

**Agenda Item No:** 10  
**Report To:** Cabinet  
**Date of Meeting:** 24 November 2022  
**Report Title:** Quarter 2 - Financial Monitoring  
**Report Author:** Jo Stocks  
**Job Title:** Senior Accountant  
**Portfolio Holder:** Cllr. Neil Shorter  
**Portfolio Holder for:** Finance and IT



**Summary:** This report presents the second quarter budget monitoring position, as at the 30 September 2022. The economic outlook has significantly changed since the budget was set, and has continued to be volatile throughout the second quarter and this is reflected within the report and the projections it contains.

The forecast position to 31 March 2023 indicates an overall pressure on the General Fund (GF) of £2.1m (£1.7m at quarter one), with a pressure in services of £1.7m (£1.2m at quarter one). The Housing Revenue Account (HRA) is reporting a total underspend in year of £492,000 (£356,000 at quarter one).

There have been a number of movements within the general fund during the 2nd quarter monitoring process, with material movements summarised below, and further information provided in the body of the report:-

Temporary Accommodation has seen a further increase in demand and is forecasting an additional pressure of £197,000, this is a total variance of £400,000 on the original budget. This trend is reflected across the County.

Facilities Management is showing a pressure of £190,000 and Ashford Port Health are projecting an increase in income of around £120,000 which can be used within the General fund.

The Housing Revenue Account (HRA) is forecasting a reduction in operational spend of £136,000, with capital expenditure plans increasing by £152,000, since quarter one.

This report also provides an update on the collection fund, treasury management, reserves and progress on savings identified within the 2022/23 budget.

**Key Decision:** NO

**Significantly Affected Wards:** None

**Recommendations:** The Cabinet is recommended to:-

- I. Note the quarter 2 forecast position for the General Fund and the Housing Revenue Account.
- II. Note the Collection Fund position
- III. Note the Treasury Management position
- IV. Note the provisional reserve allocations as highlighted at Table 6 of this report

**Policy Overview:** The Budget is a key element supporting the delivery of the Council's wider policy objectives.

**Financial Implications:** The General Fund is reporting an overall pressure of £2.1m based on quarter two budget monitoring. The HRA is forecasting an overall underspend of £492,000 in operational budgets, and is forecasting a reduction in capital spend, compared to the original budget, of £485,000.

**Legal Implications:** N/a

**Equalities Impact Assessment:** A full assessment was undertaken as part of 2022/23 Final Budget Report.

**Exempt from Publication:** No

**Background Papers:**

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## Report Title: Quarter Two Financial Monitoring

### Introduction and Background

1. This report presents the forecast outturn position to 31 March 2023 based on information available as at 30 September 2022.
2. The 2022/23 budget setting process was undertaken around October/November 2021 as the United Kingdom (UK) was recovering from, and starting to live with, Covid. However, following a period of uncertainty, including the war in Ukraine, energy prices have increased significantly, pushing up inflation. In addition to this the upheaval and uncertainty in the British Government has caused volatility in the markets, and led to an increase in the cost of Government borrowing.
3. In response to rising inflation, the Bank of England (BOE) has increased the UK interest rate to 3%, with further increases anticipated at future meetings of the BOE's Monetary Policy Committee (MPC) with peak rates now anticipated to reach 4.25%.
4. The impact of the above has meant that inflationary and interest rate forecasts used in the 2022/23 budget setting process were a lot lower than the reality, with actual rates leading to significant pressure on Council budgets, notably the refuse collection contract (13% uplift) and short term borrowing costs which are anticipated to increase by around 1,000% in cash terms.
5. In addition to the pressures being felt by the Council, the Council's residents and businesses are also feeling the impacts of rising inflation and interest rates, which is likely to lead to pressure on the Council's sales, fees and charges income, collection rates, as well as add pressure to frontline services, such as homelessness representations which are already well above budgeted levels.
6. In light of these pressures, as well as any future turbulence in the economy, officers are continuing to review budgets in order to mitigate, as much as possible, the effects of the pressures the Council is facing. This review process extends into the 2023/24 budget setting process, which is also on tonight Cabinet Agenda.
7. With the issues facing the current Government there is unlikely to be any financial aid from Central Government. However, the Chancellor will present a revised fiscal statement on the 17 November and will give Councils a better steer on what action is being taken to support inflationary pressures, especially against the backdrop of more Councils discussing possible S114 Notices (Bankruptcy) in the medium term.
8. This report considers each of the following areas of the Council in more detail including the General Fund, Housing Revenue Account, Collection Fund (Council Tax and Business Rates), Treasury Management, reserves movements and savings to be identified.

## Summary of General Fund Position

9. The current General Fund position is forecasting a deficit of £2.1m in year with £1.7m in service expenditure. While it's not unusual to be reporting an overspend at this point in the year, the Council's ability to be able to fund those pressures has been greatly inhibited by the increase in interest rates, which has led to a pressure in the investment and borrowing budgets, where in recent years this function supported service deficits.
10. There is £438,000 of savings still to be identified, that were agreed as deliverable when the 2022/23 budget was set, but are not now deliverable as intended, due in part to the economic climate, which has developed since these savings were proposed. As a result some new savings will need to be identified, and these will need more time to be realised, where these savings are not likely to be delivered they have been rolled up into the wider deficit within the 2023/24 budget, where new savings across the organisation will need to be identified.
11. The savings to be identified was a risk highlighted by the Cabinet and the Overview and Scrutiny Budget Task Group and, as requested, progress is reported at **Appendix B**, in accordance with the recommendation made by Cabinet when the budget was set. Management Team are reviewing, and will consider new saving opportunities to replace these targets, and will strive to reduce some of this pressure as we move through the remainder of the year. Services are also being encouraged to think about general expenditure to help reduce the overall corporate pressure, and all vacant posts and regrading proposals are now having to be referred to Directors for consideration. The impact of this approach should start to filter into forecasting as we move through the remainder of year.
12. **Table 1** shows the movement between revised budget and forecast outturn, and the variance between the quarter one and quarter two forecasts, at an Assistant Director level. Further details of material movements in each Assistant Director area are covered in the narrative section below.

**Table 1 - General Fund Quarter 2 Forecast as at 30 September 2022 projecting the year end position**

General Fund Summary as Assistant Director Level	2022/23 Current Budget	2022/23 Forecast Outturn at Q2	2022/23 Forecast Outturn at Q1	2022/23 Forecast Variance	2022/23 Variance Q2 to Q1
	£'000	£'000	£'000	£'000	£'000
Finance and IT	2,178	2,186	2,163	6	23
HR, Customer Services, Comms and Digitalisation	603	611	633	8	(22)
Housing	1,227	1,658	1,460	433	199
Safety Wellbeing and Port	647	941	1,045	294	(104)
Environment, Property and Recreation	4,968	5,793	5,558	825	234
Planning and Development	2,298	2,682	2,634	382	47
Corporate Management Costs	1,650	1,389	1,389	(261)	0
Head of Economic Development	686	675	624	(11)	51
Head of Performance and Policy	1,458	1,422	1,383	(38)	39
Solicitor to The Council and Monitoring Officer	303	327	342	22	(16)
<b>Total Service Expenditure</b>	<b>16,018</b>	<b>17,684</b>	<b>17,231</b>	<b>1,660</b>	<b>451</b>
Capital Charges & Net Interest	(2,154)	(1,654)	(1,654)	500	0
Levies, Grants and Precepts	282	282	282	0	0
Contribution to Balances	1,947	1,856	1,947	(91)	(91)
<b>Budget Requirement</b>	<b>16,093</b>	<b>18,168</b>	<b>17,806</b>	<b>2,069</b>	<b>360</b>
<b>Financing:</b>					
Retained Business Rates	(4,685)	(4,685)	(4,685)	0	0
Government Grants	(398)	(398)	(398)	0	0
Rural Services Delivery Grant	(87)	(87)	(87)	0	0
New Homes Bonus	(1,886)	(1,886)	(1,886)	0	0
Council Tax	(8,638)	(8,638)	(9,038)	0	0
Council Tax 2020/21 Surplus	(400)	(400)	0	0	0
<b>Total Movement</b>	<b>(1)</b>	<b>2,074</b>	<b>1,712</b>	<b>2,069</b>	<b>360</b>

## Summary of General Fund Movements at Assistant Director Level

### Housing (General Fund)

13. General Fund Housing are reporting a further pressure of £199,000, with £197,000 of that pressure as a result of an increase in demand on Homelessness. When the budget was built it was assumed there would be an average of 100 cases in TA per month, however at the end of the second quarter there were 140 cases in TA. It is unknown at this time what effect the current economic climate will have on homeless presentations, but the Housing department are investigating ways to reduce the demand, including more prevention work, and looking into alternatives to the current TA solutions.
14. It was hoped that there would be some relief from the Henwood proposal, however this has been delayed until November 2023, due to the issues at Stodmarsh. In addition to this there is also a lack of affordable homes in the area, again as a result of Stodmarsh. This budget represents a forward risk to the forecast and will be monitored closely as the year progresses. It should

be noted that there is a similar picture emerging across the county, where all districts are seeing increases in homelessness.

### Safety Wellbeing and Port

15. The Safety Wellbeing and Port area is showing a positive variance of £104,000 at the end quarter two. There is additional income of £120,000 as a result of checks IUU (Illegal, Unregulated and Unrecorded) checks on fish, on behalf of the Marine Management Organisation, and therefore retained within the general fund.
16. This variance is partially offset by various small pressures within the Environment Health area, mainly as a result of increases to employee costs, including cover for long term sickness. In addition to this there's around £35,000 of savings still to be identified.

### Environment, Property and Recreation

17. Property Building Services are forecasting a £543,000 overspend for the maintenance of our assets, which is to be funded from reserves. Works include Edinburgh Road carpark, Tenterden and Stour Centre Leisure Centres and Repton Copper Beech Tree.
18. There is a pressure of £95,000 due to additional costs at Pitchside & Courtside, including £45,000 loss of income from the closure of the 3G pitch, and £50,000 increase in security and cleaning costs.
19. There's a reduction in income at various commercial sites, including Park Mall and Ellingham, while this is partially offset by an increase in rental and service charge income at Elwick and International House, the total pressure in this area is £146,000.

### Planning and Development

20. Planning and Development is forecasting a further pressure of £47,000, compared to quarter one, of which, £75,000 is due to forecast income for pre-application advice delayed as the scheme is still being developed, but this has been largely offset by a number of minor savings, as well as an additional £31,000 in s106 income.

## Housing Revenue Account (HRA)

21. The Housing Revenue Account is showing a further decrease in operational expenditure, compared to quarter one, of £136,000. While there is an anticipated pressure of £150,000, as a result of an increase in utility costs, which will be recoverable in 2024/25, this is offset by £61,000 in salary savings, £22,000 reduction in Tenant Participation Advisory Service (TPAS) costs, compared to initial estimates and a number of projects, including the implementation of the Customer Relationship Management (CRM) system, which will be slipped into 2023/24.
22. Planned capital works are currently under review, in light of contractor delays and long-term sickness in the team, which is creating slippage in the planned works.
23. In addition to the review to explore potential savings in capital works, the disabled adaptations budget has been increased to £1m, from the base budget of £500,000. This increase is to facilitate a number of jobs that are currently underway, as well as the completion of some larger extensions.
24. Officers have identified a saving of £282,000, on planned works, with further savings expected after the review has been completed.
25. A breakdown of this variance is shown in **Table 2** below:

**Table 2 – 2022/23 Housing Revenue Account Forecast Outturn Position  
(Quarter 2)**

Housing Revenue Account	2022/23 Current Budget	2022/23 Forecast Outturn at Q2	2022/23 Forecast Outturn at Q1	2022/23 Forecast Variance	2022/23 Variance Q2 to Q1
	£'000	£'000	£'000	£'000	£'000
Supervision and Management	6,732	6,662	6,726	(71)	(64)
Income	(28,775)	(28,782)	(28,775)	(7)	(6)
New Build	201	29	108	(172)	(78)
Other	15,960	15,677	15,677	(284)	0
Repairs and Maintenance	4,347	4,390	4,378	42	12
<b>Net Revenue Expenditure</b>	<b>(1,535)</b>	<b>(2,024)</b>	<b>(1,886)</b>	<b>(492)</b>	<b>(136)</b>
Capital Works - Decent Homes	6,142	5,223	5,505	919	282
Financed By:					
Contribution to/(from Major Repairs Reserve)	(6,142)	(5,223)	(5,505)	(919)	(282)
<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>(1,535)</b>	<b>(2,024)</b>	<b>(1,886)</b>	<b>(492)</b>	<b>(136)</b>

## Collection fund Monitoring

### Business Rates

26. Collection rates for NNDR continue to be regularly monitored to gauge the potential impact of the current economic situation within the Borough. At the end of October 64.61% (£35.388m) of rates billed for the year had been collected, this compares to 59.42% in 2020/21 and 60.45% in 2019/20.
27. Collection rates have improved significantly compared to the same point last year, and pre-pandemic levels. However, it should be noted there is a continuing pressure on businesses, and the increasing inflation, interest rates and energy prices will not only impact on the ability of businesses to pay but may also impact the rates billed due to a potential fall in the number of businesses.
28. While the estimate of Business Rates billed has reduced since the original budget were calculated, there is a slight increase compared to the quarter one forecast. This £742,000 increase in Rates Billed is in large part due to the Covid19 Additional Relief Funding (CARF), as although relates to 2021/22 has actually been used to reduce the bills in 2022/23.
29. Including a prior year deficit of £3.5m, the overall deficit on the collection fund for business rates is forecast at £5.4m with Ashford's share (40%) of that deficit being around £2.2m, although as mentioned, this will be funded from s31 Grant.

**Table 3 – Business Rate Summary**

Collection Fund - Business Rates	Original Budget	2 Qtr Outturn	1 Qtr Outturn	Variance to Previous Quarter Forecast
	2022/23	2022/23	2022/23	2022/23
	£'000	£'000	£'000	£'000
Opening (Surplus)/Deficit	(13,285)	(13,285)	(13,285)	(0)
(Deficit) contributed by/Surplus distributed to Major Preceptors	16,771	16,771	16,771	0
<b>Remaining Deficit/(Surplus) to be Contributed/(Distributed)</b>	<b>3,486</b>	<b>3,486</b>	<b>3,486</b>	<b>(0)</b>
<b>2022/23</b>				
Amount of Business Rates to be paid to Major Preceptors	49,326	49,326	49,326	0
Amount of Business Rates Billed	(52,038)	(50,382)	(49,640)	(742)
Transitional Relief (Recovered)/Payable	0	3	(4)	7
<b>Other Items Charged to the Collection Fund:</b>				
Appeals and Rateable Value Reductions	1,500	1,706	1,687	19
Bad and Doubtful Debts	900	904	900	4
Renewable Energy	106	311	311	0
Cost of Collection	205	16	16	0
<b>In year (Surplus)/Deficit</b>	<b>(1)</b>	<b>1,884</b>	<b>2,596</b>	<b>(712)</b>
<b>Overall (Surplus)/Deficit on Collection Fund</b>	<b>3,485</b>	<b>5,370</b>	<b>6,082</b>	<b>(712)</b>



## Council Tax

30. The value of Council Tax receipts collected at the end of October was 66.16% (64.794m), this compares to previous collection rates of 66.63% in 2021/22 and 66.91% in 2020/21. There is a very slight decrease in the amount collected this year, compared to last year, officers are continuing to monitor this in light of the current economic forecasts, which could further impact collection rates in 2022/23.
31. The amount of council tax billed has increased, by around £600,000, compared to the first quarter, but is still broadly in line with the original assumptions. It is likely that these fluctuations are timing differences, however officers continue to monitor to ensure that forecasts are reliable.
32. Overall the collection fund for Council Tax is reporting a year end deficit of £400m of which Ashford's share would be around £40,000, based on current forecasts.

**Table 4 Council Tax Summary**

	Original Forecast 2022/23 £'000	Quarter 1 2022/23 £'000	Quarter 2 2022/23 £'000	Variance £'000
Opening Deficit/(Surplus)	(3,505)	(3,505)	(3,505)	0
Deficit contributed by Major Preceptors	3,891	3,891	3,891	0
<b>2022/23</b>				
Amount of Council Tax to be Paid to Major Preceptors	97,347	97,347	97,347	0
Amount of Council Tax Billed	(97,347)	(96,837)	(97,480)	643
In Year Write Offs and Bad Debt Provision Increase	(983)	196	166	30
<b>In Year (Surplus)/Deficit</b>	<b>(983)</b>	<b>706</b>	<b>33</b>	<b>673</b>
<b>Overall (Surplus)/Deficit</b>	<b>(597)</b>	<b>1,092</b>	<b>419</b>	<b>673</b>

## Capital Monitoring

33. **Table 5**, below, illustrates the capital expenditure forecast for each approved capital project. Sources of funding are detailed below so do not form part of the figures shown in the table.

**Table 5 – 2022/23 Capital Expenditure Forecast Quarter 2, Projecting the Year End Position**

Project Name	Total Approved Budget	Spend at 31/3/22	22/23 forecast spend	Future Forecast spend	Total Spend	Project Variance
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Place and Space</b>						
Planned Minor Capital Works for General Fund Assets	2,000	500	500	1,000	2,000	0
Ellingham Roof	500	0	0	500	500	0
Tenterden Leisure Centre Roof	1,178	816	362	0	1,178	0
Stour Centre Pool Tiles	750	0	0	750	750	0
Victoria Park Fountain & Carpark	570	0	0	570	570	0
International House Works	2,050	0	50	2,000	2,050	0
Solar PV (various sites)	10,800	45	3,100	7,655	10,800	0
Solar PV Carlton Road	401	0	401	0	401	0
Stodmarsh - Phase 1	10,000	5	200	9,795	10,000	0
Newtown Works - Phase 1	87,273	129	14,028	73,116	87,273	0
Vicarage Lane redevelopment - Phase 1	10,664	3,513	2,151	5,000	10,664	0
Project Green	47,000	33	0	69,967	70,000	23,000
Single Grants Gateway Fund	300		75	225	300	0
Victoria Park Rejuvenation Project	3,468	231	2,437	1,500	4,168	700
Conningbrook Lakes Country Park development	2,055	78	950	1,027	2,055	0
Tenterden Decarbonisation Works	1,263	327	2,138	0	2,465	1,202
Civic Centre Decarbonisation Works	936	0	0	0	0	(936)
Play Parks	1,100	0	2	1,098	1,100	0
<b>Health &amp; Wellbeing</b>						
Henwood Temporary Accommodation	4,700	90	300	4,310	4,700	0
Rough Sleepers Accommodation Programme	3,552	379	1,172	1,378	2,929	(623)
<b>Customer Tech &amp; IT</b>						
Digital Transformation	664	119	434	111	664	0
<b>HRA</b>						
Programmed Works Including Disabled Adaptations	29,695	2,581	5,330	21,784	29,695	0
Play Areas	300	178	61	61	300	0
Street Purchases	39,074	5,338	800	24,881	31,019	(8,055)
St Stephens Walk	3,165	567	1,285	1,313	3,165	0
Halstow Way	6,997	4,131	3,073	0	7,204	207
55 Mabledon (Piper Joinery)	7,246	2,053	5,193	0	7,246	0
Oakleigh House	15,946	257	5,125	8,630	14,012	(1,934)
Ford Way	9,042	0	0	9,042	9,042	0
Coneybeare	9,776	0	1,538	8,238	9,776	0
Tile Kiln	7,210	1,124	1,025	5,061	7,210	0
Infill Sites	6,274	0	2,460	3,814	6,274	0
Hamlet Chilmington	1,970	1,115	855	0	1,970	0
Digitalisation	90	0	20	70	90	0
Decarbonisation	85,165	0	800	84,365	85,165	0
Lifeline	220	0	0	220	220	0
CRM	35	0	0	35	35	0
Court Wurtin	455	180	166	109	455	0

## General Fund Capital

34. *Victoria Park Project* – The budget for this project was first calculated in 2018, however costs have risen since this time, and therefore the increase in costs of £700,000 is to be expected. To offset this an allowance of £196,000 has been approved by Management Team, with a further £300,000 awarded by the National Lottery Heritage Fund, as well as £34,000 by the Contain Outbreak Management Fund (COMF). The remaining £170,000 will be funded from reserves.
35. *Conningbrook Lakes Country Park Development* – The plans for the country park went to Cabinet in February 2020. However, due to Covid the project was placed on hold, a number of stakeholders in the masterplan subsequently pulled out (e.g. the Shepherd Neame Pub. The project has now been re-commenced, therefore the masterplan is being reviewed and updated, following which a delivery programme will be established.
36. *Rough Sleepers Accommodation Programme* – Due to difficulties in procuring suitable homes for this project the number of dwellings to be purchased has gone from 20 to 15, resulting in a saving of £623,000. However, this has impacted the Homes England funding which has been reduced in line with the anticipated spend by £265,000.

## Housing Revenue Account (HRA) Capital

37. The issues at Stodmarsh continue to delay the HRA building programme, in addition to this, the current economic climate is affecting the feasibility of some projects, which will need to be delayed. Officers are currently reviewing the HRA Business Plan (Cabinet December 2022) which will give more detail on the current timeline for projects.
38. *On Street Purchases* – At the time of writing two properties have been purchased in 2022/23, with a further three expected by the end of the year. At the time the budget was set the economy was in a very different place, however with the pressures on the HRA Business Plan, due in part to the cost of borrowing, as well as the increasing property prices, this is no longer a viable way to increase the council's housing stock. Going forward it has been decided that unless there are properties that fulfil a specific housing need then there will be no further street purchases after 2022/23.
39. *Halstow Way* – The £207,000 overspend is due to increased material costs, caused by inflation. Please note that £1m Homes England funding was secured for this project.
40. *Oakleigh House* – This project is experiencing significant delays as a result of the difficulties obtaining planning consent, as a result of Stodmarsh. Works were expected to start by the end of this financial year, but now commence in 2023/24. The costs will continue to be reviewed as more information becomes available.

41. *Decarbonisation* – The HRA has identified all dwellings that do not currently achieve an EPC rating of C. To bring these dwellings up to the required standard is expected to cost around £22m. Grant funding of £5m, from the Department of Business, Energy and Industry Strategy has been secured, further funding for the next tranche of works is being applied for. This piece of work and anticipated funding has led to a saving of around £63m, compared to the original estimates. Works are expected to commence in March 2023.

## Reserves

42. Contributions to and from reserves that were not identified as part of the budget setting process are required to be reported as part of the budget monitoring report. These pressures are not reflected in the general fund figures previously covered within this report.
43. **Table 6**, below, identifies the reserve movements that are proposed for year-end, subject to the final outturn position. Cabinet are asked to note these proposals.

**Table 6 – Breakdown of Reserve Movements**

<b>Purpose</b>	<b>Suggested Reserve</b>	<b>Amount £</b>
Continued contractual support for Tenterden Leisure Centre as a new Operator is tendered for. This support is necessary to prolong the management of the incumbent operator in light of challenging market conditions and avoid closure of the centre.	Economic Growth and Risk Fund	500,000
The current operational repairs and maintenance budget for the Council is overspent by £543,000 following a number of essential projects, this is to be funded from the wider repairs and renewals reserve.	Repairs and Renewals reserve	543,000
<b>Total</b>		<b>1,043,000</b>

**Recommendation – Cabinet is asked to note the reserve movement proposals in Table 6 above.**

## Treasury Management

44. The breakdown of the Capital Charges and Net Interest line is shown below at **Table 7**. This table shows the borrowing and investment 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 7 – Net Interest Summary**

	2021/22 Current Budget	2022/23 Forecast Outturn at Q2	2022/23Fore cast Outturn at Q1	2022/23 Forecast Variance	Q2 - Q3 Movement
	£'000	£'000	£'000	£'000	£'000
Interest payable	1,146	1,146	1,146	0	0
Interest receivable	(3,022)	(2,522)	(2,522)	500	0
Minimum revenue provision	1,664	1,664	1,664	0	0
Depreciation	(1,942)	(1,942)	(1,942)	0	0
<b>Total Net Interest</b>	<b>(2,154)</b>	<b>(1,654)</b>	<b>(1,654)</b>	<b>500</b>	<b>0</b>

### Interest payable / Interest receivable

45. Since the last budget monitoring report the markets have been highly volatile, although they are now showing some signs of easing. The Council is still expecting further rate rises in December and into the new year, although the peak rate is now forecast to be circa 4.25%, before starting to drop in the medium term as the country enters recession and looks to recover.
46. There has been no movement in forecast since quarter one and the team are still keeping cash balances low to minimise borrowing and are taking short deposits to bridge small funding gaps. However this will change as we move into January as a large number of loans mature. The current loan portfolio is shown at **Appendix A** where the rate rises become apparent where new loans have been taken.
47. **Investment Capital Values** – the capital value of strategic investments is now valued at £30.2m compared to an original investment value of £30.8m, therefore representing a capital decline of £0.6m. As we learnt from the pandemic, when the funds were reduced by circa £4m, the Council needs to be comfortable with the long term nature of these funds and hold them in accordance with strategy.
48. Current investment balances, and borrowing portfolios are shown at **Appendix A**.

## **Savings to be identified**

49. The 2022/23 draft budget had a saving requirement of £827,800 which was identified in 2021/22 as part of the £3m cumulative target to support the Council's medium term financial plan. £639,260 of these savings were still to be fully identified at the time of setting the budget.
50. These savings were identified by the Cabinet and Overview and Scrutiny Budget Task Group who endorsed Cabinet's recommendation, recommended that progress on delivery of these savings be reported as part of this report, and Cabinet agreed with this recommendation.
51. As acknowledged when setting the budget, the economic situation has changed since the agreement of the original proposals and therefore it was acknowledged that savings may have to be delivered differently to the original plan. However it is universally accepted that these savings are required to achieve a balanced position for the medium to long term finances of the Council.
52. The quarter two monitoring position is reporting that £438,000 of savings are still to be delivered and have been added to the forecast pressure. A full list of the savings originally agreed, identified as 'to be delivered' and those that are now recorded as a pressure are shown at **Appendix B**.
53. Budget Mangers will continue to explore new options for delivering these saving requirements and aim to reduce the pressure items over the remainder of the year.

## **Portfolio Holder's Views**

54. These continue to be extremely challenging times both for the residents of the borough and the Council as rising inflation and interest rates impact finances.
55. For the Council this has led to further additional pressure on homelessness as well as pressures in our Property Services, due to both an increase in costs and a reduction in income.
56. Directors and the wider Management Team are continuing to review the savings still outstanding and have put measures in place to ensure that all recruitment is reviewed before approval is given.
57. The pressures we are seeing during this financial year are not one-offs, it is expected that increased costs will be an issue for some time to come, which will impact on the Council's ability to deliver discretionary services to our residents, in both the short and long-term.

## **Contact and Email**

58. Jo Stocks – [Jo.Stocks@ashford.gov.uk](mailto:Jo.Stocks@ashford.gov.uk)

## Treasury Management Portfolio as at 31 October 2022

Counter Party	Deal Date	Rate %	Amount £	Fair Value £
<b>Investment Accounts</b>				
Goldman Sachs	Various	0.05%	54,117	54,117
ICD Portal - BNP	Various	2.75%	3,085,000	3,085,000
Payden Global MMF	Various	3.00%	3,000,000	2,887,359
<b>Total Investment Accounts</b>			<b>6,139,117</b>	<b>6,026,476</b>
<b>Long Term Investments</b>				
<b>Property Investment</b>				
A Better Choice of Property Ltd.***	Various	0.00%	789,060	1,096,036
CCLA Local Authority Property Fund	Various	3.48%	11,000,000	13,243,751
<b>Equity Funds**</b>				
CCLA Diversified Income Fund	Various	2.51%	3,000,000	2,808,951
Ninety One Diversified Income Fund	28/03/2019	3.37%	2,500,000	2,162,253
Aegon Diversified Income Fund	13/05/2019	5.15%	5,500,000	4,654,732
Schroder Income Maximiser	Various	7.77%	3,500,000	2,819,814
UBS Multi Asset Income Fund	Various	4.82%	3,000,000	2,241,848
UBS Global Income Equity Fund	29/07/2019	9.63%	1,500,000	1,195,430
<b>Total Long Term Investments</b>			<b>30,789,060</b>	<b>30,222,815</b>
<b>Total Investment Portfolio</b>			<b>36,928,177</b>	<b>36,249,291</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.



## Debt Portfolio as at 15 November 2022

<b>Counterparty</b>	<b>Deal Date</b>	<b>Rate</b>	<b>Amount</b>	<b>Maturity Date</b>
		<b>%</b>	<b>£</b>	
<b>Temporary Borrowing</b>				
Ryedale District Council	27/09/2021	0.08%	2,000,000	24/11/2022
North East Derbyshire District Council	18/10/2021	0.15%	5,000,000	16/12/2022
Northern Ireland Housing Executive	19/10/2021	0.20%	7,000,000	23/01/2023
Bamsley MBC	23/11/2021	0.25%	5,000,000	27/01/2023
Cambridgeshire & Peterboro Combined Authority	23/11/2021	0.25%	5,000,000	30/01/2023
Cambridgeshire & Peterboro Combined Authority	08/12/2021	0.20%	5,000,000	23/02/2023
Bamsley MBC	27/05/2022	1.20%	5,000,000	11/01/2023
Salford City Council	26/05/2022	1.20%	5,000,000	04/01/2023
Warwickshire County Council	27/05/2022	1.20%	10,000,000	05/01/2023
West Yorkshire Combined Authority	06/06/2022	1.25%	8,000,000	25/04/2023
West Yorkshire Combined Authority	08/06/2022	1.25%	4,000,000	24/05/2023
West Yorkshire Combined Authority	08/06/2022	1.25%	3,000,000	22/05/2023
London Borough of Newham	08/06/2022	1.30%	10,000,000	03/04/2023
Wokingham Borough Council	10/10/2022	2.85%	10,000,000	24/01/2023
<b>Total Temporary Borrowing</b>			<b>84,000,000</b>	
<b>Long Term Borrowing</b>				
Public Works Loan Board - HRA	various	various	112,964,150	various
Public Works Loan Board - GF	13/07/2021	1.56%	13,500,000	13/07/2041
<b>Total Long Term Borrowing</b>			<b>126,464,150</b>	
<b>Grand Total Borrowing</b>			<b>210,464,150</b>	

## Detail of PWLB Loans Outstanding at 31 October 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	15,300,000	1.56%
	<b>Total HRA Borrowing</b>		<b>112,964,150</b>	
13/07/2021	374159	13/07/2041	13,500,000	1.56%
	<b>Total GF Borrowing</b>		<b>13,500,000</b>	

**A Better Choice for Property Ltd. Loans as at  
31 October 2022**

<b>Loans</b>	<b>Deal Date</b>	<b>Rate %</b>	<b>Amount £</b>
Loan 3	12/02/2015	2.83%	400,000
Loan 9	22/07/2017	3.04%	1,445,000
Loan 12	25/03/2018	3.06%	240,000
Loan 13	04/05/2018	3.13%	2,490,000
Loan 14	05/06/2018	3.06%	1,196,311
Loan 15	05/07/2018	3.10%	113,000
Loan 16	25/09/2018	3.19%	823,000
Loan 17*	17/10/2018	3.45%	659,000
Loan 18	02/11/2018	3.31%	820,000
Loan 19	09/11/2018	3.29%	6,517,425
Loan 20*	01/02/2019	3.10%	93,890
Loan 21*	04/02/2019	3.10%	7,103,180
Loan 22	22/02/2019	3.03%	809,240
Loan 23*	04/03/2019	3.10%	941,360
Loan 24	17/06/2019	2.80%	160,000
Loan 25	01/07/2019	2.81%	91,776
Loan 26	06/09/2019	2.24%	568,400
Loan 27	08/09/2019	2.24%	3,821,595
Loan 28*	16/04/2020	3.57%	1,208,000
Loan 29*	16/10/2020	3.84%	1,029,820
Loan 30	20/11/2020	3.61%	2,175,000
Loan 31*	08/11/2021	3.22%	427,050
Loan 32	21/04/2022	4.05%	650,000
Loan 33	06/10/2022	5.50%	50,000
<b>Total loans to ABCFPL</b>			<b>33,833,047</b>
* These loans have been subsequently loaned to the companies subsidiary A Better Choice for Property Development Ltd.			

## Savings to be identified tables

Director Of Customer Tech & Finance	2022/23 Original Saving	2022/23 Saving to be identified	2022/23 Q2 Forecast	Pressure	Q2 Budget Monitoring Comments
Communications & Marketing	(12,500)	(12,500)	0	(12,500)	Operational savings to be identified
Policy And Performance	(12,000)	(12,000)	(12,000)	0	Love Ashford Website now managed in house
Accountancy	(50,000)	(15,000)	(15,000)	0	Delivered through increased income from Fraud and Investigations
ICT	(20,000)	(10,000)	(10,000)	0	Reduction on usage and costs
Visitor & Call Centre	(10,500)	0	0	0	Saving made within 22/23 budget setting process
Visitor & Call Centre	(6,500)	0	0	0	Saving made within 22/23 budget setting process
<b>Total</b>	<b>(111,500)</b>	<b>(49,500)</b>	<b>(37,000)</b>	<b>(12,500)</b>	
<b>Director Of Health And Wellbeing</b>	<b>2022/23 Original Saving</b>	<b>2022/23 Saving to be identified</b>	<b>2022/23 Q2 Forecast</b>	<b>Pressure</b>	<b>Q2 Budget Monitoring Comments</b>
Deputy Head of Property & Projects	(17,500)	0	0	0	Saving made within 22/23 budget setting process
Project Delivery Team	(56,000)	(56,000)	(56,000)	0	This saving will be delivered by charging Officer time as a Capital costs to the projects they are involved in.
Parking & Engineering	(75,000)	(75,000)	0	(75,000)	This saving was intended to be delivered from moving to a more cashless parking environment. However, despite good progress being made on removing some machines, increased costs from an enforced change in the cash collection contract provider and increased cashless transaction fees have added pressures elsewhere negating this saving.
Environmental Health	(34,830)	(34,830)	0	(34,830)	Dicussions with Housing taking place with the possibility of merging posts to make savings.
Housing Options	(57,070)	(11,280)	(11,280)	0	Saving delivered as site now fully let.
Housing Options	(99,450)	(99,450)	0	(99,450)	This saving will be recognised once the Henwood development is operational and being used to limit the council's exposure to expensive temporary accommodation solutions such as Bed and Breakfast.
Housing Options	(32,000)	0	(32,000)	0	Saving made within 22/23 budget setting process
<b>Total</b>	<b>(371,850)</b>	<b>(276,560)</b>	<b>(99,280)</b>	<b>(209,280)</b>	
<b>Director Of Place And Space</b>	<b>2022/23 Original Saving</b>	<b>2022/23 Saving to be identified</b>	<b>2022/23 Q2 Forecast</b>	<b>Pressure</b>	<b>Q2 Budget Monitoring Comments</b>
Strategic Planning	(50,000)	(50,000)	0	(160,000)	Processes for charging are still being developed to charge for Pre Planning Agreement Advice.
Development Control	(10,000)	(10,000)		0	Processes for charging are still being developed to charge for Planning Performance Agreements.
Strategic Planning	(100,000)	(100,000)		0	System still not fully embedded and delivering efficiencies
Facilities Management	(50,000)	(50,000)	(50,000)	0	Recharge to be made to the HRA for building space used by repairs and maintenance contractor.
Street Scene	(20,720)	(20,720)		(52,200)	The closure of new rent public toilets was recommended on the back of the introduction of the Community Toilet Scheme, however there has been strong public and political pressure not to close these facilities and therefore remain open, and the saving therefore not deliverable.
Street Scene	(31,480)	(31,480)	(31,480)	31,480	Closure of Toilets for park redevelopment.
Tenterden Gateway	(11,000)	(11,000)	0	(11,000)	Lease does not terminate until 2023 when saving will be realised.
<b>Total</b>	<b>(273,200)</b>	<b>(273,200)</b>	<b>(81,480)</b>	<b>(191,720)</b>	
<b>Executive Functions</b>	<b>2022/23 Original Saving</b>	<b>2022/23 Saving to be identified</b>	<b>2022/23 Q2 Forecast</b>	<b>Pressure</b>	<b>Q2 Budget Monitoring Comments</b>
Economic Development	(10,000)	(10,000)	0	(10,000)	Saving covered in 22/23 with some salary savings
Strategic Corporate Costs	(18,750)	0	0	0	Saving made within 22/23 budget setting process
Legal	(30,000)	(30,000)	(15,500)	(14,500)	This saving was originally identified as a opportunity to bring in external income through the award of a contract. However, due to resourcing constraints the bid was not submitted and therefore saving/income was not delivered. Since then, a partial saving has been possible as a result of grant funding from Kent Housing Group
Electoral Services	(12,500)	0	0	0	Saving made within 22/23 budget setting process
<b>Total</b>	<b>(71,250)</b>	<b>(40,000)</b>	<b>(15,500)</b>	<b>(24,500)</b>	
<b>Total</b>	<b>(827,800)</b>	<b>(639,260)</b>	<b>(233,260)</b>	<b>(438,000)</b>	