assets which reported an additional pressure of £216,000 in year, however due to good rental income a contribution from the repairs and renewals reserve has not been necessary.
14. There was some further pressures within the service including £40,000 of holding costs for the former Mecca Bingo site, and uncertainly over S106 funding for underpass lighting added £61,000, although this has now been resolved. These pressures were supported by salary savings of £95,000 within the service.
15. **Finance and ICT** had an overall surplus of £127,000 within 2021/22 which included the following variances:
  - a. £105,000 income for arranging the financing facility with the Council's new subsidiary for the New Town Works Project.
  - b. £60,000 of saving in Accountancy including £30,000 in salary savings.
  - c. A pressure of £538,000 in revenues and benefits largely due to a pressures on recovery of benefits of £1.1m. However this was supported but savings in discretionary housing allowance of £250,000, an additional £150,000 of additional government grants, salary saving of £70,000 and an increase in court costs of £92,000.
  - d. Corporate bad debt provision was reduced by £185,000 based on current aged debt profiles at year end.
  - e. Within Exchequer additional banking charges of £62,000 were applied although the service also saved £28,000 in employee costs.
  - f. Other small increases included offsite billing which increased by £11,000 and £14,000 for the fraud teams golden record system.
16. **General fund Housing** - Homelessness continues to add pressure to corporate budgets with a net movement of £260,000, £638,000 in additional temporary accommodation cost, £108,000 increase in staffing requirements and a £75,000 increase in homeloss prevention grants. Additional government grant of £518,000 was used to offset some of these pressures.

17. In other housing areas an additional £38,000 was spent at Chilmington Gypsy site including £26,000 on grounds maintenance, fencing. The Private Sector housing team received additional government grant of £26,000.
18. **Culture** – as in 2020/21 the Council continued to support leisure centres and notably the operator at Tenterden Leisure Centre who is rolling over the management contract until a new operator tendering exercise is complete. However, to ensure the centre remains open, the Council is supporting losses at the centre which were £510,000 for 2021/22, this position was worsened by ongoing issues with the centre roof and the end of the furlough scheme which enabled more flexibility around staffing resources. The centre is continuing to be supported in 2022/23 and will lead to further pressures and calls on reserves as highlighted in the 2022/23 budget report.
19. **Environmental and Land Management** – This area had an overall increase of £128,000 in year largely driven by increases in the core refuse collection contract of £76,000 and additional containerisation costs of £136,000. There was also for the first time since coming into operation a reduction in garden waste income of £65,000 as challenging income and growth targets were not achieved.
20. There was an increase in burial fee income of £50,000, bulky waste collections of £20,000, and an additional recycling grant contribution of £20,000 was received.
21. The Council's ground maintenance team aspire made savings of £30,000 on operational equipment costs.
22. **Planning** had an overall pressure in 2021/22 of £636,000 as recruitment issues continued within the service. However, the additional costs of running the service having offset temporary staff costs against salary savings was £100,000. The significant pressure within year was from Counsel Fees and additional consultancy costs for planning appeals which totalled £316,000.
23. Other additional specialist consultancy costs added a pressure of £74,000 and planning fee income was down by £120,000 although as with parking some of this was recoverable through government grant.

#### **Capital Charges and Net Interest**

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

## Looking forward to 2022/23

25. Although this report is primarily focused upon the 2021/22 Outturn, it is felt appropriate given the current economic conditions that consideration be given to the emerging risks for 2022/23 since the budget was set.
26. The current financial climate is seeing high inflationary pressure with inflation now expected to spike at around 11% in October 2022, and further interest rates which are now at 1.25% having been 0.10% this time last year. To put those figures into context, when forecasting for the 2022/23 budget in September 2021, inflation was forecast at 2.5% and short term borrowing costs were expected to increase modestly to about 0.20%.
27. The above factors which include rising energy and fuel prices which are now being passed on to core products such as groceries is causing a national cost of living crises; the Government have taken some measures to support households with initiatives such as the £150 energy rebate scheme (administered by ABC) although this will only help so much. Equally as households are coming under pressure from rising costs, the Council, and its suppliers will also be tackling these same pressures which will put the corporate budgets under stress.
28. On top of reduced income streams following Covid and sustained changes in habits (notably parking), and the £3m of corporate savings identified to fund cuts in government funding, some of which some still need to be delivered, the Council will have a real challenge in delivering on its 2022/23 budget.
29. A further review will be conducted as part of the first quarter monitoring but there are already some significant areas of concern that should be highlighted:-
  - a. **Waste Collection Contract** - the budget increased the 2021/22 actual figures by circa 4.28% to £3.98m for 2022/23, however the increase which includes some indexation for fuel is anticipated to now be circa 12.9% excluding property growth. Allowing for 1.5% property growth an overall budget pressure of circa £385,000 will emerge.
  - b. **Tenterden Leisure Centre (TLC)** – the Council has committed to supporting the operation of TLC for 2022/23 while the operation of the facility is re-tendered. Given ongoing issues with the roof and reduced visitor numbers support could be circa £480,000 for the year.
  - c. **Borrowing costs** – short term borrowing costs in 2021/22 were circa £70,000, and had an equated borrowing rate of circa 0.10%, due to interest rate rises, costs for 2022/23 are likely to be in the region of £950,000 (with only upside risk), it is anticipated that with changes in borrowing strategy and anticipated additional income from the investment portfolio, treasury management could end up within budget, however it will not generate surpluses to support operational budgets as it has done in recent years.
  - d. **Temporary Accommodation** – for a service that is annually under pressure, it is anticipated that temporary accommodation costs will increase as landlords pass on increasing costs to the Council, additionally the economic conditions could lead to an increase in homelessness if people default on rental payments.

- e. **Fuel and energy costs** – Aspire will see a rise in fuel costs of about £40,000 if fuel prices remain elevated. Additional fuel costs will also be passed on through contracts.
- f. **Capital Costs / repairs and Maintenance** – towards the back end of last year it was evident that contract costs were raising to reflect inflationary but also supply chain issues, the Council will need to potentially revise work plans and re-scope projects to maintain within previous budgets or find additional funding.
- g. **Ashford Port Health** – Under the direction of Government Ashford Council has progressed with setting up the operational infrastructure to manager its designated responsibilities as a Port Health Authority. The setting up has been fully funded by Government grant and the service prudently allowed for some risk contingency in early bidding rounds to build a small reserve.

Despite Ashford being in a position of readiness, the Government has continually stood down Councils from becoming fully operational and the latest delay is until 2023. The Council still has a significant number of staff employed to operate the port and numerous contracts in place which must be honoured. Although the Council has some reserves left they will be insufficient to meet the liabilities for 2022/23 unless DEFRA continues to support Councils by way of grant. The Council will continue to approach DEFRA to get assurance that costs will be underwritten until the facility becomes operational.

A long term risk is that the Government may reduce the level of checks and therefore the resources required, this would have connotations for those employed by the port, but also for the Council as some savings have been made through recharging central service costs to the port which would then need to be absorbed back into the general fund budget.

- 30. In addition to the above, all expenditure from IT software contracts to consultant's hourly rates will increase, additionally the cost of living crises could also see reduction in income streams as people look to cut back on non-essential expenditure.
- 31. While the above focuses on 2022/23, the problem will be exacerbated when we start looking at the next medium term financial plan projections that will lead into the 2023/24 budget builds, not only will we need to factor in future inflation which will still be elevated but also the inflation that was not anticipated on the 2022/23 budget, this could lead to 15% increase over current budgets. We also need to be mindful of restrictions on the raising of Council Tax which funds 50% of net budget requirement and is capped at circa 3%, well below current inflation levels.
- 32. Furthermore with high inflation, increasing wage growth and a buoyant employment market there will be considerable pressure to deliver a closer to inflation pay award to ensure Ashford can recruit and retain the best staff.
- 33. The themes discussed above 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 as we have done before.

## Collection Fund Outturn

34. 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).
35. Overall the collection rates for both Council Tax and Business Rates have been slightly lower than historical averages, although higher than 2020/21 which was significantly impacted by the pandemic which has also led to less recovery action being limited as courts were closed. The final in-year collection rates for 2021/22 were 97.40% for Council Tax and 97.6% for Business Rates (2020/21 rates of 96.7% and 90.8% respectively), as a result some increases in allowances for bad and doubtful debts have been made.

### Council Tax

36. The year-end position for Council Tax shows an in-year surplus of £3,686,942, with an overall surplus of £3,505,047 after prior year distributions.
37. The Council's share of the overall surplus is £402,445. The in-year position is broadly in line with the estimates reported throughout the year, however the bad debt provision has increased by £240,000. This was due to a large number of write offs, which were necessary as a result of the issues pursuing debt, such as the restrictions in the scheduling of Court appointments. However, things are getting back to normal and it is anticipated that this large write off will not be repeated in 2022/23.

**Table 2 - Council Tax Position**

	<b>Outturn (net) to 31/03/22</b>
	<b>£'000</b>
Opening Deficit	501
Surplus distributed to Major Preceptors	(319)
<b>2021/22</b>	
Amount of Council Tax to be paid to Major Preceptors	87,670
Amount of Council Tax billed	(92,335)
In Year Write Offs and Bad Debt Provision Increase	978
<b>In year (surplus)/deficit</b>	<b>(3,687)</b>
<b>Overall (Surplus)/Deficit</b>	<b>(3,505)</b>

### Business Rates

38. Net rates payable by Business Rates customers was significantly reduced by Retail and Nursery Discounts given to assist businesses during the pandemic. Net Rates Payable by businesses decreased to £42.239 from £54.974m, a decrease for additional discretionary reliefs of around £12,735m. The majority of this deficit, £11.7m has been compensated for through S31 grant received from Central Government to support Covid relief schemes and has been moved to reserves to support the deficit payment which will be due in 2022/23.

39. 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 £2.654m for 2021/22, from £2.449m in 2020/21.
40. Collection rates in this area have improved significantly since 2020/21 (97.6% in 2021/22, compared to 90.8% in the previous year) but are not yet back to their pre-pandemic levels (98.7% in 2019/20). As such, the provision for bad and doubtful debts charged against the collection fund has been reduced from to £1.622m (2020/21), to £720,000, a decrease of £902,000.
41. Taking into account all these factors, including the payment of £29.3m made by preceptors for the previous years deficit, the final position at 31/03/22 was a deficit of £13,285m, the Council's share of this deficit is £5,314m, as shown in Table 3 below.

**Table 3 - Business Rates Position**

	<b>Original Budget 2021/22</b>	<b>Outturn (net) 2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Opening (Surplus)/Deficit		31,912
Deficit paid to Major Preceptors		(29,310)
		2,601
<b>2021/22</b>		
Amount of Business Rates to be paid to Major Preceptors	52,458	52,458
Amount of Business Rates Billed	(54,974)	(42,239)
Transitional Relief (Recovered)/Payable	(62)	371
<b>Other Items Charged to the Collection Fund:</b>		
Appeals and Rateable Value Reductions	1,483	513
Bad and Doubtful Debts	800	(706)
Renewable Energy	99	90
Cost of Collection	196	196
<b>In year (Surplus)/Deficit</b>	<b>0</b>	<b>10,684</b>
<b>Overall (Surplus)/Deficit</b>	<b>0</b>	<b>13,285</b>

**Kent Business Pool Update**

42. 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.
43. Under the pooling agreement for 2021/22, 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.

44. 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).
45. 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

46. Earmarked reserves are balances held for specific purposes, at the end of the year transfers to and from earmarked reserves decreased by £3.4m resulting in reserve balances of £47.166. The main reason for the decrease was the reversal of previous grant funding of £5.2m to support the Collection Fund.
47. This reserve total includes General Fund balances of £2.6m which is marginally above the minimum balance of 15% of the Net Budget Requirement for 2022/23.
48. Although these reserves are for 'discretionary spend' they are earmarked into reserves which have been identified 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.
49. A 'Section 31 grant and relief' reserve was established last year to set aside government grants to fund the Council's share of the 2020/21 Business Rates Deficit. The 2020/21 deficit was funded in 2021/22, although the reserve is still required to fund Ashford's share of the 2021/22 deficit which will be payable in 2022/23, the deficit has been created by further Government covid19 relief schemes.
50. Ashford Port Health reserve was established to support service expenditure during the setup phase of the project and mitigated income risk going forward. This reserve, in addition to further funding received in year was used to offset the costs of the service which was delayed during 2021/22, and is now is facing further delays until 2023.
51. Following the transfer of £2.8m in 2021/22, the port has a further £1.3m in reserve to mitigate further pressures. The Council will continue to request funding and commitment from Government to meet ongoing holding costs to mitigate risks to the Council. The Council is also looking at secondment opportunities port staff to fill vacant rolls to help reduce port expenditure until the service becomes operational.
52. The Council has used additional revenues and benefits grant income to add to the maintenance of assets reserve. With the expansion and aging of the corporate portfolio, rising inflation and supply chain issues costs for maintaining the portfolio are increasing, and with several large projects due including re-roofing international house and Ellingham industrial estate, this budget needs to be robust.
53. The remaining reserves, primarily Economic Growth and Risk Fund (**ER**) and the Fund Future Expenditure fund (**FF**) also saw movement in year with significant movements detailed below:-

- a. ER - £1.72m was used from the reserve as identified in the 201/22 budget.
  - b. ER - £946,000 of Grants identified in following the 2021/22 spending review were moved to reserves as budgeted.
  - c. ER - £210,000 of savings delivered and transferred to reserve from recharges made to the Port Health function.
  - d. FF - £200,000 was added back to general fund reserves from refugee funding which was previously funded by the General Fund.
  - e. FF - £966,000 (net) revenue grants received were moved to reserves for future years, this included £486,000 for the Cycling Strategy.
  - f. FF - £102,000 of funding was used to provide officer adaptations and works to facilitate a return to the Civic Centre.
54. The reserve positions as at the 31 March 2022 are tabled below, there is also a brief summary covering the purpose of each reserve below.
55. **The Cabinet are asked to endorse these provisional allocations and reserve positions in Table 4 and note the delegation at recommendation 5.**

**Table 4 - Summary of Earmarked Reserves**

Analysis of Estimates Revenue Reserves	Balance at 31 March 2021 £'000	2020/21 Reserve Movement £'000	Balance at 31 March 2021 £'000
<b>General Fund Balance</b>	<b>2562</b>	<b>40</b>	<b>2602</b>
<b>Earmarked Reserves</b>			
Recovery Project Reserve (now including Victoria Park)	1,063	30	1,093
Climate Change Delivery Fund	2,000	0	2,000
Improvement Delivery Fund	3,000	0	3,000
Economic Growth and Risk Fund	9,000	(655)	8,345
Fund Future Expenditure (Risk, Legislation, Transformation)	4,553	1,551	6,104
Provide for Maintenance of Assets	3,500	1,432	4,932
<b>Provision for Discretionary Spend</b>	<b>23,116</b>	<b>2,358</b>	<b>25,474</b>
Required by Statute Reserves and other ring-fenced amounts	5,955	(1,899)	4,056
Section 31 grants and relief reserves (ring-fenced)	13,000	(5,270)	7,730
Developer Contributions	5,971	1,333	7,304
<b>Amount ring-fenced, held under statute</b>	<b>24,926</b>	<b>(5,835)</b>	<b>19,091</b>
<b>Total General Fund Reserve</b>	<b>50,604</b>	<b>(3,438)</b>	<b>47,166</b>

### Purpose of reserves

56. **General fund balance** is in accordance with the corporate policy that 15% of net revenue budget is held as a minimum level of reserves.
57. **Recovery Project reserve** to be used to support the delivery of the Recovery Plan. All projects are underway and includes Victoria Park.
58. **Climate Change Delivery Fund** will be used to support projects the support the reduction of Carbon within the Borough.
59. **Improvement Delivery Fund** will be used to focus on delivering projects in the more deprived areas, and those further afield in the Borough.

60. **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.
61. **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.
62. **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.
63. **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.
64. **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.
65. **Developer contributions** are funds the Council hold primarily from S106 Contributions and have to be spent in accordance with the S106 agreements.

## 2021/22 Housing Revenue Outturn (HRA)

66. The outturn on the HRA is showing net deficit at year end of £3.5m which represents an underspend against the original budget of £0.7m for the year as shown at **Table 5**. This overspend will be funded by the HRA reserve.
67. In addition to this it was necessary to repay a PWLB (Public Works Loan Board) loan, a contribution of £5m from reserves was utilised for this purpose.

**Table 5 – 2021/22 Housing Revenue Account Outturn**

Housing Revenue Account	2021/22 Original Budget	2021/22 Revised Budget	Q3 Projected Outturn	2021/22 Provisional Outturn	2021/22 Annual Variance
	£'000	A £'000	£'000	B £'000	(B-A) £'000
Income	(27,187)	(27,187)	(27,187)	(27,332)	(145)
Supervision and Management	6,311	6,311	6,656	6,794	483
Repairs and Maintenance	4,024	4,024	4,768	5,272	1,247
Other	21,121	21,121	21,139	18,820	(2,301)
<b>Net Revenue Expenditure</b>	<b>4,270</b>	<b>4,270</b>	<b>5,377</b>	<b>3,554</b>	<b>(716)</b>
Capital Works - Decent Homes	5,914	5,914	2,864	2,081	(3,832)
Financed By:					
Debt Repayment				5,000	5,000
Contribution To/(From) Major Repairs Reserve	(5,914)	(5,914)	(2,864)	(7,081)	(1,168)
<b>Net Capital Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Net Expenditure</b>	<b>4,270</b>	<b>4,270</b>	<b>5,377</b>	<b>3,554</b>	<b>(716)</b>

68. **Income** – Additional income of £145,000 was received in the 2021/22 financial year, this variance is less than 1% of the budget.
69. **Supervision & Management** – £240,000 pressure come from Council Tax liabilities for vacant properties which are earmarked for development, but have been delayed due to Stodmarsh. There was a £94,000 pressure for decanting Pym House to create realise the opportunity to develop the site. There was also a small variance of £128,000 for depreciation.
70. **Repairs and Maintenance** – The £1.2m overspend is due to the catch up works needed as a result of the pandemic. In addition to this repairs and maintenance have focused to improve the void turnaround times and clear the backlog which led to increased costs.
71. **Other** – A contribution to capital of £2.5m was made from revenue which was possible as the budget of £9m for debt repayment was partially funded from reserves releasing as saving of £4m. There were also savings of £700,000 in relation to the PFI due to the difficulties in estimating CPIX. An additional £300,000 was required in interest costs due to the acquisition of the new quarter in March/April 2021, and an increase of £200,000 in the bad debt provision has been necessary due to the impact of the pandemic.

72. **Capital Works** – Due to the impact of the pandemic, as well as labour and material shortages, the spend on capital works was £3.8m lower than anticipated. This slippage on works will be programmed into future years. However in the meantime the Major repairs reserve has been used to repay £5m of debt which will be re-borrowed when necessary.

## **Capital Outturn**

73. In addition to the Revenue Budget the Council operates a Capital Programme.
74. 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 2022/23 Budget Book which is available on the Council's website.
75. 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.
76. Major projects during 2021/22 included:
- a. Tenterden Leisure Centre roof and new filtration systems £902,000 plus additional £327,000 decarbonisation works funded from external grant.
  - b. Stour Centre renovation programme £2.8m, plus additional £73,000 decarbonisation works funded from external grant.
  - c. Julie Rose renovation programme £890,000.
  - d. Purchase of 65 new Apartments (Stour Heights) in the town centre comprising of one and two bed apartments for £9.5m, Homes England grant funding was secured on this acquisition totalling £975,000.
  - e. Street Purchase scheme during 2021/22 saw 24 units added to the HRA portfolio costing around £5.3m. Capital receipts totalling £1.5m from the sale of RTB (right to buy) Council properties supported these costs.
  - f. Works completed on the social housing developments at East Stour Court and Berry Place (Poplars) costing £5.5m, Homes England grant funding was secured on both these acquisitions totalling £2.5m.
  - g. Works are still ongoing on the social housing development at Halstow Way costing £2.7m, Homes England grant funding was secured on this acquisition totalling £765,000.
  - h. Spend on existing housing stock amounted to £2m ensuring Decent Homes Standards are maintained.

**Table 6 – Summary of Capital Spending and Financing**

	<b>£'000</b>	<b>2021/22 £'000</b>
<i>Capital investment</i>		
General Fund capital expenditure	9,041	
HRA capital expenditure	28,747	
<b>Total expenditure</b>		<b>37,788</b>
<i>Sources of finance</i>		
Prudential borrowing	25,058	25,058
Capital receipts		
- 1-4-1 capital receipts	1,594	
- General capital receipts (HRA)	1,893	
- General capital receipts (GF)	233	3,720
Grants and contributions		
- External grants and contributions	3,232	3,232
Contribution to/(from) Major Repairs Reserve	2,081	2,081
Direct revenue contributions		
- General Fund financing	1,192	1,192
- Project NNDR funded	0	0
- HRA Revenue contributions	2,500	2,500
- Developer contributions	5	5
<b>Total financing</b>		<b>37,788</b>

**Table 7 – Capital Receipts**

	<b>£'000</b>	<b>Total Received £'000</b>
Right to Buy Sales Receipts		3,236
<u>Less</u>		
Admin Costs		
Government share (Pooling liability)	(486)	(486)
<u>Other Capital Receipts</u>		
Other HRA Capital Receipts		487
General Fund Capital Receipts		298
<b>Total Capital Receipts</b>		<b>3,535</b>
<b>Housing Revenue Account Receipts</b>		
<i>Unringfenced receipts</i>		1,149
<i>1-4-1 capital receipts for affordable housing</i>		1,800
<b>Total HRA Receipts</b>		<b>2,949</b>
<b>General Fund Receipts</b>		<b>586</b>

## 2021/22 Treasury Management Position (Capital Charges and Net Interest)

77. 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**

	2021/22 Original Budget	2021/22 Current Budget	2021/22 Outturn	Movement Budget 2 to Outturn
	£'000	£'000	£'000	£'000
Interest payable	548	548	353	(195)
Interest receivable	(1,975)	(1,975)	(2,850)	(874)
Minimum revenue provision	1,179	1,179	1,815	636
Depreciation	(1,939)	(1,939)	(1,939)	0
<b>Total Net Interest</b>	<b>(2,188)</b>	<b>(2,188)</b>	<b>(2,621)</b>	<b>(433)</b>

78. **Interest Payable** – Overall £195,000 was saved in interest payable for the year. The original budget allowed for some long term placements in year and a £15m 20 year fixed term annuity loan was taken in July 2021. Bank rates maintained lower than expected for the majority of the year and this allowed for savings on short term borrowing costs.
79. It will be evident though from the short term borrowing position table at Appendix A that rates started to increase following the Bank of England base rate rise in December to 0.25%, and subsequent moves upwards of 0.25% in February and March. This trend of upward increases has continued into 2022/23 with further increases of 0.25% increases in May and June with the bank rate now at 1.25% (16 June 2022), this will have a significant impact on borrowing costs for 2022/23.
80. A full list of the Council's borrowing positions at year end are shown at **Appendix A**.
81. **Interest Receivable** - The performance of strategic investments performed better than expected given the economic shock following Covid with interest from strategic placements considerable higher than expected, outperforming by £875,000. £660,000 of this is increase largely related to managed funds although an additional £214,000 was chargeable to the HRA for internal borrowing following the acquisition of Stour Heights.
82. **Capital Values** – At the end of 2021/22 the capital values for long term investments was £33.5m, an increase of £375,000 since quarter 3 reporting. The overall position for strategic funds now sees the Council having positive equity of £2.9m although this amount is attributed to the growth in the CCLA Property fund which the Council has held since 2013. Overall though the portfolio has recovered from the £4m drop at the start of Covid.

83. With current global tensions, rising inflation and the risk of recession strategic funds will continue to be monitored on a regular basis in conjunction with the Council's Treasury Management Advisors Arlingclose.
84. **Minimum Revenue Provision** – There was a pressure on MRP of £636,000 in year due to the acquisition of Park Mall and the intention to expense the asset over a 5 year period.

### **Implications and Risk Assessment**

85. 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**

86. 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**

87. 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.
88. Any material changes as a result of the external audit will be reported to the Audit Committee.

### **Portfolio Holder's Views**

89. 2021/22 was another challenging year and it was envisaged that recovering from the economic shock of Covid would bring some stability and understanding of the new norms in the post Covid era.
90. However due to increasing global tensions, rising interest rates and the risk of recession, the Council will now face new challenges which may financially pose a greater threat to the Council than Covid where Government intervened to support the sector.
91. In recent years grants, and significant savings from treasury management activity have supported pressures in services but these savings are incredibly unlikely to come forward in future years and therefore service expenditure must be diligently controlled and more closely monitored than ever.
92. Although the future is going to be extremely challenging, 2021/22 was another successful year and puts us in a good position to tackle the financial challenges that lay ahead.

### **Contact and Email**

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## Appendix A

### Treasury Management Portfolio as at 31 March 2022

Counter Party	Deal Date	Rate %	Amount £	Fair Value £
<b>Investment Accounts</b>				
Goldman Sachs	Various	0.05%	54,117	54,117
ICD Portal - Blackrock	Various	0.04%	83,800	83,800
ICD Portal - BNP	Various	0.06%	1,034,142	1,034,142
ICD Portal - CCLA	Various	0.11%	2,209,800	2,209,800
ICD Portal - HSBC	Various	0.09%	800	800
ICD Portal - Invesco	Various	0.04%	59,800	59,800
Payden Global MMF	Various	0.59%	3,000,000	2,967,196
<b>Total Investment Accounts</b>			<b>6,442,459</b>	<b>6,409,655</b>
<b>Long Term Investments</b>				
<b>Property Investment</b>				
A Better Choice of Property Ltd.***	Various	0.00%	605,001	1,142,785
CCLA Local Authority Property Fund	Various	4.31%	11,000,000	13,847,482
<b>Equity Funds**</b>				
CCLA Diversified Income Fund	Various	2.67%	3,000,000	3,077,369
Ninety One Diversified Income Fund	28/03/2019	3.46%	2,500,000	2,370,917
Aegon Diversified Income Fund	13/05/2019	4.86%	5,500,000	5,443,418
Schroder Income Maximiser	Various	7.10%	3,500,000	3,512,307
UBS Multi Asset Income Fund	Various	4.62%	3,000,000	2,678,084
UBS Global Income Equity Fund	29/07/2019	7.57%	1,500,000	1,388,717
<b>Total Long Term Investments</b>			<b>30,605,001</b>	<b>33,461,079</b>
<b>Total Investment Portfolio</b>			<b>37,047,460</b>	<b>39,870,734</b>
* 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 31/03/22 figure still to be confirmed				

## Debt Portfolio as at 31 March 2022

Counter Party	Deal Date	Rate %	Amount £	Maturity Date
<b>Temporary Borrowing</b>				
Vale of Glamorgan Council	19/07/2021	0.08%	2,500,000	13/05/2022
Lichfield District Council	19/07/2021	0.07%	2,000,000	19/04/2022
Warwickshire County Council	05/08/2021	0.06%	10,000,000	05/04/2022
Middlesbrough Teeside PF	19/08/2021	0.07%	7,000,000	19/04/2022
Mersyside Fire & Rescue	24/08/2021	0.06%	2,000,000	25/04/2022
North Somerset Council	25/08/2021	0.06%	2,000,000	25/04/2022
West Yorkshire Combined Authority	22/11/2021	0.07%	3,000,000	22/08/2022
New Forest District Council	24/11/2021	0.06%	1,500,000	24/05/2022
Winchester City Council	24/11/2021	0.06%	1,500,000	24/05/2022
Hampshire County Council	24/11/2021	0.09%	3,000,000	24/05/2022
Ryedale District Council	25/11/2021	0.08%	2,000,000	24/11/2022
Oxfordshire County Council	17/12/2021	0.15%	5,000,000	17/10/2022
North East Derbyshire District Council	17/12/2021	0.15%	5,000,000	16/12/2022
West Midlands Combind Authority	21/01/2022	0.10%	10,000,000	14/04/2022
Renfrewshire Council	24/01/2022	0.10%	5,000,000	22/04/2022
Northern Ireland Housing Executive	24/01/2022	0.20%	7,000,000	23/01/2023
Barnsley MBC	28/01/2022	0.25%	5,000,000	27/01/2023
Cambridgeshire & Peterboro Combined A	31/01/2022	0.25%	5,000,000	30/01/2023
Cambridgeshire & Peterboro Combined A	24/02/2022	0.20%	5,000,000	23/02/2023
Blaenau Gwent County Borough Council	15/03/2022	0.45%	6,000,000	15/06/2022
North Hertfordshire District Council	18/03/2022	0.48%	4,000,000	20/06/2022
Renfrewshire Council	30/03/2022	0.68%	4,000,000	30/06/2022
<b>Total Temporary Borrowing</b>			<b>97,500,000</b>	
<b>Long Term Borrowing</b>				
Public Works Loan Board - HRA	various	various	114,239,150	various
Public Works Loan Board - GF	13/07/2021	1.56%	14,625,000	13/07/2041
<b>Total Long Term Borrowing</b>			<b>128,864,150</b>	
<b>Grand Total Borrowing</b>			<b>226,364,150</b>	

## Detail of PWLB Loans Outstanding at 31 March 2022

Date of Advance	Loan Ref Number	Date of Repayment	Amount Outstanding £	Rate %
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%
13/07/2021	374161	13/07/2041	16,575,000	1.56%
<b>Total HRA Borrowing</b>			<b>114,239,150</b>	
13/07/2021	374159	13/07/2041	14,625,000	1.56%
<b>Total GF Borrowing</b>			<b>14,625,000</b>	

## A Better Choice for Property Loans as at 31 March 2022

Loans	Deal Date	Rate %	Amount £	Principal Repaid £	Balance Outstanding £
Loan 3	12/02/2015	2.83%	400,000	(86,200)	313,800
Loan 9	22/07/2017	3.04%	1,445,000	(60,560)	1,384,440
Loan 12	25/03/2018	3.06%	240,000	(11,445)	228,555
Loan 13	04/05/2018	3.13%	2,490,000	(78,004)	2,411,996
Loan 14	05/06/2018	3.06%	1,196,311	(38,141)	1,158,170
Loan 15	05/07/2018	3.10%	113,000	(3,565)	109,435
Loan 16	25/09/2018	3.19%	823,000	(22,675)	800,325
Loan 17*	17/10/2018	3.45%	659,000	(18,691)	640,309
Loan 18	02/11/2018	3.31%	820,000	(20,745)	799,255
Loan 19	09/11/2018	3.29%	6,517,425	(165,593)	6,351,832
Loan 20*	01/02/2019	3.10%	93,890	(2,521)	91,369
Loan 21*	04/02/2019	3.10%	7,103,180	(190,721)	6,912,459
Loan 22	22/02/2019	3.03%	809,240	(22,476)	786,764
Loan 23*	04/03/2019	3.10%	941,360	(24,237)	917,123
Loan 24	17/06/2019	2.80%	160,000	(3,870)	156,130
Loan 25	01/07/2019	2.81%	91,776	(2,213)	89,563
Loan 26	06/09/2019	2.24%	568,400	(17,285)	551,115
Loan 27	08/09/2019	2.24%	3,821,595	(189,239)	3,632,356
Loan 28*	16/04/2020	3.57%	1,208,000	(11,925)	1,196,075
Loan 29*	16/10/2020	3.84%	1,029,820	(6,326)	1,023,494
Loan 30	20/11/2020	3.61%	2,175,000	(20,152)	2,154,848
Loan 31*	08/11/2021	3.22%	427,050	0	427,050
<b>Total loans to A Better Choice For Pro</b>			<b>33,133,047</b>	<b>-996,584</b>	<b>31,709,413</b>

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