

Agenda Item No: 10
Report To: Cabinet
Date of Meeting: 13 September 2018
Report Title: Financial Monitoring – First four months of 2018/19
Report Author & Job Title: Lee Foreman
Senior Accountant
Portfolio Holder Cllr. Shorter
Portfolio Holder for: Finance & IT



Summary: This report presents the forecast outturn for 2018/19 based on actual information to the end of July 2018. The report covers the performance and forecasts of the General Fund, Housing Revenue Account (HRA), with commentary supporting key variances in the body of the report.

The current projections indicate that the General Fund will have a deficit of £227,000 with significant pressures in Corporate Property and Projects and General Fund Housing, £146,000 and £183,000 respectively, offset partly by projected additional income in Environment and Land Management, £128,000.

The HRA is forecasting a surplus of £454,000 for the year with anticipated savings in the capital programme of £611,000 and pressure within the repairs and maintenance of £121,000.

The report also provides an update on large capital projects and provides an update on the Council's Treasury Management Activity.

Other reporting requirements including changes to fees and charges are also included in this report.

Key Decision: No

Significantly Affected Wards: None

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

- I. Note the forecast outturn position for the General Fund and the Housing Revenue Account**
- II. Note the Capital Monitoring and Treasury Management position**

III. Recommend to Council the approval of the fees and charges at Appendix B (to follow)

Policy Overview:	The Budget is a key element supporting the delivery of the Council's wider policy objectives
Financial Implications:	<p>The General Fund is reporting an overall overspend of £227,000. Within the budget is a General Fund service contingency of £200,000; although Management Team will work hard to bring this pressure back in line with budget this contingency will be used they are unable to do so.</p> <p>The Housing Revenue Account is reporting an overall underspend of £454,000.</p> <p>These positions will continue to be monitored and reported to Management Team to enable them to introduce strategies to manage if required.</p>
Legal Implications	N/A
Equalities Impact Assessment	As part of Budget Setting 2018/19 a full assessment was undertaken
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Report Title: Financial Monitoring – First Four Months of 2018/19

Introduction and Background

1. This report captures the forecast outturn position for 2018/19 based on information available until the end of July 2018. The aim of this report is to inform management team and members of variances from the budget (both positive and negative) so that these movements can be understood and to enable pro-active action to be taken to mitigate risks to the Council.
2. The report considers each of the following areas of the Council; General Fund, Housing Revenue Account, Collection Fund, Capital Spend and Treasury Management.

Summary of Current Overall Position

3. The current General Fund position is showing an overspend of £227,000. This current pressure is shown at Table 1 at a Directorate level, further broken down at Table 2 to a head of service level.
4. The bulk of the general fund pressure is arising from increased costs in Temporary Accommodation of £180,000 following delays in delivering the 'Christchurch two' scheme where savings have been factored into the budget. Other significant pressures arise in Corporate Property with 3 new members of staff forecast to join the team generating a pressure of £85,000 and a potential liability arising on the CQ38 building of £70,000.
5. On the positive side and despite increased charges the garden waste scheme continues to attract and retain customers and has forecast additional income of £110,000 for 2018/19 above the set budget.
6. The accountancy team will work closely with departments over the next quarter to ensure pressures are not exacerbated and opportunities for savings/income are maximised to bring the forecast budget back to a balanced position.

Table 1 – General Fund Budget Outturn Forecast as at 31 July 2018 – Directorate

*	Directorate	Current Budget (net)	Forecast Outturn (net) to 31/03/19	Variance
		A	B	(B-A)
		£'000	£'000	£'000
a	Chief Executive	1,215	1,218	3
b	Director Of Finance & Economy	2,927	3,183	256
c	Director Of Law & Governance	1,986	2,048	62
d	Director Of Place & Space	10,188	10,093	(94)
	Net Service Expenditure	16,315	16,542	227
e	Non service specific items	(1,903)	(1,903)	(0)
	Budget Requirement	14,412	14,639	227
f	Financing:	(14,412)	(14,412)	0
		0	227	227

Table 2 - General Fund Budget Outturn Forecast as at 31 July 2018 – Service

*	Service	Current Budget (net)	Forecast Outturn (net) to 31/03/19	Variance
		A	B	(B-A)
		£'000	£'000	£'000
a	Chilmington Management Organisation	71	71	0
a	Corporate Policy, Economic Development & Communications	1,144	1,147	3
b	Corporate Property & Projects	(1,527)	(1,381)	146
b	Finance & ICT	3,770	3,697	(73)
b	Housing Services	684	867	183
c	Community Safety and Wellbeing	491	502	11
c	HR & Customer Services	89	129	40
c	Legal & Democratic Services	1,406	1,417	11
d	Culture	3,242	3,276	34
d	Environmental & Land Management	5,180	5,052	(128)
d	Planning	1,766	1,766	0
	Net Service Expenditure	16,316	16,542	227
e	Capital Charges and net interest	(3,388)	(3,388)	0
e	Levies, Grants and Precepts	256	256	0
e	Contribution to reserves	1,228	1,228	0
	Budget Requirement	14,412	14,639	227
	Financing:			
f	NNDR. Pool	(4,190)	(4,190)	0
f	NNDR S31 Grant	(348)	(348)	0
f	Council Tax	(7,395)	(7,395)	0
f	New Homes Bonus	(2,478)	(2,478)	0
		0	227	227

* Cross referencing of Directorate Table to Service table

5. The following narrative provides high level explanations of the movements in the table above which are grouped into their directorate headings:

Chief Executive

6. The budgets for the **CMO and Corporate Policy, Economic Development & Communications** are currently forecast as budgeted with only a slight deviation from budget.

Director of Finance & Economy

7. **Corporate Property & Projects** – This area is reporting an overall pressure of £146,000 which is due in part to a potential rent and rates liability at the CQ38 development. The overall exposure at present is £330,000 however this is based on current tenanting levels and it is anticipated that additional tenants will be identified to reduce this liability and therefore a pressure of £70,000 is reflected in the this report. Progress will be monitored and a revised, 'current' worst case liability will continue to be reported along with any changes to the forecast year end position.
8. Resourcing is also contributing to the pressure with an additional 3 new members of staff adding a pressure of £85,000 (pro-rata for this financial year), which includes a Property and Asset Manager to manage an expansive property portfolio and to manage the property team, Contract Officer, which arose from a recent audit report and is to provide initial review of contracts and be creative in enhancing performance whilst looking at savings from high value contracts and Administration post principally to support the delivery of the affordable housing programme which will be partly offset by the HRA.
9. In relation to rental income there has been various movements across the commercial property portfolio which are contributing a net saving of around £30,000, the most notable of these movements is a reduction of £56,000 from Wilko, with an initial income target for Carlton Road of £40,000 and unbudgeted income from the purchase of the Mecca Bingo building of £64,000 (£84,000 rental income, less £20,000 Business rates expense).
10. **Finance and ICT** – This area is currently showing a net saving of £73,000 against budget. This comprises of pressures in ICT which include £10,000 employee costs, £12,000 for a new UPS (uninterrupted power supply) in the Monitoring Centre and higher than expected Microsoft Enterprise Agreement Licences of £38,000.
11. These pressures have been offset through savings in finance which include an increase in the corporate salary savings target of £49,000 and savings in employee costs of £85,000.
12. **Housing Services** – Pressure arising in the Housing General Fund relates to pressures arising in the Housing Options Team. This pressure is a result of increased temporary accommodation costs £342,000 following delays to 'Christchurch House 2' where a cost neutral profile had been built into the budget. Offsetting this pressure is additional income of £165,000 recouped through housing benefit income.

Director of Law & Governance

13. **Community Safety and Wellbeing**– Overall this service is showing a small pressure of £11,000 as a result of increased employee costs following a change in structure.
14. **HR and Customer Service** – The £40,000 pressure reflected in this area is derived from a number of movements within employee costs including an extension to the temporary HR officer for another year costing £37,000.
15. **Legal and Democratic Services** – a relatively small service pressure of £11,000 which has arisen from a special responsibility allowance not being included in the original budget. The story behind the numbers though is that there is still ongoing permanent resourcing issues in this area with £250,000 of base salary budget being used to engage consultants to deliver the day job

Director of Place & Space

16. **Culture** – forecasting a pressure of £34,000 of which £30,000 relates to the HLF bid which is being developed for potential funding at Victoria Park. This additional pressure has largely arisen due to the need to develop a conservation plan for the scheme in addition to the potential viability of a café in the park.
17. **Environmental and Land Management** – Following an increase in the costs of garden waste collection, and the end of the discounted incentive scheme, it was anticipated that some plateauing in the Garden Waste income would happen. However, this did not happen and it is anticipated that additional income in this area will be in the region of £110,000 for 2018/19. There is also anticipated income growth in bulky refuse collections of £10,000 and an increase in recharges to developers for initial refuse bins of £30,000.
18. Offsetting this is a pressure within the service of £30,000 for the engagement of SCMG Ltd. to provide contract management implementation support which is a cross cutting piece of work.
19. **Planning** – Due to the existence of the Planning reserve to finance the cyclical expenses of the local plan and support costly appeals, the Planning forecast invariably comes in on budget.
20. A drill down below the balance budget however identifies some recurring problems with resourcing within the service. There is a shortage of Planning staff within the sector which has led to £170,000 of salary savings being used to fund £205,000 of consultancy expenditure to deliver the day to day planning service. Without employing direct permanent staff this position could worsen during the year which has led the Head of Service looking at strategies to reduce this dependency on consultants. The position will continue to be monitored and reported during the year.
21. In addition to consultants to deliver the day job, planning also rely on consultants to support Major appeals and enforcement of planning applications, £220,000 has already been spent in 2018/19 which will be funded by the reserve.

22. Gladman Developments made the decision to pull out of a number of sites in the borough which were being appealed, as a result of this decision the Council has made an application for an award of costs against Gladman Developments, any costs received will be used to replenish the planning reserve.
23. The other big variable within planning is the income budget which is set at £1.12m for 2018/19, currently the income profile is on track.

Housing Revenue Account (HRA)

24. The Housing Revenue Account is showing a projected annual underspend of £454,000 based on information available to the end of July 2018, the breakdown of this underspend is shown in the table below with further commentary below that.

Table 3 – 2018/19 Housing Revenue Account Outturn Position

Budget Page	Current Budget	Q1 Forecast Outturn to 31/03/19	Q1 Variance
	A £'000	B £'000	(B-A) £'000
Income	(24,979)	(24,957)	22
Supervision and Management	5,267	5,318	51
Repairs and Maintenance	3,418	3,539	121
Other	17,445	17,408	(37)
Net Revenue Expenditure	1,151	1,308	157
Capital Works - Decent Homes	4,620	4,009	(611)
Net Capital Expenditure	4,620	4,009	(611)
Total Net Expenditure	5,771	5,317	(454)

Commentary on HRA Variances

25. **Supervision and Management** - There is a £50,000 pressure due to higher than expected electrical costs for sheltered accommodation this follows the opening of Farrow Court and will be reviewed during the following quarter along with service charge changes to tenants.
26. **Repairs and Maintenance** –The forecast reports an overall pressure of £121,000 in this area which is made up of the following movements; jobbing works are £150,000 lower than expected, although this has been quickly absorbed by the requirement for additional asbestos surveys and removal work which is forecast to cost an additional £180,000 in 2018/19.
27. Other significant pressures in this area includes PVCU Maintenance of £50,000 and redecorations costs for communal areas of £47,000.
28. **Other** – Saving of £37,000 resulting from the difference between the estimated and actual indexation increase on the PFI contract.
29. **Capital Works** – The works under this heading are for the planned maintenance programme which ensures the Council's housing stock is maintained to a decent homes standard.
30. The planned programme uses industry guidance to determine when works would be expected to be required for items such as kitchens, bathrooms and

roofs. However, as the plan unfolds some of the planned works are deemed unnecessary, as assets have lasted better than anticipated.

31. Due to the above reasons the capital programme is currently expected to be £611,000 below forecast across a number asset types. One to note though is a forecast of £150,000 saving in electrical works as this is being undertaken by the in house electrical team.

Capital Monitoring

Property Portfolio

32. The Property Company has drawn down a further £3.8m on the agreed loan facility, completing on the purchase of 15 flats at North Street £2.25m and £1.55m comprising of deposit and initial payment for 31 properties on the La Scierie, Victoria Way development.

Elwick Place

33. The project is now in the final stage, with both of the anchor tenants Picturehouse and Travelodge are at internal fit out stage. There has been a slight variation to the project costs due to minor enhancements, these have been reported to the Cabinet members including the property and finance portfolio holders. These variances total £67,000 and include future proofing ducting to the car park, improved lighting within the central plaza, work to the cow wall and amendments to the storage yard to provide additional car parking facilities.
34. Lendlease, the contractor delivering the build, have continued to provide a high level of community engagement with monthly newsletters for local residents, supporting students from the Towers School with mock interview experience and collaborating with Think Forward, an organisation working with local Kent schools to bridge the gap between education and employment.

Strategic Purchases

35. The Council achieved the first step in its aim to regenerate an area in South Ashford by completing on the purchase of 2 shops, 2 flats and the associated stairwell at Court Wurtin, Beaver Lane, during August. This is a joint acquisition between the general fund and the housing revenue account and although the general fund will not see a significant income, costs are expected to be recovered through rents.
36. The HRA will see 2 flats brought back into life as habitable dwellings, which have sat empty and derelict for in excess of 10 years. The problems in the area relating to anti-social behaviour from gatherings of young people both outside the derelict flats and in the stairwell can now be effectively addressed. The stairwell will be secured by installing a door entry system and the flats will be refurbished and occupied.

HRA Projects

37. The budget for the redevelopment at East Stour Court has been re-profiled to reflect the current position. The scheme is still on target to deliver 30 Units providing older residents with independent living facilities. However in this current budget year £1.5m will be spent on design, demolition of the site and

ground works. With £6.5m profiled for the build in 2019/20, in total this is expected to be a 60 week process.

38. The redevelopment of the sheltered accommodation at Danemore, will be completed in October 2018, with occupation expected in November 2018. The scheme is currently on budget.
39. The affordable housing programme continues in line with the HRA business plan, with 20 new units expected to be delivered in 2018/19.

Treasury Management

40. The targets for treasury management were significantly revised for 2018/19 following significant savings in previous years.
41. Significant external factors can influence the Treasury Management budgets which includes changes to the Bank of England Base rate (base rate). Base rate increased from 0.50% to 0.75% following the meeting of the Monetary Policy Committee dated 2 August 2018.
42. The current projection is that overall targets will be achieved although there has been some movements within the embedded budgets which are explained below:-
43. The original budget for borrowing costs was £676,000 and included a projection of borrowing costs to fund a significant Property Purchase by the Property Company. This acquisition is no longer happening and therefore the forecast has been reduced by £100,000, conversely the interest receivable from the Property Company has also been reduced.
44. In addition to this saving, delays in placing longer dated investments have also reduced the borrowing requirement for the Council although this has adversely effected the budgeted income for equity investments by around £290,000.
45. Due to the above reduction in the borrowing requirement of the Council, and having secured some loans at competitive rates which take us through this financial year. It is anticipate that the pressure arising on the equity income can be managed by a corresponding reduction in borrowing costs. A risk to this strategy is the recent interest rate rise from 0.50% to 0.75%, however, the Council will now look to acquire shorter term financing, around 3 months in order to mitigate some of this base rate rise.
46. A full list of the Council's investment and borrowing portfolio is shown at Appendix A

Fees and Charges

47. Following the budget setting meeting in February 2018, it has been identified that the Planning 'Other Charges' were omitted from the fees and charges section of the report..
48. There are also some changes to Car Park parking bay suspension charges which were identified as a 'per month' instead of 'per week'.
49. A summary of the intended charges and corrections are shown at Appendix B, and Cabinet is asked to recommend these fees and charges to Full Council for approval.

Portfolio Holder's Views

50. To be given at the meeting

Contact and Email

51. Lee Foreman
52. Lee.Foreman@ashford.gov.uk

Treasury Management Positions as at 31/07/2018

Counter Party	Deal Date	Rate %	Amount £	Fair Value £	Comment
Investment Accounts					
Goldman Sachs	Various	0.48%	50,000	51,295	**
ICD Portal - BNP Paribas	Various	0.53%	9,925,610	9,925,610	*
ICD Portal - Black Rock	Various	0.53%	49,000	49,000	*
Payden Global MMF	Various	0.72%	3,000,000	2,990,623	**
Total Investment Accounts			13,024,610	13,016,528	
Long Term Investments					
Local Authority Investments					
Blaenau Gwent	21/10/2014	2.00%	3,000,000	3,000,000	Matures 21/10/2019
Property Investment					
CCLA Local Authority Property Fund	Various	4.52%	10,000,000	11,248,000	Value as at 31/03/2018
A Better Choice of Property Ltd.***	Various	3.69%	175,000	517,016	
Equity Funds**					
City Financial Multi Asset Diversified Fund	27/08/2015	3.48%	997,687	976,415	**
UBS Multi Asset Income Fund	26/08/2015	2.02%	994,504	2,977,806	**
M&G Global Dividend Fund	27/08/2015	2.13%	997,914	1,520,639	**
Schroder Income Maximiser	03/11/2015	6.88%	992,152	1,112,112	**
CCLA Diversified Income Fund	Various	3.10%	3,000,000	2,982,996	**
Total Long Term Investments			20,157,257	24,334,983	
Total Investment Portfolio			33,181,867	37,351,511	

* Money Market Fund (MMF) are AAA rated deposit facilities which have variable rates of interest but have constant net asset values. Interest rates are shown at the time of producing this report.

** Equity funds and the Property fund have variable rates of interest and also have fluctuating capital values, the amount stated is the current fair value.

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

Debt Portfolio as at 31 July 2018

Counter Party	Deal Date	Rate %	Amount £	Fair Value	Comment
Temporary Borrowing					
Runnymede Borough Council	02/02/2018	0.55%	2,000,000		Maturity 02/08/2018
West Yorkshire Police	23/07/2018	0.55%	6,000,000		Maturity 23/10/2018
Durham County Council	31/07/2018	0.70%	8,000,000		Maturity 31/10/2018
London Borough of Newham Council	21/05/2018	0.62%	5,000,000		Maturity 21/11/2018
Greater Manchester Pension Fund	11/06/2018	0.80%	15,000,000		Maturity 21/05/2019
Total Temporary Borrowing			36,000,000		
Long Term Borrowing					
Public Works Loan Board***	various	various	114,664,150		Maturity Date - various
Total Long Term Borrowing			114,664,150		
Grand Total Borrowing			150,664,150		

*** HRA borrowing

DISCRETIONARY & STATUTORY FEES 2018/19						
Other Charges						
Item	Description/Comments	VAT Indicator	Charge 2016/17 £	Charge 2017/18 £	Proposed Charge 2018/19 £	Increase / Decrease on 2017/18 %
Land Charges						
Standard Search Fee	Domestic Properties	NB			Cost Recovery	
	Non-Domestic Properties	NB			Cost Recovery	
Extra Questions		NB			Cost Recovery	
	<i>NB All Land Charges Fees are to be set at on full cost recovery Basis - these need to be reviewed periodically throughout the year to ensure that this is achieved.</i>					
Street Administration						
Street Naming and numbering	1 Unit	NB	49.00	50.00	51.00	2.00%
	2-10 units	NB	42.00	42.00	43.00	2.38%
	Over 10 units	NB	38.00	38.00	39.00	2.63%
New Street Name		NB	120.00	121.00	124.00	2.48%
Rename Existing Street		NB	256.00	259.00	265.00	2.32%
Address Change	per property	NB	49.00	50.00	51.00	2.00%
Building Control						
Discretionary Works	Including Party Wall surveying, Fire Risk assessments, Access audits, SBEM, SAP ratings and other surveying activities	VT			Cost Recovery	
Exempt Letters		VT	40.00	40.00	41.00	2.50%

VAT Indicator:

NB = Non Business no VAT

EX = Exempt from VAT

VT = Exclusive of VAT

Original report showed 'Bay Suspension per month' correction as below should have been 'Bay Suspensions per week'

Misc Charges						
Waivers	VT	30.00	30.00	30.00	0.00%	
Additional Charge for occupying on street pay and display bay, per bay per day	VT	10.00	10.00	10.00	0.00%	
Additional Charge for occupying on street pay and	VT	30.00	30.00	30.00	0.00%	
Bay Suspensions per week	VT	50.00	50.00	50.00	0.00%	
Replacement of lost cones per cone	VT	20.00	20.00	20.00	0.00%	
Locked Car park-vehicle release fee	VT	55.00	55.00	55.00	0.00%	
Clamping release fee	VT		40.00	40.00	0.00%	
Install white access highlight markings (dog-bones)	VT	121.00	121.00	121.00	0.00%	
Refresh white access highlight markings (dog-bones)	VT	158.00	158.00	158.00	0.00%	
Printing Charges Up to 5 pages per page	VT	0.50	0.50	0.50	0.00%	
Printing Charges more than 5 pages per page	VT	0.10	0.10	0.10	0.00%	