

Agenda Item No: 6

Report To: Cabinet

Date of Meeting: 13 June 2019

Report Title: Financial Outturn 2018/19

Report Author & Job Title: Lee Foreman – Senior Accountant
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Portfolio Holder Neil Bell
Portfolio Holder for: Finance & IT



Summary:

This report presents the outturn revenue position for the General Fund and the Housing Revenue Account for 2018/19 financial year.

It also presents the capital outturn for capital works and how these have been financed, reserve transfers, and a treasury management update.

In February, Cabinet received a forecast based on the third quarter's position which forecast a General Fund deficit of £104,000. This has slightly improved through the last quarter with a final outturn position of £72,000.

The Housing Revenue Account had net expenditure of £452,000 in year which represented a underspend of £0.7m against a budgeted spend of £1.2m.

Key Decision: NO

Significantly Affected Wards: All, none significantly

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

- I. Note the financial outturn for 2018/19**
- II. Note the Annual Treasury Management position and the strategic treasury management review shown at Appendix B**
- III. Approve the increase in the Coachworks budget from £850,000 to £950,000.**

Policy Overview: Upholding a strong focus on managing the Council's resources in line with the Council's 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 was a deficit of £72,000.

The Housing Revenue Account was underspent by £699,000.

Various transfers to and from reserves reflect the approved 2018/19 budget strategy and statutory requirements. The level of earmarked reserves (which includes developer contributions) at 31 March 2019 showed an increase of £4,137,000 compared to the start of the year.

Legal Implications

Equalities Impact Assessment

Please see the Budget setting process assessment

Other Material Implications:

None

Exempt from Publication:

Appendix B – Treasury Management Strategic Review is exempt on the grounds that it contains third party information that is not for third party disclosure.

Background Papers:

None

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Report Title: 2018/19 Outturn Report

Introduction and Background

1. Following the closure of the 2018/19 service accounts this report provides Members with the outturn results for the General Fund (GF) and the Housing Revenue Account (HRA) for 2018/19. It also covers outturn of capital spending and an update on treasury management.
2. The statutory deadline for closing and the Section 151 Officer (Director of Finance and Economy) signing off the accounts for presentation to our external auditors is the end of May.

Proposal/Current Position

3. Members are being asked to note the outturn results for 2018/19 for the GF and HRA, the in-year treasury management position and the content of the Strategic Investment Portfolio Review in addition to approving the increase in the Coachworks capital budget from £850,000 to £950,000.

2018/19 General Fund Outturn

4. Overall the final outturn position was £72,000 over the approved budget, as shown at **Table 1**, with further analysis, by service, at **Table 2**. This final position reflects a number of variances that occurred during the year. The most significant movements for each service area are explained below.

Chief Executive

5. This directorate delivered an overall saving of £39,000 in year. This was largely attributable to the Chilmington Management Organisation savings of £45,000 following the departure of the CMO Lead Officer.
6. The other services in this directorate, Communications and Marketing, Economic Development and Policy and Performance saw savings of £9,000 and a pressures of £11,000 and £3,000 respectfully.

Director of Finance and Economy

5. **Corporate Property & Projects** had an overall overspend of £692,000 of which £394,000 had previously been reported.
6. In the last quarter further pressures emerged from delays in occupancy at Park Mall and International House which has led to an increases in non-recoverable service charges, reduction in forecast rents receivable and business rates liabilities totalling £240,000. Following changes in the insurance category ratings, additional insurance premiums of £86,000 have also become payable.
7. Some of the forecasted repairs and maintenance work did not come forward in Q4 which reduced the previously reported repairs and maintenance forecast by £30,000.
8. **Finance and ICT** had an overall pressure of £70,000 at year end against a forecast surplus of £255,000 at Q3.

9. The movement of £325,000 throughout Q4 included £130,000 of Strategic Corporate costs that were not funded from reserves and £130,000 increase in the write off provision.
10. Other significant pressures arising in the last quarter included additional software costs of £40,000 and an increase in bank charges of £30,000.
11. **General Fund Housing** is reported an annual pressure of £362,000 of which £173,000 did relate to the Housing Options Team.
12. The Housing Options Team has reported pressure from Bed and Breakfast costs throughout the year, although the Q3 forecast was £36,000 over the final outturn indicating that further anticipated pressures did not materialise. There was also a reduction in rent deposits held at year which resulted in a £80,000 reduction in liabilities being posted back to the general fund.
13. Pressure in Q4 was due to the Facilities Management Team which saw an increase of £161,000 over Q3 forecasts. This pressure is largely due to civic centre building maintenance and adaptations of £85,000, and new equipment and furniture costs of £50,000.
14. Other pressures included increased grounds maintenance costs at the Chilmington Gypsy Site of £30,000 and a staffing pressure in the Housing Strategy and Enabling Team of £22,000.

Director of Law & Governance

15. **Community Safety and Wellbeing** delivered an annual saving of £95,000 for 2018/19. This was largely delivered by Parking Services that generated additional income of £70,000 and made a £30,000 saving on lease payments.
16. **Legal and Democratic Services** had a small increase in pressure for Q4 of £7,000 which see them recognises an overall pressure of £161,000 as previously reported.

Director of Place & Space

17. **Culture** had an exceptionally busy year and delivered numerous events above its usual programme including the much-acclaimed Snowdogs Trail, and the WW1 commemorative events. These extra activities were largely funded through reserves although the service did report an overall pressure of £278,000 in year.
18. The additional expenditure was largely due to an increase in utility costs at the Stour Centre which where £170,000 over budget as a result of ongoing problems with the CHP pump, and the settlement of previous years utility bills.
19. Other expenses included non-recoverable insurance costs and rental income not being received as budgeted.
20. **Environmental and Land Management**, this area had a surplus of £311,000 at year end which was a further saving of £141,000 on those reported in Q3.
21. This area saw continued growth in subscriptions to the Garden Waste service which saw additional income of £110,000 received. Other areas in the service such as bulky waste collections and cemeteries saw better than expected income figures totalling £37,000.

22. Savings on costs were also generated from Public Conveniences, Canine Control and Pest control services totalling £48,000.
23. The Aspire grounds maintenance team made savings of £25,000 for the year which included £102,000 of salary savings. Some of these savings were used to fund new operational equipment within the service.
24. The **Planning** service experienced recruitment difficulties through 2018/19 and defended significant planning applications which contributed to an overall pressure of £60,000 for the service. To reduce the level of overspend the service depleted its planning reserve of £192,000, and was supported by the £200,000 service contingency budget. A breakdown of the significant budget movements are detailed below:-
 - £353,000 pressure in consultant costs to deliver day to day services
 - £149,000 saving in salaries to support consultant costs
 - £197,000 additional planning income
 - £215,000 pressure from consultant costs for defending appeals
 - £77,000 pressure on consultant enforcement costs
 - £55,000 pressure from general consultancy advice
 - £73,000 pressure for costs associated with local plan
 - £25,000 of other general pressures in service
 - £192,000 transfer from planning reserve
 - £200,000 funding from service pressure contingency

Capital Charges and Net Interest

25. Capital and Net Interest is covered in the Treasury Management section of this report (from paragraph 46).

Table 1 – General Fund Budget Outturn - Directorate

	Revised Budget 2018/19 A £'000	Final Outturn 2018/19 B £'000	Variance (B-A) £'000	Movement from Quarter 3 £'000
Chief Executive	1,226	1,187	(39)	(18)
Director of Finance & Economy	2,965	4,089	1,124	672
Director of Law & Governance	1,960	2,037	77	(106)
Director of Place & Space	10,367	10,356	(11)	80
Net Service Expenditure	16,518	17,669	1,151	628
Capital Charges and net interest	(3,388)	(3,422)	(34)	220
Revenue Contribution to Capital	0	0	0	0
Levies, Grants and Precepts	256	255	(1)	(1)
Contribution to reserves	1,028	145	(883)	(717)
Budget Requirement	14,414	14,647	233	130
Financing:				
New Homes Bonus	(2,478)	(2,501)	(23)	(23)
Business Rates	(4,538)	(4,849)	(311)	(310)
Council Tax	(7,395)	(7,225)	170	170
Total	3	72	69	(32)

Table 2 - General Fund Outturn – Service

	Revised Budget 2018/19 A £'000	Final Outturn 2018/19 B £'000	Variance (B-A) £'000	Movement from Quarter 3 £'000
Chilmington Management Organisation	74	29	(45)	(14)
Corporate Policy, Economic Development & Communications	1,152	1,158	6	(4)
Corporate Property & Projects	(1,546)	(854)	692	283
Finance & ICT	3,828	3,898	70	349
Housing Services	683	1,045	362	40
Community Safety and Wellbeing	505	410	(95)	(80)
HR & Customer Services	47	58	11	(33)
Legal & Democratic Services	1,408	1,569	161	7
Culture	3,242	3,520	278	222
Environmental & Land Management	5,181	4,870	(311)	(141)
Planning	1,944	2,004	60	37
Recharge Adjustment	0	(38)	(38)	(38)
Net Service Expenditure	16,518	17,669	1,151	628
Capital Charges & Net Interest	(3,388)	(3,422)	(34)	220
Levies, Grants and Precepts	256	255	(1)	(1)
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Collection Fund Outturn

26. The Collection Fund is the statutory mechanism by which income gathered by a billing authority (in this case, Ashford Borough Council) from Council Tax and Business Rates is distributed to Government and precepting authorities (KCC, Fire, Police and Parishes).
27. Overall the collection rates for both Council Tax and Business Rates have been high in 2018/19 at 99.1% and 95.5% respectively. The Business Rates collection statistic is slightly lower than in previous years due to a rise in business's going into liquidation and debt being written off.

Council Tax

28. The year-end position for Council Tax shows an overall surplus of £833,000, comprising £297,000 residual amount from 2017/18 and £536,000 in year surplus. This will be divided between the major precepting authorities, with the Council's share being around 9%. The in-year surplus is in line with the estimates reported throughout the year, it is as a result of more Band D properties than anticipated.

Table 3 - Council Tax Position

	Outturn (net) to 31/03/19
	£'000
Opening Surplus	(2,297)
Surplus distributed to Major Preceptors	2,000
2018/19	
Amount of Council Tax to be paid to Major Preceptors	76,522
Amount of Council Tax billed	(77,082)
In Year Write Off's	24
In year (Surplus)/Deficit	(536)
Overall (Surplus)/Deficit	(833)

Business Rates

29. Net rates payable by ratepayers is broadly in line with the 2018/19 forecast.
30. Following the introduction of check, challenge and appeal the number of appeals coming forward has substantially reduced. All Kent authorities have therefore reviewed their appeals provision and recalculated the potential risk to be 2.7% of net rates payable. For Ashford this has meant that the amount set aside in the budget for appeals for 2018/19 has been substantially reduced. The effect of this review has resulted in an in year surplus of £1.715m.
31. Overall the collection fund has a surplus of £222,000, the Council's share of this surplus is £88,689.

Table 4 - Business Rates Position

	Original Budget 2018/19	Outturn (net) 2018/19
	£'000	£'000
Opening (Surplus)/Deficit		1,800
Deficit recovered from Major Preceptors 2018/19		(307)
Amount of Business Rates to be paid to Major Preceptors	48,830	48,830
Amount of Business Rates Billed	(51,995)	(51,225)
Other Items Charged to the Collection Fund	264	337
Bad Debts/Appeals	2,901	343
In year (Surplus)/Deficit	0	(1,715)
Overall (Surplus)/Deficit	0	(222)

32. The Council continues to be a member of the Kent Business Rates Pool, the benefit of the Pool is that the levy paid to Government (£130,000) is significantly lower than if we had acted individually (£1.636m), resulting in a net benefit of £1.506m. Under the pooling agreement for 2018/19 Ashford Borough Council retains 30% (£452,000) of this benefit, a further 30% goes to Kent County Council, 30% is put into a 'Growth Fund' for Economic Development within Ashford, with the remaining 10% (£151,000) being put aside for use as a Safety Net Reserve to mitigate risk. The benefit of the levy was not included in the budget and has therefore been transferred to a reserve to mitigate future economic risk from business rates fluctuations.
33. During 2018/19 Ashford along with all the principal authorities in Kent became part of the Government's 100% Business Rates Pilot. Ashford has benefitted by £930,000 of growth retention in its own right. Additionally the East Kent Cluster, which is made up of Ashford, Canterbury, Dover, Folkestone and Hythe and Thanet has £4.816m of growth, designated for Housing and Commercial Growth within the area, a decision is yet to be made on the funds distribution within the cluster.

Transfers to/from Reserves

34. Earmarked reserves are balances held for specific purposes, at the end of the year transfers are made to and from earmarked reserves increased by £4.13m which was largely due to additional Business Rates Income.
35. The significant reserve movements are:-
- Transfer of £1.83m to the Business Rate Income Reserve.
 - £2.7m to the Economic Risk Reserve. As the council becomes more commercial in its activities, this reserve is designed to mitigate the risk that these commercial activities may bring. The intention was to make this reserve 15% of the net budget requirement and this has now been achieved.
 - £400,000 has been transferred to the service pressure reserve.
 - £923,000 was used from the S106 Unapplied Grants reserve.
36. The current General Fund balance is £2.28m which is in line with the minimum balance of 15% of the Net Budget Requirement which equates to £2.28m for 2019/20. However as mentioned above the Economic Risk Reserve has been significantly increased and offers considerably protection to general reserves.

Table 5 - Summary of Earmarked Reserves

	Balance at 31st March 2018 £'000	2018/19 Transfers £'000	Balance at 31st March 2019 £'000
General fund general reserves	(2,552)	277	(2,275)
Earmarked general fund reserves			
Fund future expenditure	(7,194)	(5,044)	(12,238)
Provide for purchase/maintenance of assets	(4,203)	(113)	(4,316)
Required by statute reserves	(196)	37	(159)
Developer Section 106 contributions	(7,320)	1,095	(6,225)
Earmarked Reserves	(18,913)	(4,025)	(22,938)

2018/19 Housing Revenue Outturn (HRA)

37. The outturn on the HRA is showing net expenditure at year end of £452,000 which represents an underspend of £699,000 against the original budget of £1.151m. This underspend will be put back into the HRA reserves to be used on future projects that form part of the HRA Business Plan.
38. Expenditure on Repairs and Maintenance was £728,000 over budget for the year, £200,000 of this overspend was as a result of Asbestos Testing. £350,000 was spent on works that will be recovered from leaseholder in future years. The remaining overspend was as a result of costs being transferred from the capital programme which were funded in year.
39. The underspend in 'other' is largely due to a contribution from the Major Repairs Reserves which has been used to fund in year capital expenditure. Although this has reduced the Major Repairs Reserve it has allowed the underspend in other to be transferred to the general housing reserves which is more flexible.
40. The net slippage between the other and major repairs allowance is due to some slippage in programmed works and impairments.

Table 6 – 2018/19 Housing Revenue Account Outturn

Budget Page	Revised Budget 2018/19 A £'000	Outturn 2018/19 B £'000	Variance (B-A) £'000	Movement from Quarter 3 £'000
Income	(24,979)	(25,357)	(378)	(70)
Supervision and Management	5,267	5,224	(43)	61
Repairs and Maintenance	3,418	4,142	724	728
Other	17,445	13,303	(4,142)	(2,796)
Net Revenue Expenditure	1,151	(2,688)	(3,839)	(2,077)
Capital Works - Decent Homes	4,620	4,640	20	13
<i>Capital Works financed by:</i>				
Major Repairs Allowance	(4,620)	(1,500)	3,120	3,127
Contribution to/(from) Major Repairs Reserve				
Total Net Expenditure	1,151	452	699	1,063

41. The forecast surplus of £452,000 will be put back to HRA Revenue reserves, which have a closing balance, at 31 March 2019, of £6.237m. This reserve balance is a key part of the 30 year HRA Business Plan.

Capital Outturn

42. In addition to the Revenue Budget the Council continued to operate a Capital Programme.
43. As part of the closing process the capital spending for the year is assigned to various assets, and the funding source identified. Details of capital spend and financing are contained in the 2019/20 Budget Book which is available on the Council's website. A change to the published capital plan is required and Cabinet is asked to approve an increase in the Coachworks budget by £100,000 making the overall capital budget £950,000.
44. The Council uses many sources of funding for projects including Section 106 Developer Contributions and Homes & Community Agency Grants, as well as other grants and the Council's own capital receipts, revenue reserves and prudential borrowing.
45. Major projects during 2018/19 included:
 - e. Elwick Place - During the year work on site was completed in line with the build schedule, and there were no significant variations to the build specification and the expected completion date of December 2018 was achieved. Expenditure incurred in 2018/19 is £16.826m.
 - f. Industrial units at Carlton Road have been purchased for economic and regeneration purposes £7.129m.
 - g. Grant received from DCLG of £8m has been distributed to Highways England to facilitate the completion of works to junction 10A of the M20 motorway
 - h. A further £3.267m has been spent purchasing existing social housing and £2.305 on building new social housing stock.
 - i. Danemore sheltered housing accommodation redevelopment has been completed incurring final costs of £4.320m
 - j. £4.640m was spent on the existing housing stock to ensure Decent Home Standards are maintained

Table 7 – Summary of Capital Spending and Financing

	£'000
General Fund Capital Expenditure	37,348
HRA Capital Expenditure	15,184
Total Expenditure	52,532
Funding	
Capital Receipts	5,826
1-4-1 Capital Receipts (ring fenced for affordable housing)	1,761
Repairs and Renewals reserve	20
Earmarked Reserves	544
External Grants and Contributions	9,374
Developer Contributions	596
GF Revenue Contributions	48
HRA Revenue Contribution	4,753
Major Repairs Reserve	4,640
Prudential Borrowing	24,970
Total Funding	52,532

Table 8 – Capital Receipts

	£'000	Total Received £'000
Right to Buy Sales Receipts		3,788
Less		
Admin Costs	(2)	
Government share (Pooling liability)	(486)	(488)
Other HRA Capital Receipts		103
Less costs		(27)
General Fund Capital Receipts		746
Less costs		(24)
Total Capital Receipts		4,098
Housing Revenue Account Receipts		
<i>Unringfenced receipts</i>		(1,344)
<i>1-4-1 capital receipts for affordable housing</i>		(2,175)
Total HRA Receipts		(3,519)
General Fund Receipts		(579)

2018/19 Treasury Management Position (Capital Charges and Net Interest)

46. Capital charges and net interest had a surplus of £34,000 in year, this was as a result of changes in collection fund opening balances of £637,000 and a surplus in treasury management activity of £637,000.
47. The £637,000 saving in treasury management activity represents savings in debt expenses of £228,000 as the strategy to borrow short term from other local authorities was continued. Treasury management income for short term investing increased by £246,000 following rate rises and larger than expected short term balances.
48. The investment in the CCLA Property Fund continued its good performance and generated additional income of £27,000. Higher than expected interest payments were also received from the Council's subsidiary (£60,000) as it continues to expand.
49. The total value of loans outstanding with the Council's subsidiary at year end totalled £27.6m.

Equity Funds

50. Equity Fund interest would have been below par at year end as a number of intended strategic placements had been deferred following a review in August 2017. However, following a further comprehensive review of the Council's strategic investment positions the decision was taken to redeem shares in two funds. These redemptions realised a net gain to the Council which contributed to an overall surplus of £100k in the equity fund budget line. The Strategic Treasury Management review is shown at **Appendix B** and covers this in more detail.
51. A full schedule of the treasury management positions as at 31 March 2019 are shown at **Appendix A**.

Implications and Risk Assessment

52. The figures in the Accounts may change if the audit identifies a need, this may lead to a change in outturn.

Consultation Planned or Undertaken

53. 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

54. This report has been prepared alongside this statement of Accounts. The Accounts will be audited during June and signed off during July at the Audit Committee.
55. The closing position helps inform the 2018/19 outturn and any changes to the current year will be presented to Members in the first Budget Monitoring report.

Portfolio Holder's Views

56. To be given at meeting

Contact and Email

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Treasury Management Portfolio as at 31 March 2019

Counter Party	Deal Date	Rate %	Amount £	Fair Value £	Comment
Investment Accounts					
Goldman Sachs	Various	0.53%	50,000	51,295	**
ICD Portal - Black Rock	Various	0.75%	1,831,000	1,831,000	*
ICD Portal - Invesco	Various	0.78%	10,034,000	10,034,000	*
Payden Global MMF	Various	0.91%	3,000,000	2,987,369	**
Total Investment Accounts			14,915,000	14,903,664	
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	4.20%	11,000,000	12,304,463	
A Better Choice of Property Ltd.***	Various		275,001	272,765	
Equity Funds**					
UBS Multi Asset Income Fund	26/08/2015	2.01%	2,993,552	2,928,661	**
Schroder Income Maximiser	03/11/2015	7.68%	992,152	1,007,291	**
CCLA Diversified Income Fund	Various	3.23%	3,000,000	2,980,611	**
Investec Diversified Income Fund	28/03/2019	4.31%	2,500,000	2,491,856	**
Total Long Term Investments			23,760,705	24,985,647	
Total Investment Portfolio			38,675,705	39,889,311	

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

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

*** A Better Choice Of Property Ltd. is a solely owned subsidiary of ABC - valued at 31 March 2019.

Debt Portfolio as at 31 March 2019

Counter Party	Deal Date	Rate %	Amount £	Fair Value	Comment
Temporary Borrowing					
Greater Manchester Pension Fund	11/06/2018	0.80%	15,000,000		Maturity 21/05/2019
Somerset Pension Fund	06/09/2018	0.97%	8,000,000		Maturity 05/04/2019
Greater London Authority	28/09/2018	1.02%	25,000,000		Maturity 05/04/2019
Durham County Council	31/10/2018	0.92%	8,000,000		Maturity 30/04/2019
London Borough of Newham Council	21/11/2018	0.90%	5,000,000		Maturity 23/04/2019
Leicester City Council	07/01/2019	1.00%	10,000,000		Maturity 08/07/2019
West Midlands Police	26/02/2019	1.00%	5,000,000		Maturity 27/08/2019
Total Temporary Borrowing			76,000,000		
Long Term Borrowing					
Public Works Loan Board***	various	various	113,664,150		Maturity Date - various
Total Long Term Borrowing			113,664,150		
Grand Total Borrowing			189,664,150		

*** HRA borrowing

