

MID SUFFOLK DISTRICT COUNCIL

From: Cabinet Member - Finance	Report Number: <big>MCa/17/32</big>
To: Cabinet	Date of meeting: 4 December 2017

FINANCIAL MONITORING 2017/18 – QUARTER 2

1. Purpose of Report

- 1.1 Based on the financial performance of the Council during the first half of this financial year and latest information, a reporting by exception approach has been adopted to reviewing income and expenditure budget variances in the first half of the year.

2. Recommendations

- 2.1 The potential or likely variations in relation to the General Fund, Housing Revenue Account and Capital Programme compared to the Budget be noted.
- 2.2 That, subject to any further budget variations that arise during the rest of the financial year, the following net transfers of £1,112k be noted;
- a) The balance of the General Fund surplus of £932k referred to in section 11.8 of the report be transferred to the Transformation Fund;
 - b) Transfer of £45k, being the favourable variance for Planning legal costs to the earmarked reserve, referred to in section 11.8 of this report.
 - c) Transfer of £135k, being the favourable variance for Homelessness to the earmarked grants reserve, referred to in section 11.8 of this report.

Reason for Decision:

To ensure that Members are kept informed of the current budgetary position for both the General Fund and HRA.

3 Financial Implications

- 3.1 These are detailed in the report.

4 Legal Implications

- 4.1 There are no specific legal implications.

5 Risk Management

- 5.1 This report is closely linked with risk numbers 5e and 5f of the Council's Significant Risk Register – If we do not understand our financial position and respond in a timely way, then we will be unable to deliver the entirety of the

Joint Strategic Plan or the ambition of the HRA 30 year business plan. Other key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the forecast savings and efficiencies are not delivered then it will have a detrimental impact on the resources available to deliver services and the strategic priorities	3 - Probable	2- Noticeable	Monitored throughout the year by Finance Teams, Corporate Managers and Assistant Directors
If economic conditions and other external factors change for the worse then it could have an adverse effect on the Councils financial position	3 - Probable	2 - Noticeable	Focus is on monitoring key income and expenditure streams – but Government changes and economic conditions continue to affect costs and income for a number of services
If the Capital Programme delivery is not on target then the strategic priorities will not be delivered as anticipated	2 - Unlikely	2 - Noticeable	Regular monitoring by key officers

6 Consultations

- 6.1 Consultations have taken place with Assistant Directors, Corporate Managers and other Budget Managers as appropriate

7 Equality Analysis

- 7.1 An equality analysis has not been completed because there is no action to be taken on service delivery as a result of this report.

8 Shared Service / Partnership Implications

- 8.1 Both authorities continue to work closely together with particular attention given to sharing integration costs and savings between the two Councils, which is reflected in the financial outturn for the year.

9 Links to Joint Strategic Plan

- 9.1 Ensuring that the Councils make best use of their resources is what underpins the ability to achieve the priorities set out in the Joint Strategic Plan. Specific links are to financially sustainable Councils, managing our corporate and housing assets effectively, and property investment to generate income.

10 Key Information

Strategic Context

- 10.1 In February 2017 Mid Suffolk District Council approved the Joint Medium Term Financial Strategy (MTFS). This confirms the direction of travel, in that the Council continues to respond to the financial challenges.
- 10.2 The strategic response to those challenges, to ensure long term financial sustainability, is set out in six key actions:
- a) Aligning resources to the Councils' refreshed strategic plan and essential services
 - b) Continuation of the shared service agenda, collaboration with others and transformation of service delivery
 - c) Behaving more commercially and generating additional income
 - d) Considering new funding models (e.g. acting as an investor)
 - e) Encouraging the use of digital interaction and transforming our approach to customer access
 - f) Taking advantage of new forms of local government finance (e.g. new homes bonus, business rates retention)
- 10.3 The details within the Joint MTFS show that for Mid Suffolk the funding gap for 2018/19 is approximately £0.7m and over the next three years that total funding gap is estimated to be £1.2m. These figures are currently being revised as part of the 2018/19 budget setting process. Work has commenced on closing this gap by identifying and modelling the outcomes of various initiatives as part of the delivery of the Joint Strategic Plan.
- 10.4 The nature of local government funding has changed in recent years. There is less core funding in the form of Revenue Support Grant (RSG) and more incentivised and one-off funding like New Homes Bonus and retention of business rates. The business rates income is more uncertain than RSG, where appeals and the changing number of businesses within the district impact on the income that is available to the Council. This was reinforced with the 2016/17 outturn position. It is also important that capital resources are used in ways to support the new business model. The Council is looking to use its assets and borrowing capacity to become self-sufficient from government funding such as New Homes Bonus.

- 10.5 The total estimated core funding for future years is not a fixed guaranteed amount as it is dependent on variations in business rates income. This is carefully monitored and the volatility and risks, for example, rate relief for schools converting to academies and the level of appeals, will affect the amount of income received.
- 10.6 The outcome of these changes and uncertainties is that predicting the resources available to the Council over a period of time is more challenging, so more annual variances against budget will be seen as we develop our financial management skills and processes to fit the new funding environment. Members should therefore focus on whether strategic priorities are being achieved rather than in year variances.

11 Quarter 2 Position

- 11.1 Based upon financial performance and information from April to September (with emerging trends extrapolated to the end of the financial year) and discussions with budget managers, key variations on expenditure and income compared to budget have been identified.
- 11.2 The report covers:
- The General Fund Revenue Budget
 - The HRA Revenue Budget (Council Housing)
 - Both the General Fund and HRA Capital programmes.
- 11.3 Budget monitoring is a key tool and indicator on the delivery of the council's plans and priorities for the year. There will, of course, always be reasons why there are variances such as:
- Economic conditions and those services that are affected by demand
 - Base budgets being over or understated (a number were identified in the 2016/17 financial outturn report to Members)
 - Uncertainties relating to funding or other changes that were not known at the time the budget was approved.
- 11.4 Taking each area in turn, the position on key aspects of the 2017/18 budget is summarised below:

General Fund Revenue Account

- 11.5 In relation to funding:
- (a) Council Tax (£5m): At the end of September, collection rates were 57.68%, compared with 57.66% for the same period last year. The collecting of council tax remains challenging, especially from those receiving council tax reductions under the Local Council Tax Reduction

Scheme (LCTR). Recovery Action is varied and is a high priority for the Shared Revenues Partnership (SRP).

- (b) Government Grants: RSG (£0.4m), baseline business rates (£2m) and New Homes Bonus (£2.03m) were allowed for in the Budget. RSG and NHB are fixed but the actual amount of business rates will vary.
- (c) Business Rates: At the end of September, collection rates were 60.45% compared with 60.11% for the same period last year. The level of Section 31 grants notified to the Council to compensate for national business rate relief is slightly less than expected by £25k.
- (d) Based on current projections from Suffolk County Council it is estimated that the final Business Rates Pool position will be better than expected. A favourable variance of £118k is anticipated, this is despite the reduction in the rateable value of the Army Air Corps, Wattisham Station totalling £1.5m, backdated to 1 April 2010. This will have a greater impact in 2018/19.

11.6 On a reporting by exception basis, a review of expenditure and income budget variances was undertaken. There are two corporate savings targets as detailed below:

- a) It is currently anticipated that the vacancy management savings of £100k will be exceeded, resulting in a favourable variance of £330k, an increase of £77k since Quarter 1. A breakdown for each Service Area is shown in section 11.8 below. For 2018/19, the vacancy management figure will be reviewed to reflect actual experience and could increase to £203k (this is equal to a 2.5% turnover of staff).
- b) Included within the 2017/18 budget is a generic savings target of £100k for non-pay expenditure. Further details of the actual non-pay variances are outlined in section 11.8 below. From 2018/19 onwards this target will be reduced by £20k per year until it is completely removed in 2022/23, as savings are better identified and monitored in individual service areas rather than against a corporate target.

11.7 The overall net favourable variance of £1,112k means that the Council is able to supplement earmarked reserves - £135k to the Homelessness grant reserve, £45k to the Planning reserve and a substantial contribution to the Transformation Fund of £932k.

11.8 The table below shows the main items that are included in the overall net favourable variance of £999k. The forecast variances identified within this report will be taken into consideration when setting the budgets for 2018/19.

The numbers associated with the ongoing revenue costs for the All Together programme are now included and results in a net cost pressure of £106k

Explanation	Quarter 1 Amount (£) Favourable / (Adverse)	Quarter 2 Amount (£) Favourable / (Adverse)	Change (£) Favourable / (Adverse)
Communities and Public Access			
<u>Policy and Strategy (Health and Wellbeing)</u> <ul style="list-style-type: none"> Employee costs – a favourable variance of £13k. This is due to a part year saving for a full-time vacancy. The post was recruited to during September 2017. This saving is for 2017/18 only. Other items (net) – a favourable variance of £11k 	21	24	3
<u>Public Access</u> <ul style="list-style-type: none"> Employee costs - a favourable variance of £16k. This area of the Council has a high turnover of employees' due to the nature of the Customer Services function, resulting in a small number of vacant posts. 	27	16	(11)
<u>Communications</u> <ul style="list-style-type: none"> Employee costs – this favourable variance is attributable to staff vacancies. A review of the structure has been undertaken to ensure that it is fit for the needs of the organisation and is now being recruited to. 	14	17	3
<u>Public Realm</u> This area of the Council's work is currently under review. It is therefore likely that the forecasts included are subject to change as the review is finalised.			
<u>Open Spaces (incl. Countryside Development)</u> <ul style="list-style-type: none"> Due to a number of planned vacancies (6 fte all with the exception of one shared 50:50), employee costs are expected to result in a favourable variance of £66k. An adverse variance of £93k can be attributed to an income shortfall. This is an improvement of £75k since Quarter 1. There is however, still a requirement to review the budget in this area for 2018/19. Other items (net) – a favourable variance of £17k 	(79)	(10)	69
<u>Car Parks</u> <ul style="list-style-type: none"> £99k favourable variance due to a significant under spend on premises related expenditure including business rates (£21k). The budget will be adjusted for 2018/19. The favourable variance offsets an income shortfall of £43k which has arisen due to the closure of Morrisons last year. Income is gradually 	52	40	(12)

<p>increasing, however, it is not yet forecast to reach the same level as when Morrisons was open.</p> <ul style="list-style-type: none"> Other items (net) – an adverse variance of £16k 			
<p>Street and Major Road Cleansing</p> <ul style="list-style-type: none"> Employee costs – a favourable variance of £8k due to a vacancy. Plant and vehicle costs – a favourable variance of £10k is anticipated. This area is difficult to predict and is very much dependent on a number factors such as the cost of fuel, vehicle repairs etc. 	-	18	18
Other items (net) – a favourable variance of £16k	12	16	4
<p>ICT</p> <ul style="list-style-type: none"> Employee costs – a favourable variance of £41k is anticipated. There are currently 3 vacant full-time posts which are no longer required due to the transfer of functions to SCC IT. This will be an ongoing saving in 2018/19. Other items (net) – a favourable variance of £6k. 	49	47	(2)
Corporate Resources			
<p>Commissioning and Procurement</p> <ul style="list-style-type: none"> Employee costs - £36k favourable variance. The 2017/18 budget includes provision for two new Grade 6 Business Partner roles. One of these posts has now been offered as an ongoing saving, the other post will be recruited to, but it is anticipated that there will be a 6-month saving. Other items (net) – a favourable variance of £1k. 	33	37	4
<p>HR and Organisational Development</p> <ul style="list-style-type: none"> A review of training requirements for the Council has been undertaken since the last quarters report to Cabinet. This has resulted in a favourable variance of £20k. £10k of which will be reflected in the budgets for 2018/19. <p>Other items (net) – an adverse variance of £9k</p>	-	11	11
Environment and Projects			
<p>Building Control</p> <ul style="list-style-type: none"> Employee Costs – a favourable variance of £36k which can be attributed to one vacancy. Income shortfall – an adverse variance of £122k is anticipated despite an uplift in fees of 5% from September 2017. As reported in Quarter 1, the variance can in part be attributed to a budget error where VAT was included in the overall calculation of income to be received in year. The service is also experiencing a decrease in the number of inspections due to a loss in the market share This will be adjusted for as part of the 2018/19 budget setting process. 	(75)	(94)	(19)

<ul style="list-style-type: none"> Other items (net) – an adverse variance of £8k 			
<u>Leisure Contracts</u> <ul style="list-style-type: none"> An expected revision of the contract indices for the Mid Suffolk Leisure Centre is forecast to result in a favourable variance of £16k. 	16	16	-
<u>Waste</u> <ul style="list-style-type: none"> £109k favourable variance for the Material Recycling Facility (MRF). The gate fee is re-calculated each April making it difficult to accurately reflect the price per tonne. In recent years the basket price has changed from £5/tonne to £12/tonne and is very much dependent on the world market. Mid Suffolk already has an earmarked waste reserve containing £159k. This earmarked reserve is utilised to smooth year on year changes so that the core budget can remain relatively stable. As the waste reserve does not need to be supplemented in 2017/18, it is therefore recommended that the favourable variance of £109k be transferred to the Transformation Fund this year. Glass Collection – this service was introduced in 2016/17 as a new income stream. When the budget was set for 2017/18 it was updated to reflect the income, but not the expenditure. The glass collection service is a viable one and the expected adverse variance of £22k will be adjusted when setting the budget for 2018/19. Garden Waste – following recent housing growth, subscriptions to the Garden Waste Collection Service has increased. Surplus income of £43k is expected. Trade waste – surplus income of £74k is anticipated. Mid Suffolk's customer base is expected to grow following continued advertising and promotional activities. Other items (net) – a favourable variance of £41k. 	139	245	106
Investment and Commercial Delivery			
<u>Open for Business</u> <p>Tourism</p> <ul style="list-style-type: none"> Based on current income levels for the sale of goods and services, a shortfall of £16k is expected. A £25k underspend is forecast for supplies and services (£3k on contracted services and £10k on print costs for the South and Heart of Suffolk marketing campaign). A review of how this service area is currently provided is being undertaken. Any 	25	32	7

<p>budget adjustments required will be made for 2018/19.</p> <ul style="list-style-type: none"> Other items (net) – an adverse variance of £15k. <p>Licensing</p> <ul style="list-style-type: none"> Employee costs, a favourable variance of £20k is expected as a result of one vacant post (1 fte). Other items (net) – an adverse variance of £5k Other items (net) – a favourable variance of £23k 			
<p><u>Housing Development and Regeneration</u></p> <ul style="list-style-type: none"> The purchase of Paddock House and Needham and Stowmarket Middle Schools as part of the Councils investment and regeneration programme, has resulted in significant revenue expenditure that was not part of the original business case. An adverse variance of £220k is anticipated and includes both ongoing costs such as business rates and one-off costs such as securing the sites. Ongoing costs of approximately £120k will be included in the budgets for 2018/19. 	-	(220)	(220)
Law and Governance			
<p><u>Information Management</u></p> <ul style="list-style-type: none"> An adverse variance of £44k on employee costs. This is due to the re-allocation of resources from the capital element of the JOSIE project to revenue. Land Charges – despite the increased level of activity in the housing market and consequently the increase in the number of searches carried out by the land charges team, a number of these were ‘no fee’ personal searches. An income shortfall of £34k is therefore anticipated. Other items (net) – an adverse variance of £1k 	(29)	(79)	(50)
<p><u>Internal Audit</u></p> <ul style="list-style-type: none"> Employee costs – an adverse variance of £8k. The need for an additional Grade 5 post was identified after the 2017/18 budget was set. This post was filled and has since become vacant. The Corporate Manager will review resource requirements in 3 months’ time. An External Quality Assessment (EQA) will be carried out in February 2018. The EQA is a means to measure Internal Audit’s compliance against the Public Sector Internal Audit Standards (PSIAS). An adverse variance of £2k is expected. 	(14)	(10)	4
<p><u>Shared Legal Services</u></p> <ul style="list-style-type: none"> Employee costs - there were two roles where it was anticipated that these would cease once the Shared Legal Services model was live. This has not been the case and it is expected to result in an 	(20)	(22)	(2)

<p>adverse variance of £20k. These roles will now end in October 2017.</p> <ul style="list-style-type: none"> Other items (net) an adverse variance of £2k 			
Planning for Growth			
<p><u>Development Management</u></p> <ul style="list-style-type: none"> It is anticipated that employee costs will be under spent and result in a favourable variance of £15k. There is significant change planned in this area i.e. posts being recruited to and service requirements being reviewed. Legal costs awarded for appeals are very difficult to predict. In Quarter 1, an adverse variance of £20k was expected. It is now anticipated that this be £45k under spent. Due to its unpredictable nature, it is recommended that an earmarked reserve be set up to ensure that the core budget can remain relatively stable and the reserve is utilised to smooth year on year changes as referred to in paragraph 2.2 of this report. The Council's Joint Strategic Plan places a clear priority on the delivery of more of the right type of housing, of the right tenure, in the right places. It goes on to explain that the Council is seeking to significantly increase supply and expand our 'market making' role in terms of creating the right conditions for developers to work with communities to deliver more housing. Following this commitment, the Council continues to see an increase in planning applications which is likely to result in a favourable variance of £436k, a reduction of £167k since the previous quarter. This follows a more cautious approach to the forecast than previously used. Other items (net) – a favourable variance of £5k 	603	501	(102)
<p><u>Strategic Planning, Sustainable Environment and Heritage</u></p> <ul style="list-style-type: none"> The staffing resources required in this area continues to be reviewed and as a result vacant posts have been held, this does not impact on the delivery of the Local Plan. As part of the review, it has also been possible to fund the Infrastructure Team (CIL team) from this core budget as opposed to the Transformation Fund. All staff costs associated with the team have been 'backdated' to the start of 2017/18 and are included within this revised variance. It is therefore anticipated that employee costs will remain under spent and result in a favourable variance of £123k. 	93	275	182

<ul style="list-style-type: none"> Professional fees and legal costs associated with the Joint Local Plan are expected to be under spent this year resulting in a favourable variance of £128k. Other items (net) – a favourable variance of £25k 			
Supported Living			
<u>Business Improvement (Corporate)</u> <ul style="list-style-type: none"> This area is currently under review meaning that the adverse variance of £9k for employee costs is subject to change. The variance is due to allowing an agency resource to cover for maternity leave. 	(20)	(9)	11
<u>Property Services</u> <ul style="list-style-type: none"> Creeping Road Depot – an adverse variance of £26k is anticipated, an increase of £15k since Quarter 1. The overall variance can be attributed to the cost of legionella testing, the cost of tools and equipment plus ad hoc works to ensure that the site is fit for purpose. This work would still have been required, it has just been ‘fast tracked’ in readiness for the move, hence it not be included as part of the All Together programme. Following the move to Endeavour House, the Headquarters building in Needham Market will require 24-hour security. It is anticipated that this will result in an adverse variance of £48k. Other items (net) – a favourable variance of £5k. 	(11)	(69)	(58)
<u>Photo Voltaic (PV) Panels (Feed In Tariff Income)</u> <ul style="list-style-type: none"> To enable receipt of the Feed in Tariff (FiT) income all properties must be registered with Ofgem. There are a number of properties where PV panels have been installed, but are still awaiting registration. Any income due will be backdated to when the panels were installed. The income will be received by November 2017/18. Following work with the service area, it has been possible to calculate a conservative forecast which results in a net favourable variance of £95k. This includes limited costs for necessary repairs. 	-	95	95
<u>Homelessness</u> <ul style="list-style-type: none"> Following the introduction of the Homelessness Reduction Act 2017 (HRA) in April 2017, the Council received a ringfenced grant of £58k. There are many implications arising from the new legislation, the most significant change being new prevention duties. As a result, it has been necessary to increase staff resources in the homelessness team to ensure the Councils new responsibilities are fulfilled. This will result in an adverse variance of £23k. It is recommended that 	-	35	35

the net favourable variance of £35k be transferred to an earmarked reserve for use in 2018/19 and beyond. A further contribution of £100k is also recommended as referred to in section 2.2 (c).			
Other			
<u>All Together</u> <ul style="list-style-type: none"> Utilising existing budgets for expenditure such as gas, electricity plus general building costs for the Headquarters site, a favourable variance of £47k is anticipated. This will be used to support the ongoing revenue costs for the All Together programme for which a current estimate of £153k is expected. One-off costs associated with the programme are forecast to be £407k which will be met from the Transformation Fund. 	-	(106)	(106)
Other items (net) – an adverse variance of £123k	(9)	(123)	(114)
<u>Capital Financing Costs</u> An adverse variance of £86k is anticipated. This can be broken down as follows; <ul style="list-style-type: none"> Net investment income i.e. CCLA, UBS – a favourable variance of £43k Net interest payable / receivable – a favourable variance of £76k. CIFCO – a net adverse variance of £138k is anticipated. This follows a delay to the investment programme from April 2017 to November 2017. Minimum Revenue Provision (MRP) – an adverse variance of £67k is predicted. It has been identified that the budgets for 2017/18 did not include an amount for either the PV panels nor land assembly. This will be corrected as part of the budget setting process for 2018/19. 	171	(86)	(257)
<u>Business Rates</u> The net favourable variance of £515k is made up of four key elements. These are detailed below;			
<ul style="list-style-type: none"> Timing difference for the distribution of the 2016/17 deficit on the Collection Fund £137k 	(137)	(137)	-
<ul style="list-style-type: none"> 2017/18 Baseline business rates less Government tariff has resulted in a favourable variance of £559k. 	400	559	159
<ul style="list-style-type: none"> Business Rates Pooling Benefit – a favourable variance of £118k. As referred to in paragraph 11.5 (d). 	179	118	(61)
<ul style="list-style-type: none"> S31 Business Rates Grant – less than budget by £25k. As referred to in paragraph 11.5 (c) 	20	(25)	(45)
TOTAL FAVOURABLE VARIANCE	1,459	1,112	(347)

Transformation Fund

- 11.9 A review of Transformation Fund commitments has been undertaken with the support of the Senior Leadership Team, Corporate Managers and Finance.
- 11.10 The table below provides a high-level summary of the anticipated movement in the Transformation Fund during 2017/18. A more detailed breakdown is shown in Appendix A.
- 11.11 Transformation Projects that were completed prior to 2017/18 are no longer shown in detail in this report.

MID SUFFOLK	£'000
Balance at 31st March 2017	8,199
New Homes Bonus Contribution	2,028
Business Rates Grant	619
Total contributions 2017/18	2,647
Revised Balance Available	10,846
LESS;	
Funding 2017/18 budget	(267)
Community Capacity Building	(250)
Delivery Plan projects - Staffing	(428)
Actual year to date spend (April - Sept 2017)	(479)
Current commitments	(333)
PLUS:	
Forecast underspend at 30 September 2017	932
Balance on Procurement Reserve and Repairs and Renewals Reserve no longer required, therefore transferred to Transformation Fund	308
Balance at 31st March 2018	10,330

Commitments will continue to be reviewed to ensure the key priorities are supported.

General Fund Capital

- 11.12 Capital resources should be aligned to the Council's Strategic Priorities and desired outcomes. A zero based approach was adopted for the capital programme for 2017/18 to ensure that resources are aimed at delivering the council's strategic priorities.
- 11.13 With complex capital schemes it is difficult to accurately assess the level of payments that will be made during the financial year. The Council has also embarked on new projects e.g. building new homes where it is difficult to

accurately predict at the planning stage how payments will fall. Members should therefore focus on whether overall outcomes are being achieved as a result of the capital investment rather than variances against the plan for a particular year.

11.14 Full Council approved the setting up of a holding company in April 2017. This means that the £25m for the Capital Investment Fund will begin to be invested this year.

11.15 Capital expenditure for the period April to September 2017 totals £0.9m, against a revised programme (including carry forwards) of £6m, excluding the £25m, as set out in Appendix B. The main variances to date are set out below:

- Land Assembly, Property Acquisition and Regeneration – favourable variance of £1.7m. A number of significant investment projects, including the regeneration of the HQ sites and the affordable housing programme are moving forward and will require further capital funding as they progress over the next 6 months.
- Mid Suffolk Leisure Centre and Stradbroke Pool - a favourable variance of £404k is anticipated. However, this is very much dependent on the outcome of the Strategic Leisure Review.
- ICT – the majority of the forecast favourable variance (£246k) can be attributed to the JOSIE project. When the 2017/18 budget was set it was anticipated that the project would take a full year to complete, it is however, expected to finish at the end of November 2017.
- All Together – an adverse variance of £72k is expected. Anticipated costs include equipment requirements for Endeavour House, Customer Access and Touchdown Points.
- Property Services – a favourable variance of £111k is forecast in relation to Corporate Buildings, Carbon Reduction etc. This underspend can be utilised to support the work surrounding the All Together programme.

Housing Revenue Account (HRA - Council Housing)

11.16 In relation to the HRA Revenue Budget, the position on key activity areas is as follows:

[illegible]

<ul style="list-style-type: none"> Worst case scenario will produce a favourable variance of £84k. 			84
BMBS – Budget Deficit (£225k)			
<ul style="list-style-type: none"> The budgets for BMBS have been reviewed following its inception in April 2017. The first quarter produced little factual evidence of its income and expenditure. This was as a result of the significant investment required in embedding a fundamentally new service delivery model. <p>Using the original Business plan as the budget for 2017/18 we have identified that assumptions made with respect to forecasted income and expenditure were ambitious considering the levels of investment required to introduce the BMBS model.</p> <p>A Project team consisting of the HRA Accountant, Assistant Director and BMBS Corporate Manager has revised forecasts for 2017/18. These are based actual income and expenditure for both Quarters 1 and 2, out turns for previous years and a cautious approach.</p> <ul style="list-style-type: none"> To create visibility from this piece of work, three scenarios based on worst, medium and best cases for this year end have been produced, refer to Appendix C <ul style="list-style-type: none"> Worst Case scenario - £388k adverse variance. A forecast income shortfall of £630k offset by reduced expenditure of £242k. Medium Case scenario - £197k adverse variance. A forecast income shortfall of £601k offset by reduced expenditure of £404k. Best case scenario - £28k adverse variance. A forecast income shortfall of £525k offset by reduced expenditure of £497k. Significant work is being undertaken to remedy this position through; 	(388)	(197)	(28)

<ul style="list-style-type: none"> • Ensuring income is accurately being recouped and extracted from software used. • Increasing productivity • cleansing data • developing new ways of working • appointing to vacant job roles • reducing costs and increasing income 			
Management and other costs – Budget £3m			
<ul style="list-style-type: none"> • General Management – a favourable variance of £10k is anticipated due to a reduction in fuel costs from no longer using pool cars. • Special Management – a favourable variance of £19k. Due to the Homelessness costs of £11k being recharged to the General fund not being included in the Budget and a reduction in Community alarm costs £7k. 	29	29	29
Funding the Capital Programme - Budget £5.6m			
<ul style="list-style-type: none"> • RCCO – a forecast favourable variance of £400k can be attributed to expected underspend in capital maintenance due to the stock condition survey being delayed (see Appendix B). This has meant a robust 30-year capital programme is not available at this time. Ridge have now been appointed to carry out a 20% stock survey to be completed by end of February 2018 	400	400	400
Borrowing and associated costs – Budget £2.8m			
<ul style="list-style-type: none"> • Loan repayments – a favourable variance of £234k is anticipated due to the recalculation of the interest on internal loans. The interest rate in the HRA Business model was 3.5% but has now been reduced to 0.5% as £11m were short term loans which attract a much lower rate of interest. 	234	234	234

HRA Deficit - Budget transfer from reserves (£714k)			
<ul style="list-style-type: none"> The Surplus/(Deficit) figure will alter depending on the net total of the above variances. As we have three different scenarios for BMBS this will also be shown as Worst/Medium/Best for comparison. <ul style="list-style-type: none"> Worst case. The total of the above variances will change the net budget deficit to (£161k). Medium case. The total of the above variances will change the net budget deficit to (£0k). Best case. The total of the above variances will change the net budget deficit into a surplus of £140k. 	553	714	835

Any areas where budgets have been over or under stated will be reviewed as part of the 2018/19 budget setting process.

11.17 The recent Government announcement that LA's can increase rents by CPI +1% for five years from 2020/21 has been amended in the HRA business model. This will be reflected in the Budget 2018/19 MTFS report.

11.18 A successful legal challenge by NPS (Norfolk Property Services) in relation to a specific termination clause in a former contract has resulted in a cost pressure of £110k. This has been absorbed within management and other costs.

11.19 The decision to apply a LHA cap on housing benefits paid to Supported and Social Housing tenants has now been scrapped which will relieve pressure on the anticipated rent arrears this would have caused.

11.20 No further updates have been issued by the Government regarding the sale of high value council houses levy, but this continues to be monitored, and once details are fully known and understood a further review of the business plan will be undertaken.

HRA Capital

11.21 Investment plans for this year total £8.6m (including Carry forwards of £0.6m) as set out in Appendix B. An underspend of £400k is forecast on planned maintenance this year due to the change in policy to carry out a 20% stock condition survey this year. Ridge have been appointed to carry out the work by February 2018 when a robust 30-year Capital programme can be developed.

New builds and acquisition expenditure remains in line with budget

12 Appendices

Title	Location
APPENDIX A – Transformation Fund	Attached
APPENDIX B – Capital Programme	Attached
APPENDIX C – BMBS scenarios	Attached

13 Background Documents

23 February 2017 Budget Report 2017/18 – C/03/17

13 October 2017 Financial Monitoring Quarter 1 – Mca/17/18

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TRANSFORMATION FUND – PROJECTS

APPENDIX A

	Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2016/17		Apr 17 - Sep 17		Total Spend	Variance - favourable / + adverse
					BDC	MSDC	BDC	MSDC		
	CONTINUING PROJECTS									
	Assets & Investments									
1	Strategic Leisure Review - comprehensive condition survey of all 4 leisure facilities to understand future costs requirements. Additional Resources for; Phase 1 - will be informed by the evidence from the strategic review of our built sports facilities and playing pitches (which is due to complete in October 2015), and will allow us to undertake a joint leisure strategy and investment plan for both Councils. Phase 2 - to undertake an independent review of the current contractual arrangements (with SLM and SSL) and deliver future delivery options in line with the strategy. This will involve a review of all existing legal and contractual documentation, leases and management agreements, options appraisal, and our capital investment strategy for these assets and for making recommendations Funding to pay for two Leisure Industry specialists (Project Manager for phase 1, external consultant for phase 2)	Chris Fry	May-16	126,100	44,801	37,231	9,455	9,455	100,942	-25,158
2	Capital Investment Strategy (CIS) – external professional advisers to support the development of the Capital Investment Strategy, as well as the associated governance framework and delivery model to support implementation of a Capital Investment Fund and provision of a fixed term post for two years - to provide direct specialist technical support to the establishment and implementation of the development and regeneration pipeline	Louise Rawsthorne / Jill Pearmain / Ann Bennett	Aug-16	136,285	51,088	51,088	7,474	7,474	117,123	-19,162
	Business Growth	Business Growth								
3	Extension of fixed term Heritage & Design officer post for 2 years to support work on securing heritage assets	James Buckingham	Oct-15	69,000	17,215	17,215	7,975	7,975	50,380	-18,620
4	To support the installation of one or more Electric Vehicle (EV) charging points - Sudbury. Babergh only - Capital	James Buckingham	Mar-17	44,000	0	0	5,530	0	5,530	-38,470
5	Hadleigh Market - consultancy costs to test whether it is possible to develop and grow Hadleigh Market into a successful town market. BDC Only	Lee Carvell	Apr-16	10,000	5,794	0	3,133	0	8,928	-1,072
6	Additional Economic Development capacity to support a number of initiatives aimed at increasing economic growth e.g. key sites, market towns and engaging businesses - 18 month extension	Lee Carvell	Feb-17	332,770	98,670	98,551	25,429	25,455	248,105	-84,665
7	Extend the Enabling Officer, Community Led Planning post from mid-2016 until mid-2017	Bill Newman	Feb-16	49,000	8,184	20,123	6,236	5,192	39,735	-9,265
8	Retrospective funding for 2016/17 (year 2) and 2017/18 (year 3) of a three year contract for the 'Visit East Anglia / Visit Suffolk' contract which is due to finish in March 2018.	Lee Carvell	Oct-16	40,000	10,000	10,000	10,000	10,000	40,000	0
9	Town Visioning Engagement Project - the Open For Business Team will lead the work with local communities to deliver a Vision that can be used to inform later policy-making and decisions that affect the towns. The Vision is intended to establish a high-level aspiration for the towns, setting out the community's key desires and wishes for the town they would like to live in and for businesses to operate from. This is a new way for the communities to be involved in Strategic Planning of the towns (the innovation).	Lee Carvell	May-17	8,500	0	0	0	0	0	-8,500
10	To provide support funding that enables local business to be promoted effectively at the Suffolk Show event being held in conjunction with the English National Sheepdog Trial 2017. Additional financial resource would enable a dedicated resource to professionalise the social media promotion, recruit traders and craftspeople and to organise the tourism showcase ensuring that the event is of value to our economy. MSDC only	Lee Carvell	May-17	5,000	0	0	0	4,898	4,898	-102
11	NEW To support the development of a Technology Hub / Innovation Centre with the District by providing a project co-ordinator and for the funding of a feasibility study. MSDC only	Lee Carvell	Oct-17	50,000	0	0	0	0	0	-50,000

TRANSFORMATION FUND – PROJECTS

APPENDIX A

		Responsible Officer	Date of Approval	Budget	Cumulative spend to 2016/17		Apr 17 - Sep 17		Total Spend	Variance - favourable / + adverse
					BDC	MSDC	BDC	MSDC		
	CONTINUING PROJECTS									
	Business Growth									
	Community Capacity Building									
12	Additional locality capacity in the Communities Team - 40% BDC, 60% MSDC	Sue Clements	May-16	90,000	27,611	41,241	10,900	13,086	92,838	2,838
13	Delivery of the Public Realm Review which will transform the management and utilisation of our public realm assets which include Open Spaces, Amenity areas, car parks and Countryside assets.	Peter Garrett	Jul-16	60,000	10,355	10,355	7,209	7,209	35,129	-24,871
14	Increase staff resources - one day a week for the Tourism Development Officer role	Lee Carvell	Nov-16	9,000	1,765	1,765	2,261	2,244	8,034	-966
15	Buildings at risk - to support a targeted approach towards dealing with Heritage at Risk in Babergh and Mid Suffolk with the view to finding viable uses for those buildings at risk and reducing the overall number, to also support the planning transformation programme by producing information and guidance to support decision-making activities and the management of heritage assets. 12 month extension	James Buckingham	Feb-17	17,816	3,106	1,486	5,410	5,410	15,411	-2,405
16	To extend the current room rental agreement with The Mix in Stowmarket from it's current end date of 31 March 2017 to match the final end of contract date of 31 December 2017. This will enable the delivery of the current Mygo contract to continue from the current location ensuring continuity for service users to the end of the project lifetime. MSDC only	Lee Carvell	Apr-17	9,257	0	0	0	0	0	-9,257
	Efficient Organisation									
17	Support for public access and streamlining information management for both the Councils external website and CONNECT	Carl Reeder	Oct-15	96,852	13,414	13,414	18,857	18,582	64,267	-32,585
18	3 Transformation Project Managers to support and assist in the delivery of a) the Channel Shift Programme - to enable the Councils to be ready digitally, b) Core Enablement Programme - help the business areas adopt core infrastructure changes and c) Accommodation and Public Access Programme - will focus on project managing the physical and logistical side of the project, planning the detail of solutions such as; Public Access points, Touch Down points etc	Carl Reeder	Sep-16	150,000	18,028	18,028	37,872	37,872	111,801	-38,199
19	ALL TOGETHER - majority of costs at this stage relate to scanning - to improve accessibility to both officers and members of the public by going 'paperless'. Ensure that all information is accessible electronically. The amount sought will be increased as part of the overall one-off costs of moving to Endeavour House when they are finalised.	Carl Reeder	Sep-16	889,000	31,137	31,153	135,273	140,853	338,416	-550,584
20	Strengthening Governance through the implementation of the Leader- Cabinet form of Governance NEW	Emily Yule	Mar-17	55,028	5,659	5,659	8,089	8,089	27,495	-27,533
21	To commissioning telephone polling (subject to Cabinet decisions) to explore the issue of Babergh and Mid Suffolk dissolving and becoming a new council.	Emily Yule	Oct-17	60,000	0	0	0	0	0	-60,000

TRANSFORMATION FUND – PROJECTS

APPENDIX A

[illegible]

TRANSFORMATION FUND – PROJECTS

APPENDIX A

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2016/17		Apr 17 - Sep 17		Total Spend	Variance - favourable / + adverse
				BDC	MSDC	BDC	MSDC		
COMPLETED PROJECTS									
Introduction of Glass collection round for trade waste service (income generation project) - cost of vehicle and wheeled bins - Capital	Ollie Faiers	Dec-15	87,273	10,137	77,137	1,800	1,800	90,874	3,601
Additional capacity within the Licensing Team to enable the Corporate Manager to work on the Open for Business Project thereby supporting business to thrive and grow. Extension of 6 months	Lee Carvell	Jan-15	48,000	18,478	23,407	926	926	43,738	-4,262
Accommodation Review - Phase 1 Analysis and Direction	Louise Rawsthorne	Jan-16	100,000	48,268	46,410	3,327	3,327	101,332	1,332
Open for Business - filming service area talks so that they are available to a wider audience	Lee Carvell	May-16	1,500	0	0	848	848	1,695	195
Business Growth									
Opportunity to support businesses within the District in benefiting from a photovoltaic array which can provide a percentage of their electricity needs and improve the environmental credentials of the business. The cost of an array can be prohibitive to these businesses but there is an opportunity for the Councils to fully fund the system and obtain a commercial return on the investment i.e. Feed in Tariff - Capital, shared 50:50 - NO LONGER REQUIRED	James Buckingham	Dec-16	200,000	0	0	0	0	0	-200,000
External support to create Joint Local Plan plus the building of the evidence base (DUPLICATE)	Bill Newman	Feb-16	45,000	0	0	0	0	0	-45,000
Housing Delivery									
Review leasehold and right to buy service to ensure fit for purpose for the future.	Gavin Fisk	Apr-16	40,000	8,663	8,663	3,648	3,648	24,622	-15,378
Community Engagement Planning - support for the Third Stage of the agreed programme to develop a coherent engagement plan to ensure the messages on growth to our communities are coherent and closely coordinated.	David Clarke	Feb-16	20,698	7,570	7,350	196	0	15,116	-5,582
Additional resources within the Strategic Housing Team to support housing growth	Bill Newman	Nov-14	187,000	74,587	74,787	0	0	149,373	-37,627
COMPLETED PROJECTS CURRENT YEAR AS ABOVE SUB-TOTAL			297,471	93,116	162,968	10,744	10,548	277,376	-20,095
COMPLETED PROJECTS PREVIOUS YEARS SUB-TOTAL			2,754,972	509,099	2,430,500	0	0	2,939,599	184,627
COMPLETED PROJECTS TOTAL			3,297,443	602,215	2,593,468	10,744	10,548	3,216,975	-80,468

APPENDIX B

MID SUFFOLK CAPITAL PROGRAMME 2017/18 HOUSING REVENUE ACCOUNT	Budget £'000	Revised Budget inc Carry Forwards £'000	Actual Spend Apr- Sep £'000	Variance - budget LESS actual spend £'000	Forecast Outturn £'000	Variance to Forecast favourable /(adverse) £'000
Capital Projects						
Planned maintenance	3,321	3,457	508	2,949	3,057	400
ICT Projects	85	250	85	165	250	0
Environmental Improvements	40	1	6	-6	0	1
Disabled Facilities work	200	226	21	205	226	0
New build programme inc acquisitions	4,432	4,896	1,445	1,445	4,896	-0
Total HRA Capital Spend	8,078	8,829	2,065	6,764	8,429	400
MID SUFFOLK CAPITAL PROGRAMME 2017/18 GENERAL FUND						
Supported Living						
Mandatory Disabled Facilities Grant	300	489	111	378	489	0
Discretionary Housing Grants	100	100	19	81	100	0
Empty Homes Grant	100	210	59	151	210	0
Total Supported Living	500	799	189	610	799	0
Strategic Planning						
Grants for Affordable Housing	100	500	1	499	500	-0
Total Strategic Planning	100	500	1	499	500	-0
Sustainable Environment						
Streetlights/carpark light fittings to LED equivalents - TF funded	0	44	0	44	44	-0
Total Sustainable Environment	0	44	0	44	44	-0
Environment and Projects						
Replacement Refuse Freighters - Joint Scheme	170	170	183	-13	183	-13
Recycling Bins	100	136	26	110	75	61
Total Environmental Services	270	306	209	97	258	48
Communities and Public Access						
Planned Maintenance / Enhancements - Car Parks	204	201	1	200	75	126
Streetcare - Vehicles and Plant Renewals	81	81	129	-48	129	-48
Play Equipment	25	55	0	55	30	25
Community Development Grants	189	389	45	344	389	0
Total Communities and Public Access	499	726	174	552	623	103
Leisure Contracts						
Mid Suffolk Leisure Centre - structural repairs	43	44	0	44	3	41
Mid Suffolk Leisure Centre - roofing	170	167	30	137	41	126
Mid Suffolk Leisure Centre - general repairs	200	200	0	200	200	0
Mid Suffolk Leisure Centre - car park	120	123	0	123	3	120
Stradbroke Pool - general repairs	98	119	2	117	1	118
Total Leisure Contracts	631	652	32	620	248	404
Capital Projects						
HQ - Equipment Renewals	20	20	0	20	0	20
Planned Maintenance - Corporate Buildings	82	81	2	79	40	41
Carbon Reduction	50	50	0	50	0	50
Installation of PV Panels on Housing Stock	0	2	-3	6	2	0
Total Capital Projects	152	153	-1	154	42	111
Investment and Commercial Delivery						
Open for Business	30	30	0	30	30	0
Land assembly, property acquisition and regeneration opportunities	1,925	1,925	54	1,871	225	1,700
Total Investment and Commercial Delivery	1,955	1,955	54	1,901	255	1,700
Corporate Resources						
ICT - Hardware / Software costs	763	780	228	552	535	246
All Together	0	209	65	144	281	-72
CCTV	0	1	0	1	1	-1
Total Corporate resources	763	989	293	696	816	173
Delivery Programme Investment Opportunities	0	25,000	1	24,999	12,639	12,361
Total General Fund Capital Spend	4,869	31,124	951	30,173	16,225	14,899
Total Capital Spend	12,947	39,954	3,016	36,937	24,654	15,300

APPENDIX C

Mid Suffolk BMBS Scenario Results for revised Forecast 2017/18							
	MSDC Forecast Worst	MSDC Forecast Medium	MSDC Forecast Best		Difference W	Difference M	Difference B
Code Description							
8199 BMBS trading A/C							
H1001 Salaries	643,606	643,606	643,606		38,243	38,243	38,243
H1003 Overtime & Holiday Pay	20,018	20,018	20,018	-	20,018	- 20,018	- 20,018
H1011 ER NI Contribs	63,515	63,515	63,515		1,322	1,322	1,322
H1021 ER Pension Contribs	129,420	129,420	129,420		24,072	24,072	24,072
H1031 Agency Staff	3,000	3,000	3,000	-	3,000	- 3,000	- 3,000
H1041 Subsistence	883	883	883		-	-	-
H1043 Training	2,000	2,000	2,000		2,905	2,905	2,905
H1061 Savings contingency	- 26,667	- 26,667	- 26,667		-	-	-
H2022 NNDR Payable	2,228	2,228	2,228	-	2,228	- 2,228	- 2,228
H2031 Electricity	200	200	200	-	200	- 200	- 200
H2042 Misc Premises Costs	32,522	24,522	15,522		190,665	198,665	207,665
H2048 Fire Prevention	1,000	1,000	1,000	-	1,000	- 1,000	- 1,000
H3001 Computer Eqpt Purchases	4,000	2,000	1,000	-	4,000	- 2,000	- 1,000
H3025 Postage	50	50	50	-	50	- 50	- 50
H3031 Equipment, Tools & Materials	698,197	577,831	545,648		37,584	157,950	190,133
H3032 Operating Lease Payments	-	-	-		-	-	-
H3033 Protective clothing	4,000	4,000	4,000	-	4,000	- 4,000	- 4,000
H3042 Contracted Services	106,161	81,306	32,951		87,260	112,115	160,471
H3054 Subscriptions	1,000	1,000	1,000	-	1,000	- 1,000	- 1,000
H3067 Transfer of Waste	1,000	1,000	1,000	-	1,000	- 1,000	- 1,000
H3068 Waste Disposal	7,500	7,500	7,500	-	7,500	- 7,500	- 7,500
H3071 Container Charges	2,500	2,500	2,500	-	2,500	- 2,500	- 2,500
H3106 Misc Supplies & Services Costs	-	-	-		27,960	27,960	27,960
H4001 Car Mileage Allowance	1,000	1,000	1,000	-	1,000	- 1,000	- 1,000
H4002 Essential User Allowances	700	700	700	-	700	- 700	- 700
H4003 Public Transport Costs	60	60	60	-	60	- 60	- 60
H4011 Lease Cars - Payment	75,000	75,000	75,000	-	75,000	- 75,000	- 75,000
H4014 Plant & Vehicle Fuel	50,000	50,000	50,000		4,448	4,448	4,448
H4015 Plant & Vehicle - Other costs	25,738	19,303	16,086	-	25,738	- 19,303	- 16,086
H4017 Vehicle Insurance Excess	23,500	23,500	23,500	-	23,500	- 23,500	- 23,500
H5000 Corporate Recharges In	72,107	72,107	72,107		-	-	-
Total expenses	1,944,239	1,782,584	1,688,828		241,964	403,619	497,375
H5005 Capital Income	- 127,456	- 127,456	- 80,313	-	461,144	- 461,144	- 508,287
H5006 Responsive Repairs (HRA Rev)	- 795,970	- 795,970	- 733,881	-	50,094	- 50,094	- 112,183
H5007 Voids Income	- 385,093	- 385,093	- 433,614		13,144	13,144	61,665
H5008 Other Housing Projects	-	- 30,018	- 64,281	-	29,921	97	34,360
H5009 Aids & Adaptations	- 16,025	- 16,025	- 25,101	-	82,075	- 82,075	- 72,999
H5010 Corporate Works GF	- 1,195	- 1,195	- 93,879	-	23,330	- 23,330	- 69,354
H7021 Payments to Tenants	205	205	205	-	205	- 205	- 205
H9501 Misc Income	- 3,176	- 3,176	- 3,176		3,176	3,176	3,176
H9998 Recharge to HRA	- 2,426	- 2,426	- 2,426		-	-	-
Total income	- 1,331,135	- 1,361,153	- 1,436,466	-	630,450	- 600,432	- 525,119
8199 BMBS trading A/C Total	613,104	421,430	252,362		388,486	- 196,812	- 27,744