

**Agenda Item No:** 8  
**Report To:** Cabinet  
**Date of Meeting:** 8 February 2018  
**Report Title:** Financial Monitoring – Quarter 3 of 2017/18  
**Report Author & Job Title:** Jo Stocks  
Senior Accountant  
**Portfolio Holder** Cllr. Shorter  
**Portfolio Holder for:** Finance & IT



**Summary:** This report presents an assessment of an outturn position for this financial year based on the first three quarters of the year for the General Fund, the Housing Revenue Account and the Collection Fund.

The General Fund is projecting an overall overspend of £57,000, with a target to have a balanced budget by the end of the year. There is an overall positive movement from last quarter of £30,000.

The Housing Revenue Account is projecting an underspend against the original budget of £318,000, with an overall movement from last quarter of £240,000.

**Key Decision:** No

**Significantly Affected Wards:** None

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

- I. Note the outturn position for the General Fund, Housing Revenue Account and the Collection Fund**
- II. Approve the additional £200,000 design works for Victoria Park, and note the £99,000 approved by Management team for the initial bid**
- III. Note the £95,000 approved by Management Team for the residents magazine**
- IV. Approve the £10,000 to be allocated to the set up of shadow Parish Councils in paragraph 20**
- V. Note the breach of the Investment Policy in paragraph 48**

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

<b>Financial Implications:</b>	<p>The General Fund is reporting an overall overspend of £56,000.</p> <p>The Housing Revenue Account is reporting an overall underspend of £318,000. Management Team will continue to monitor the financial position to ensure it stays within budget.</p>
<b>Legal Implications</b>	N/A
<b>Equalities Impact Assessment</b>	As part of Budget Setting 2017/18 a full assessment was undertaken
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## Report Title: Financial Monitoring – Quarter 3, 2017/18

### Introduction and Background

1. This report is to inform Members of the projected outturn for the financial year based on nine months information (April to December) for the General Fund, Housing Revenue Account, and the Collection Fund.
2. The report includes an update on the treasury activities and current investments are detailed in Appendix A.

### Current Position

3. The current General Fund position is showing an overspend, there are a number of pressures contributing to this position, including homelessness which continues to be an issue both locally and nationally.

#### Director of Finance & Economy

4. As reported at quarter 2, Homelessness costs are still causing a pressure, with an additional £94,000 coming forward this quarter. The numbers of homeless families, in temporary accommodation, have increased significantly this year. Budgets are based on an average of 13 families per week compared to the current cases of 63 per week (at the time of writing), although officers continue to use alternatives to B&B, where possible, in order to alleviate these costs. These issues were discussed in a paper to the January cabinet which outlined the Council's strategy to increasing the focus on prevention work to ultimately reduce the number of people in temporary accommodation.
5. Refurbishment and repairs at Ashford and Tenterden museums have resulted in a £16,000 pressure to the responsive repairs budget.
6. Voids at International House aren't being filled as quickly as anticipated, resulting in a £33,000 pressure.
7. Salary savings within Management Team and Accountancy, due to part year appointments, have resulted in a saving of £59,000 and has contributed to the overachievement of the vacancy savings.

#### Director of Law & Governance

8. There has been appointment of four Civil Enforcement Officers and one appeals officer. A pressure of £65,000 is being reported this year however moving forward there will be income to match against these costs. This year HGV enforcement has reduced the fine income which is not expected to continue into 2018/19.
9. There is also a £53,000 pressure on car park business rates, as a result of revaluations.

#### Director of Place & Space

10. During quarter 3 the previously reported deficit has been reviewed and a contribution from the planning reserve has offset the overspend along with additional planning fee income.

11. The additional planning fee income follows the Government announcement in December, this allows for planning fees to be increased by 20% from mid-January. It is anticipated that this increase in fees will provide an additional £25,000 of income.
12. As at the 31 March 2017 the planning reserve had a balance of £407,000. The current forecast is assuming a draw on reserves in the region of £263,000, to cover the cost of the local plan, general service pressures, and more significantly major planning appeals. A full analysis of reserve movements will be provided at year end. Current projections show the balance of the planning reserve to be £144,000, by the end of the current financial year. Further use of the reserve is planned with the local plan examination to commence in the new financial year and the prospect of speculative planning appeals and possible defence costs. The additional income generated from planning fees can be used to cover these costs and ultimately replenish reserves but this item will remain a risk and be monitored.
13. Environmental & Land Management is showing saving of £120,000, resulting from reductions in the unscheduled works budgets and additional income arising from garden waste collections.

**Table 1 – General Fund Budget Outturn Forecast as at 31 December 2017 – Directorate**

Directorate	Current Budget (net) A £'000	Forecast Outturn (net) to 31/03/18 B £'000	Variance (B-A) £'000	Movement from Quarter 2 £'000
Chief Executive	935	987	52	8
Director of Finance & Economy	3,210	3,431	221	150
Director of Law & Governance	1,825	1,954	129	98
Director of Place & Space	9,504	9,390	(114)	(245)
<b>Net Service Expenditure</b>	<b>15,474</b>	<b>15,762</b>	<b>288</b>	<b>11</b>
Non service specific items	(464)	(695)	(231)	(41)
<b>Budget Requirement</b>	<b>15,010</b>	<b>15,067</b>	<b>57</b>	<b>(30)</b>
Financing:	(15,011)	(15,011)	0	0
	<b>(1)</b>	<b>56</b>	<b>57</b>	<b>(30)</b>

**Table 2 - General Fund Budget Outturn Forecast as at 31 December 2017 – Service**

Service	Current Budget (net)	Forecast Outturn (net) to 31/03/18	Variance (B-A)	Movement from Quarter 2
	A	B		
	£'000	£'000	£'000	£'000
Chilmington	69	69	0	0
Corporate Policy, Economic Development & Communications	866	918	52	8
Corporate Property & Projects	(1,381)	(1,243)	138	49
Finance & IT	3,970	3,744	(226)	(59)
Housing Services	621	930	309	160
Health, Parking & Community Safety	497	625	128	118
HR & Customer Services	96	84	(12)	(32)
Legal & Democratic Service	1,232	1,245	13	12
Culture	3,018	3,043	25	13
Environmental and Land Management	4,949	4,810	(139)	(120)
Planning	1,537	1,537	0	(138)
<b>Net Service Expenditure</b>	<b>15,474</b>	<b>15,762</b>	<b>288</b>	<b>11</b>
Capital Charges and net interest	(2,033)	(2,223)	(190)	0
Levies, Grants and Precepts	250	250	0	0
Contribution to reserves	1,319	1,278	(41)	(41)
<b>Budget Requirement</b>	<b>15,010</b>	<b>15,067</b>	<b>57</b>	<b>(30)</b>
<b>Financing:</b>				
Revenue Support Grant	(615)	(615)	0	0
NNDR. Pool	(3,422)	(3,422)	0	0
NNDR S31 Grant	(500)	(500)	0	0
Council Tax	(7,079)	(7,079)	0	0
New Homes Bonus	(3,394)	(3,395)	0	0
	<b>0</b>	<b>56</b>	<b>57</b>	<b>(30)</b>

## Victoria Park

14. The council has been awarded £167,300 from the Heritage Lottery Fund (HLF) to carry out further feasibility and design work on the masterplan for Victoria Park. Once the design work has been completed, a bid will be submitted back to HLF to implement the masterplan and carry out physical works on the ground. The design stage is to be split into two parts:
  1. The submission stage, expected to cost £99,000
  2. Assuming the submission stage is successful, the delivery phase is expected to be £200,000 and will include overseeing the works.
15. It is proposed to offer the contract for both Stages 1 and 2 to the same company to ensure continuity of delivery. However, there will be a break clause allowing the contract to be terminated if the final HLF bid is unsuccessful or if the contractors performance is sub-standard.

16. The £99,000 submission stage was approved by Management Team in January, in order to meet the deadline for submission to HLF.
17. This report therefore includes a recommendation to In order to meet the deadline for submission to HLF in September, it is proposed the contract is awarded to the preferred contractor by the end of January 2018.
18. Members are asked to approve the additional £200,000 to complete stage 2 of the design process, members are also asked to note the £99,000 approved by Management Team.

### **Residents Magazine**

19. Members are asked to note that Management team approved spend of up to £95,000 to introduce a residents' magazine. This quarterly magazine is to be introduced on a one year trial basis. It is expected that income will be raised as a result of advertising, if these targets are met expenditure will be revised in line with this

### **New Parish Councils**

20. In 2019/20 two new Parish (community) Council's will be introduced following community consultation in Kennington and South Willesborough & Newtown. To ensure a smooth implementation shadow parish councils will be set up for 2018/19 which will become the first 'live' Councils in 2019/20.
21. To enable this to happen it is recommended that Cabinet allocate £10,000 to help the shadow parish councils operate for one year.

## Housing Revenue Account

22. The Housing Revenue Account is showing an underspend of £318,000 against the current budget, this positive variance is the accumulation of a number of movements including the following:
23. There are a number of in year savings in respect of Revenue Repairs and Maintenance, this is as a result of a number of contract savings and rescheduling of works that will happen in future years.
24. In regards to Supervision and Management, work on the Bulleid Place play area was due in 2018/19, however this has been brought forward to 2017/18, resulting in a £135,000 pressure in the current financial year, leading to a saving for 2018/19.
25. In regards to capital works, all doors in council blocks have been under review for fire safety following the Grenfell Fire in June 2017; doors found not to be compliant have been replaced by fire doors, this has led to a pressure of £240,000. This pressure has been offset by savings of £430,000, as a result of assessing the maintenance programme and postponing works, where possible, to future years.

**Table 3 - 2017/18 Housing Revenue Account Outturn Position**

<b>Budget Page</b>	<b>Current Budget A £'000</b>	<b>Forecast Outturn to 31/03/18 B £'000</b>	<b>Variance (B-A) £'000</b>	<b>Movement from previous quarter £'000</b>
Income	(25,463)	(24,903)	560	50
Supervision and Management	5,111	5,257	146	129
Repairs and Maintenance	3,328	3,126	(202)	(227)
Other	21,923	21,923	0	0
<b>Net Revenue Expenditure</b>	<b>4,899</b>	<b>5,403</b>	<b>504</b>	<b>(48)</b>
Capital Works - Decent Homes	4,424	3,602	(822)	(192)
<i>Capital Works financed by:</i>				
Major Repairs Allowance (from Self Financing Determination)	(4,424)	(4,424)	0	0
Net Capital Expenditure	<b>0</b>	<b>(882)</b>	<b>(882)</b>	<b>(192)</b>
<b>Total Net Expenditure</b>	<b>4,899</b>	<b>4,581</b>	<b>(318)</b>	<b>(240)</b>

## Collection Fund

27. 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).

### *Council Tax*

28. Income continues to be higher than anticipated, this is as a result of two elements:
1. Property growth is higher than anticipated with an additional 300 more band d equivalent properties, resulting in £500,000 more income
  2. Council tax support cases have reduced, with less people being entitled to claim, resulting in a £150,000 saving.
29. In addition to this, the provision for bad debts continues to be monitored and a small reduction in this provision is anticipated for the year end, resulting in a contribution to the collection fund.
30. As a result of this, the Collection Fund, in respect of Council Tax, is forecasting an in year surplus of £1,200,000, and an overall surplus of £2,200,000.

**Table 5 – Council Tax Forecast**

	<b>Forecast Outturn (net) to 31/03/18</b>
Opening Surplus	(2,944,562)
Surplus distributed to Major Preceptors	1,995,691
<b>2017/18</b>	
Amount of Council Tax to be paid to Major Preceptors	71,270,041
Amount of Council Tax billed	(72,491,441)
Changes to bad debt provision	(43,000)
<b>In year (Surplus)/Deficit</b>	<b>(1,264,400)</b>
<b>Overall (Surplus)/Deficit</b>	<b>(2,213,271)</b>

***It should be noted that in the event that there is a surplus on the collection fund at the end of the year, it will be divided between the precepting authorities and in the following year (so the General Fund summary is not effected this financial year), with the Council's share being approximately 10%.***

### *Business Rates*

31. Business Rate income is £2,000,000 lower the original budget, this is due to appeals, as a result of which £900,000 has been refunded to date.
32. The result of a successful appeal is a reduction of the rateable value, as a consequence, the rates payable in year has fallen, and therefore income is lower than anticipated.
33. The table below shows the current Business Rates forecast position:

**Table 6 – Business Rates Forecast**

	<b>Original Budget 2017/18</b>	<b>Forecast Outturn (net) to 31/03/18</b>
Opening (Surplus)/Deficit		2,867,507
Deficit recovered from Major Preceptors <b>2017/18</b>		(2,378,178)
Amount of Business Rates to be paid to Major Preceptors	49,481,875	49,481,875
Amount of Business Rates Billed	(52,412,324)	(50,523,890)
Other Items Charged to the Collection Fund	241,449	241,449
Bad Debts/Appeals	2,689,000	2,261,106
<b>In year (Surplus)/Deficit</b>	<b>0</b>	<b>1,491,679</b>
<b>Overall (Surplus)/Deficit</b>		<b>1,981,008</b>

34. The Collection Fund, in respect of Business Rates, is forecasting an in year deficit of £1,070,000 and an overall deficit of £1,560,000, 40% of which is Ashford's share.
35. £980,000 of the in-year deficit relates to Small Business Rates relief. The cost of applying this relief will be offset by s31 grant, payable by Government.
36. In addition to this, £1,000,000 has been paid out in respect of appeals, which will be paid from the appeals provision at year end.
37. The forecast deficit will not affect the amount of money the Council will draw from the Collection Fund for the current year, however it will be necessary to earmark the additional grant received to offset the deficit.

## Capital Monitoring

### Property Portfolio

38. The Property Company has drawn down a further £677,000 on the agreed loan facility, purchasing a further 3 properties for its portfolio, in line with expectations.

### Elwick Place

39. Work continues on site to progress in line with the build schedule, and there have been no significant variations to the build specification that would impact the expected completion date of December 2018. Expected spend in the current year will be in the region of £16,000,000.
40. Elwick Place is expected to bring many benefits to Ashford, including employment opportunities. Currently 40% of the ground workers are based in the Ashford area.

### Planned Maintenance Projects

41. Work continues on Conningbrook Manor roof and internal refurbishment to bring this property back onto the rental market and is expected to be completed by March 2018, current forecasts are as expected, with total spend around £165,000.
42. Refurbishment of the ramps at Ashford Skate Park is underway and is currently expected to cost £61,500 and will be completed by March 2018, this is broadly in line with original estimates.

### HRA Projects

43. The Affordable Homes Programme, is progressing well and spend is in line with HRA Business Plan expectations. Sheltered Housing continues to be a priority, each project has been costed and is in line with the HRA Business Plan.

## **Treasury**

44. The forecast outturn for treasury management is in line with quarter 2 expectations when additional income of £190,000 was reported.
45. Payments are now falling due for the Elwick Place development, and with the previously reported changes in investment strategy this is creating an anticipated borrowing requirement for the Council.
46. In relation to the change in investment strategy, previously reported, further deposits of around £11,000,000 are still to be made before year end and this will be progressed over the next few months.
47. Borrowing (shown at Appendix A) is no longer purely attributed to HRA buyout debt. In the 3<sup>rd</sup> quarter the Council borrowed £17m, which is in advance of need and takes advantage of lower rates now which are expected to increase nearer the end of the financial year.
48. As a result of this opportunistic borrowing, the Council has breached its money market counterparty limits, which limits exposure to each fund to £5,000,000, and the overall MMF exposure limit of £20,000,000. These are highly diversified, highly credit rated vehicles and therefore there is limited risk to the security of the Council's funds. It is expected that this breach will continue until the end of January 2018.
49. Cabinet is asked to note this breach in the investment policy.
50. Before the end of the year, the Council will expect to borrow around a further £34m to fund further Elwick payments and to support the change in investment strategy, this is in line with expectations.
51. A full list of the Council's investment portfolio is shown at Appendix A

## **Portfolio Holder's Views**

52. To be given at the meeting

## **Contact and Email**

53. Jo Stocks
54. [jo.stocks@ashford.gov.uk](mailto:jo.stocks@ashford.gov.uk)

## Treasury Management Activity

Counter Party	Deal Date	Rate %	Amount £	Fair Value £	Comment
<b>Long Term Investments</b>					
Blaenau Gwent	21/10/2014	2.00	3,000,000	3,000,000	Matures 21/10/2019
<b>Total Long Term Investments</b>			<b>3,000,000</b>	<b>3,000,000</b>	
<b>Investment Accounts</b>					
Santander	Various	0.50	2,723,000	2,723,000	Deposit Account
Goldman Sachs	Various	0.32	50,000	51,295	AAA rated deposit facility *
ICD Portal - BNP Paribas	Various	0.40*	5,000,000	5,000,000	AAA rated deposit facility *
ICD Portal - Invesco	Various	0.35*	5,000,000	5,000,000	AAA rated deposit facility *
ICD Portal - Black Rock	Various	0.31*	1,519,600	1,519,600	AAA rated deposit facility *
Payden Global MMF	Various	variable	3,000,000	3,004,259	AAA rated deposit facility *
<b>Total Investment Accounts</b>			<b>17,292,600</b>	<b>17,298,154</b>	
<b>Pooled Funds</b>					
CCLA Local Authority Property Fund	Estimate	4.60	10,000,000	10,932,865	Rate is Net of Management Fees (Variable Rate of Return)
<b>Total pooled funds Accounts **</b>			<b>10,000,000</b>	<b>10,932,865</b>	
<b>Equity Funds</b>					
City Financial Multi Asset Diversified Fund	27/08/2015	3.37%	997,687	968,635	Long term investment **
UBS Multi Asset Income Fund	26/08/2015	4.00%	994,504	1,012,321	Long term investment **
M&G Global Dividend Fund	27/08/2015	2.13%	997,914	1,481,633	Long term investment **
Schroder Income Maximiser	03/11/2015	7.47%	992,152	1,068,068	Long term investment **
CCLA Diversified Income Fund	Various	1.71%	2,988,360	2,989,949	
<b>Total Equity funds **</b>			<b>6,970,617</b>	<b>7,520,606</b>	
<b>Total Investment Portfolio</b>			<b>37,263,217</b>	<b>38,751,625</b>	
<b>Temporary Borrowing</b>					
Middlesbrough Council	20/11/2017	0.50%	5,000,000		Maturity 20/04/2018
Middlesbrough Council	21/11/2017	0.45%	5,000,000		Maturity 09/04/2018
Basildon Borough Council	15/12/2017	0.43%	2,000,000		Maturity 18/04/2018
Durham County Council	15/12/2017	0.50%	5,000,000		Maturity 16/04/2018
<b>Total Temporary Borrowing</b>			<b>17,000,000</b>		
<b>Long Term Borrowing</b>					
Public Works Loan Board***	various	various	117,664,150		Maturity Date - various
<b>Total Long Term Borrowing</b>			<b>117,664,150</b>		
<b>Grand Total Borrowing</b>			<b>134,664,150</b>		

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

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

\*\*\* HRA borrowing