

**Agenda Item No:** 8  
**Report To:** Cabinet  
**Date of Meeting:** 27 February 2020  
**Report Title:** Quarter 3 Financial Monitoring – to 31 December 2019  
**Report Author & Job Title:** Lee Foreman – Senior Accountant  
Jo Stocks – Senior Accountant (HRA)  
Maria Hadfield – Senior Accountant (Capital)  
**Portfolio Holder** Cllr. Bell  
**Portfolio Holder for:** Finance & IT



**Summary:** This report presents the forecast outturn for 2019/20 based on information available at the end of December 2019.

The quarter 3 forecast shows a deficit of £150,000 for the General Fund at year end which has reduced from £292,000 at quarter two, representing a reduction of £142,000. A full list of movements since quarter two are shown in table 2 at a service level.

The Housing Revenue Account is forecasting an overspend of £452,000 broadly in line with the quarter two forecast.

**Key Decision:** No

**Significantly Affected Wards:** None

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

- I. Note the forecast outturn position for the General Fund and the Housing Revenue Account.**
- II. Note the Capital Monitoring update including Exempt Appendix B and the Treasury Management position**
- III. Note the disposal of the Uprising Youth Vehicle**

**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 deficit of £150,000 for quarter 3 which is a decrease of £142,000 from quarter two.

The Housing Revenue Account is reporting an overall overspend of £452,000 which is broadly in line with the quarter two forecast.

The overspends can be contained within the Council's reserves, however controls are in place to reduce these deficits.

**Legal Implications**

N/A

**Equalities Impact Assessment**

As part of Budget Setting 2019/20 a full assessment was undertaken.

**Exempt from Publication:**

Appendix B Not For Publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**Contact:**

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## **Report Title: Financial Monitoring Quarter 3 to 31 December 2019**

### **Introduction and Background**

1. This report captures the forecast outturn position for quarter three of 2019/20 based on information available until the end of December 2019. The aim of this report is to inform Management Team and Members of the variances from budget (both positive and negative) with focus on the movements since quarter two so that they can be understood and managed.
2. The report considers each of the following areas of the Council; General Fund, Housing Revenue Account, Capital Expenditure and Treasury Management.

### **Summary of Current Overall Position**

3. The current General Fund position is showing a forecast deficit of £150,000 which is a reduction of £142,000 from quarter two.
4. The reduction in forecast has come largely from additional income in Legal and Democratic Services of £110,000, and £75,000 saving in Environment and Land Management. There are some pressures coming through in quarter three from Planning, Housing and Corporate Property & Projects, these variances are detailed in this report below.
5. **Table 1** shows variances at a Directorate level, with further breakdown at **Table 2** to a service level.

**Table 1 – General Fund Quarter 3 Budget Outturn Forecast as at 31 December 2019 – Directorate Level**

* Directorate	Current Budget (net) £'000	Forecast Outturn (net) to 31/03/20 £'000	Variance £'000	Movement from Quarter 2 £'000
a Chief Executive	1,350	1,393	43	35
b Director Of Finance & Economy	2,632	3,398	766	86
c Director Of Law & Governance	1,107	1,623	516	(150)
d Director Of Place & Space	10,637	10,786	149	16
<b>Net Service Expenditure</b>	<b>15,726</b>	<b>17,200</b>	<b>1,474</b>	<b>(13)</b>
e Non service specific items	(494)	(1,818)	(1,324)	(129)
<b>Budget Requirement</b>	<b>15,232</b>	<b>15,382</b>	<b>150</b>	<b>(142)</b>
f Financing:	(15,232)	(15,232)	0	0
<b>Total movement</b>	<b>0</b>	<b>150</b>	<b>150</b>	<b>(142)</b>

**Table 2 - General Fund Budget Outturn Forecast as at 31 December 2019 – Service Level**

* Service	Current Budget (net) £'000	Forecast Outturn (net) to 31/03/20 £'000	Variance £'000	Movement from Quarter 2 £'000
a Chilmington Management Organisation	(0)	0	0	(1)
a Corporate Policy, Economic Development & Communications	1,350	1,393	43	37
b Corporate Property & Projects	(2,282)	(1,607)	675	25
b Finance & ICT	3,964	3,694	(270)	(3)
b Housing Services	950	1,310	360	63
c Community Safety and Wellbeing	(316)	328	644	(40)
c HR & Customer Services	75	83	8	1
c Legal & Democratic Services	1,348	1,212	(136)	(112)
d Culture	3,291	3,399	108	(11)
d Environmental & Land Management	5,250	5,151	(99)	(75)
d Planning	2,096	2,237	141	103
<b>Net Service Expenditure</b>	<b>15,726</b>	<b>17,200</b>	<b>1,474</b>	<b>(13)</b>
e Capital Charges and net interest	(2,492)	(2,979)	(486)	0
e Levies, Grants and Precepts	259	259	0	0
e Contribution (from)/to reserves	1,739	902	(838)	(129)
<b>Budget Requirement</b>	<b>15,232</b>	<b>15,382</b>	<b>150</b>	<b>(142)</b>
<b>Financing:</b>				
f Retained Business Rates	(4,721)	(4,721)	0	0
f Council Tax	(7,556)	(7,556)	0	0
f New Homes Bonus	(2,955)	(2,955)	0	0
<b>Total movement</b>	<b>(0)</b>	<b>150</b>	<b>150</b>	<b>(142)</b>

\* Cross referencing of Directorate Table to Service table

6. The following section provides explanations of the material movements since quarter two which are identified in the table above, grouped into directorate headings:

### **Chief Executive Directorate**

7. A net movement in quarter of £35,000 is recognised overall with £50,000 relating to consultancy costs for supporting work on the new Corporate Plan, which is being funded from a movement in reserves, as per contributions (from) to reserves in Table 1 £8,000 of savings from reduced postage costs for the residents' magazine have also been recognised.

### **Director of Finance & Economy**

8. **Corporate Property & Projects** – In quarter three forecast the rental income for Carlton Road has been reduced by £80,000 to reflect difficulties in letting units as planning conditions are still being resolved which are deterring tenants, this is partly offset by a reduction of £45,000 in marketing and advertising costs.
9. Savings across this Service include an increase in service charge income for CQ38 of £12,000, general maintenance costs of £20,000 and salary savings of £20,000.
10. Income of £10,000 has been generated from PV (Solar Panels) above the original budgets set.

### **Director of Law & Governance**

11. **Community Safety and Wellbeing** is showing a favourable variance of £40,000, this includes £30,000 of parking income, projected to be generated following the change in charging structure for the Elwick place Car Park.
12. **Legal and Democratic Services** – Income has continued to outperform forecast and an additional increase of £70,000 has been recognised between quarter two and quarter three from general legal work which is externally chargeable. A £25,000 reduction in consultancy costs is also anticipated following the departure of the existing consultants.

### **Director of Place & Space**

13. **Planning** is continuing to experience challenges in recruiting to posts, this is causing the need to continue with the use of consultants to deliver the day job. Additional consultancy costs of £223,000 have been incurred since quarter two forecasts. General consultancy and counsel fees have also increased this year adding a further £109,000 to the forecast.
14. The pressures emerging above are being partly funded from staff vacancy savings of £109,000 since quarter two, and an increase in planning fee income of £135,000. A contribution from the planning reserve of £78,500 to fund the design quality work has also been applied.
15. Overall, and allowing for the reserve funding this will leave Planning with a forecast pressure of circa £78,000 at year end.
16. There is a risk to the forecast for Planning Performance Agreement income which could add a pressure of £100,000 to the forecast.

17. **Environment and Land Management** has identified savings of £75,000 from the last quarter. £20,000 of these savings have come from a reduction in kennelling and vets costs for stray dogs. £15,000 of additional income for the clearances of bin stores for privately rented blocks, and £32,000 of salary savings from Aspire due to existing vacancies.
18. **General Fund Housing Services** – Overall, a £63,000 pressure has been identified within this area since the last quarter. £55,000 pressure is from homeless prevention grant payments which keep people in their homes and avoid increased costs on the temporary accommodation budget, this is partially offset by additional homeless grant income of £23,000 from Government.
19. The council has also repaid a grant to KCC for £30,000 which was taken a few years ago to bring a property in disrepair back into use.

#### **Contributions (from)/to Reserves**

20. A movement from reserves of £128,500 has been made since quarter two. This represents the £50,000 funding for Economic Developments to support the Corporate Plan workshops, and £78,500 from the Planning Reserve to support design quality work.

## Housing Revenue Account (HRA)

21. The Housing Revenue Account is showing an overspend of £452,000, compared to the original budget based on information available to the end of December 2019. This is a reduction of £17,000 compared to the quarter two outturn. A breakdown of this variance is shown in **Table 3** below, with commentary on the movement since quarter two following.

**Table 3 – 2019/20 Housing Revenue Account Outturn Position**

Budget Page	Current Budget (net) £'000	Forecast Outturn (net) to 31/03/20 £'000	Variance £'000	Movement from Quarter 2
Income	(24,843)	(24,834)	9	0
Supervision and Management	5,770	6,061	291	3
Repairs and Maintenance	3,478	3,705	226	(19)
Other	16,030	15,956	(75)	0
<b>Net Revenue Expenditure</b>	<b>435</b>	<b>887</b>	<b>469</b>	<b>(17)</b>
Capital Works - Decent Homes	4,600	3,801	(799)	(432)
Financed By:				
Contribution To/(From) Major Repairs Reserve	(4,600)	(3,801)	799	432
Net Capital Expenditure	0	0	0	0
<b>Total Net Expenditure</b>	<b>435</b>	<b>887</b>	<b>452</b>	<b>(17)</b>

### Commentary on HRA Movement

22. **Repairs and Maintenance** – Less void (properties becoming empty and need of repair before being re-occupied) than forecast which has generated savings of £20,000 as void works were not required to the properties.
23. **Capital Works (Decent Homes)** – There has been a £432,000 decrease from quarter two following delays to a number of capital projects.
24. The reduction in the above is reflected in the contribution to/from the major repairs reserve.

## Capital Monitoring

### Elwick Place Development

25. Please refer to and note the exempt item at **Appendix B**.

### Coachworks

26. The final cost of the design and build of the Coachworks is £1,033,000 an increase of £83,000 on the agreed budget, which includes the cost of the Changing Place toilet facility, and £49,500 for the purchase and fit out of containers for the outside bar facility.

### Play Areas

27. Work has been completed on the refurbishment and replacement of play areas and equipment in the Borough. Church Road, in Willesborough at a cost of £135,000 and St Anne's Road at a cost of £61,000 both fully funded by Section 106 contributions. A grant of £155,000 funded from Section 106 has been given to Chilham Parish Council for renewal of play equipment within the parish.

### HRA Projects

28. The HRA Business Plan was presented to Cabinet in October 2019 and incorporates a number of new projects due to start in future years, with the Street Purchases scheme being accelerated immediately.
29. It was proposed in the original Business Plan that around 25 properties would be purchased in 2019/20 up to a value of £5m. It is expected however that be around 40 properties will be completed at year end at a cost of £7.3m, . The additional expenditure has been approved under delegated authority by the Head of Finance and IT and Head of Housing as approved by Cabinet Members in October 2019.
30. The re-development of East Stour Court is on target to deliver 29 independent living units in 2021/22. The estimated cost of this development has reduced by £250,000 since quarter one, efficiencies have been made alongside the contractor, who also developed Danemore.
31. Halstow Way will be a general needs development, which gained approval at planning committee in November 2019. Works are expected to start later this year following the completion of the s106 agreement, and expected to deliver 17 units in 2021/22, this project is currently in line with budget expectations.
32. The Piper Joinery site was acquired earlier in the year at a cost of £1.4m, with an additional £500,000 earmarked for site demolition and preparation ready for construction. . Approval to progress this site was given at Cabinet in October 2019. Our in-house architect is currently scoping out designs and a planning application will be submitted in the summer of 2020. It is anticipated that around 22 additional general needs units will be provided in 2021/22, complementing the delivery of independent living accommodation at the nearby East Stour Court.
33. The development at the Poplars is still in the early stages (with completion expected in 2021/22), 2019/20 expenditure is in line with the first quarter reporting The second stage of the tendering process has now been completed with total costs increasing from £7.6m to £8.1m, this increase will be due to inflation and changes in the marketplace.



34. The affordable housing programme (phase 5) is nearing completion, with 3 new units expected to be delivered in 2019/20, however there has been a small delay on the final 3 units which will now be delivered in early 2020/21.

## Treasury Management

35. Capital Charges and Net Interest is as per quarter two forecasts are detailed below. **Table 4** below shows the borrowing and investment budget and forecast interest and the Minimum Revenue Provision (MRP). 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 4 – Net Interest Summary**

Net Interest Summary	Current Budget (net)	Forecast Outturn (net) to 31/03/20	Variance
	£'000	£'000	£'000
Interest payable	1,752	800	(952)
Interest receivable	(3,051)	(2,715)	336
Minimum revenue provision	704	834	130
Total Net Interest	(594)	(1,080)	(486)

36. The Interest and borrowing forecasts for the Treasury Management Investment portfolio are still in line with quarter two expectations.
37. In quarter two it was reported that there had been a negative movement in the capital value of the strategic investment portfolio by £297,000. Since quarter two the capital value of the investments has risen for all funds with the exception of the CCLA Property Fund which has slightly reduced. Overall this has resulted in a positive upward movement in valuation of just under £500,000 since quarter two.
38. A full list of the Council's investment and borrowing portfolio is shown at **Appendix A**.

## **Disposal of Uprising Youth Vehicle (Hang 10)**

39. In December 2012 the Council purchased a vehicle for circa £13,000 for use by Uprising Youth to deliver a range of 'outreach' programmes across the Borough.
40. The cost of the vehicle has been depreciated over this period and has zero value in the Council's asset register and a low residual value in cash terms.
41. Uprising Youth have been commissioned to deliver outreach services for 2021/22, and the Head of Culture, Tourism and Leisure in agreement with the Portfolio Holder for Culture Tourism and Leisure have used delegated authority to dispose of the Vehicle to Uprising Youth for their continued use.
42. The disposal of the vehicle is in accordance with the Council's financial procedure rules.

## **Portfolio Holder's Views**

43. To be given at the meeting

## **Contact and Email**

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46. Jo Stocks - [jo.stocks@ashford.gov.uk](mailto:jo.stocks@ashford.gov.uk)

## Treasury Management Positions as at 31 December 2019

Counter Party	Deal Date	Rate %	Amount £	Fair Value £	Comment
<b>Investment Accounts</b>					
Goldman Sachs	Various	0.53%	50,000	51,295	**
ICD Portal - Invesco	Various	0.78%	9,159,000	9,159,000	*
Payden Global MMF	Various	0.91%	3,000,000	2,994,084	**
<b>Total Investment Accounts</b>			<b>12,209,000</b>	<b>12,204,379</b>	
<b>Long Term Investments</b>					
<b>Property Investment</b>					
A Better Choice of Property Ltd.***	Various		275,001	272,765	Value as at 31/03/2019
CCLA Local Authority Property Fund	Various	4.10%	11,000,000	12,155,836	
<b>Equity Funds**</b>					
CCLA Diversified Income Fund	Various	2.50%	3,000,000	3,119,291	
Investec Diversified Income Fund	28/03/2019	4.62%	2,500,000	2,479,689	
Kames Diversified Income Fund	13/05/2019	3.50%	5,500,000	5,737,716	
Schroder Income Maximiser	Various	4.19%	3,500,000	3,486,675	
UBS Multi Asset Income Fund	Various	3.35%	3,000,000	3,034,231	
UBS Global Income Equity Fund	29/07/2019	2.00%	1,500,000	1,565,850	
<b>Total Long Term Investments</b>			<b>30,275,001</b>	<b>31,852,052</b>	
<b>Total Investment Portfolio</b>			<b>42,484,001</b>	<b>44,056,431</b>	

\* 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

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

## Debt Portfolio as at 31 December 2019

Counter Party	Deal Date	Rate %	Amount £	Fair Value	Comment
<b>Temporary Borrowing</b>					
Renfrewshire Council	22/08/2019	0.82%	5,000,000		Maturity 22/04/2020
Renfrewshire Council	27/08/2019	0.75%	4,000,000		Maturity 27/02/2020
Vale of Glamorgan Council	07/10/2019	0.78%	3,000,000		Maturity 01/04/2020
Solihull Metropolitan Borough Council	07/10/2019	0.75%	5,000,000		Maturity 17/04/200
Brighton & Hove City Council	07/10/2019	0.76%	3,000,000		Maturity 07/05/2020
Leicester City Council	07/10/2019	0.80%	5,000,000		Maturity 08/06/2020
Lichfield District Council	07/10/2019	0.76%	2,000,000		Maturity 07/07/2020
Derbyshire County Council PF	08/10/2019	0.79%	10,000,000		Maturity 08/04/2020
Royal Borough of Kensington & Chelsea	21/10/2019	0.81%	7,500,000		Maturity 21/07/2020
Salford City Council	04/11/2019	0.75%	6,000,000		Maturity 30/04/2020
Swansea Council	05/11/2019	0.70%	3,000,000		Maturity 25/02/2020
Erewash Borough Council	20/11/2019	0.62%	1,000,000		Maturity 20/02/2020
East Suffolk Council	22/11/2019	0.85%	5,000,000		Maturity 22/05/2020
Wokingham Borough Council	25/11/2019	0.70%	5,000,000		Maturity 28/02/2020
London Borough of Newham Council	25/11/2019	0.80%	7,000,000		Maturity 01/04/2020
<b>Total Temporary Borrowing</b>			<b>71,500,000</b>		
<b>Long Term Borrowing</b>					
Public Works Loan Board***	various	various	113,664,150		Maturity Date - various
<b>Total Long Term Borrowing</b>			<b>113,664,150</b>		
<b>Grand Total Borrowing</b>			<b>185,164,150</b>		

\*\*\* HRA borrowing

**Detail of PWLB Loans outstanding**

All these loans are as a result of the HRA Buyout. This is a breakdown of the £113.7m referenced above.

<b>Date of Advance</b>	<b>Loan Ref Number</b>	<b>Date of Repayment</b>	<b>Amount Outstanding</b>	<b>Rate</b>
28/03/2012	499502	28/03/2020	5,000,000	1.99%
28/03/2012	499501	28/03/2021	2,000,000	2.21%
28/03/2012	499500	28/03/2022	7,000,000	0.86%*
28/03/2012	499516	28/03/2022	2,000,000	2.40%
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%
		<b>Total</b>	<b>113,664,150</b>	

\* Variable Rate Loan, the others are fixed rate

### A Better Choice for Property Loans as at 31 December 2019

Loans	Deal Date	Rate %	Amount £	Balance Outstanding £
Loan 2	07/11/2014	3.69%	600,000	577,685
Loan 3	12/02/2015	2.83%	400,000	352,065
Loan 4	27/03/2015	3.68%	120,000	116,026
Loan 5	28/10/2015	3.74%	125,000	121,449
Loan 6	18/12/2015	3.74%	345,000	335,903
Loan 7	26/02/2016	3.74%	1,495,000	1,455,503
Loan 8	10/08/2016	3.52%	560,000	546,598
Loan 9	22/07/2017	3.04%	1,445,000	1,419,097
Loan 10	01/11/2017	3.56%	400,000	394,065
Loan 11	15/12/2017	3.58%	277,000	273,836
Loan 12	25/03/2018	3.06%	240,000	236,818
Loan 13	04/05/2018	3.13%	2,490,000	2,457,604
Loan 14	05/06/2018	3.06%	1,196,311	1,180,460
Loan 15	05/07/2018	3.10%	113,000	112,020
Loan 16	25/09/2018	3.19%	823,000	816,055
Loan 17*	17/10/2018	3.45%	659,000	653,846
Loan 18	02/11/2018	3.31%	820,000	813,311
Loan 19	09/11/2018	3.29%	6,517,425	6,464,020
Loan 20*	01/02/2019	3.10%	93,890	93,486
Loan 21*	04/02/2019	3.10%	7,103,180	7,072,603
Loan 22	22/02/2019	3.03%	809,240	805,685
Loan 23*	04/03/2019	3.10%	941,360	937,303
Loan 24	17/06/2019	2.80%	160,000	159,248
Loan 25	01/07/2019	2.81%	91,776	91,776
Loan 26	06/09/2019	2.24%	568,400	568,400
<b>Total loans to A Better Choice For Property Ltd</b>			<b>28,393,582</b>	<b>28,054,862</b>

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