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DATE:	MONDAY, 6 JULY 2020 9.00 AM
VENUE:	VIRTUAL MEETING

For consideration at the meeting on Monday, 6 JULY 2020, the following additional or updated papers that were unavailable when the Agenda was printed.

UPDATED REPORT

		<u>Page(s)</u>
8	BCA/19/53 GENERAL FUND FINANCIAL OUTTURN 2019/20	3 - 26
	Cabinet Member for Finance	

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Agenda Item 8

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/19/53
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 6 July 2020
OFFICER: Melissa Evans, Corporate Manager, Finance, Commissioning and Procurement Sharon Bayliss, Senior Finance Business Partner	KEY DECISION REF NO: CAB94

GENERAL FUND FINANCIAL OUTTURN 2019/20

1. PURPOSE OF REPORT

- 1.1 This report summarises the 2019/20 financial outturn for the General Fund and Capital Programme.
- 1.2 This is subject to the external auditors' report on the Statement of Accounts for the year, which will be presented to the Joint Audit and Standards Committee later in the year once the audit is complete.

2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are;
 - a) Withdraw funds of £219k from the Business Rates Equalisation Reserve
 - b) Transfer surplus funds of £355k to the Transformation Fund, withdraw funds of £640k from the Business Rates Equalisation reserve as explained further in the table in section 5.10 and net transfers of £66k to specific earmarked reserves as detailed in section 3.2(a) below.
 - c) To recommend carry forward requests for the General Fund of £153k and Capital of £26.168m.

3. RECOMMENDATIONS

- 3.1 That the 2019/20 financial outturn as set out in this report be noted.
- 3.2 That, the following net transfers of £219k be approved;
 - a) Transfer to reserves of £66k being the net amount, for specific earmarked reserves, referred to in section 5.15 and Appendix D of this report;
 - b) Of the remaining balance of the General Fund deficit £640k be transferred from the Business Rates Equalisation reserve and £355k to the Transformation Fund, as referred to in section 2.1 (b).

3.3	That the General Fund carry-forward requests totalling £153k referred to in paragraph 5.16 of this report be approved.
3.4	That the total Capital carry-forward requests referred to in paragraphs 5.20 and 5.21 of this report totalling £26.168m be approved.
REASON FOR DECISION	
To ensure that Members are kept informed of the outturn position for both General Fund Revenue and Capital and to approve earmarked reserve transfers and carry forward requests.	

4. KEY INFORMATION

Strategic Context

- 4.1 In February 2019 Babergh District Council approved the Joint Medium-Term Financial Strategy (MTFS). This confirms the approach over the medium term to transform the Council into an organisation that is thriving and not just surviving, by reviewing, remodelling and reinventing the way the Council operates.

The following overarching principles should be considered when evaluating ideas and opportunities for change as set out below:

- Reduce our costs (both internally and across the wider system)
- Increase our income
- Provide better / “best” value
- Increased social value
- Provide a better service for our customers
- Reduction in administration costs, without compromising service
- Support the Council’s aspiration to be carbon neutral by 2030

- 4.2 The focus will be on internal efficiencies and improvements within existing structures. Continuously looking to streamline work and reduce waste in processes. Greater cross-functional working and multi-skilling and improving ways of working to move away from ‘professional silos’ and toward integrated services for the public. Where customer demand is understood, analysed and met through new services and business models, and where the demand itself is re-shaped and managed while engaging service users to ascertain priorities.

- 4.3 Funding arrangements for councils have changed significantly in recent years, the revenue support grant has been completely removed in 2019/20. The finance settlement announced on 6 February 2020 provided no update on the progress of either the move to further business rates retention or the Review of Relative Needs and Resources (commonly called the Fair Funding Review), but it has subsequently been announced, as a result of the Covid-19 emergency that this will be moved back one year to April 2022. The settlement confirmed that the next business rates revaluation is planned for 2021 and from then on, the Government intends to move to a three-yearly revaluation cycle, but this has also now been moved back one year to April 2022.

- 4.4 No change to the New Homes Bonus threshold of 0.4%. The 2020/21 element of NHB will be paid for one year only, the legacy payments of the bonus in respect of growth in 2019/20 and previous years will continue to be paid in 2020/21. The Government will consult on the future of the housing incentive sometime during 2020/21. The Written Ministerial Statement says this will include moving to a new, more targeted approach which is aligned with other measures around planning performance and confirmed that the payments will be phased out.
- 4.5 The details within the Joint MTFS show a cumulative funding pressure over the three years 2021/22 to 2023/24, of £1.2m using all the estimated New Homes Bonus allocation over the three years (based on 0.8% growth per annum). When NHB is phased out completely by 2023/24, the projected surplus for the Council is only £67k. Work has commenced on closing this gap by identifying and modelling the outcomes of various initiatives.
- 4.6 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.
- 4.7 Towards the end of 2019/20 the Covid-19 global pandemic escalated and from mid-March the country went into lockdown. This has had a significant impact on the Council's finances, including both additional costs – revenue and capital and loss of income e.g. costs of housing rough sleepers and loss of car parking income.
- 4.8 The impact in 2019/20 was minimal with additional costs of £9k for items such as PPE, equipment and furnishings for homelessness accommodation. A loss of income of £12k from car parks is also being reflected in the figures in this report. The impact in 2020/21 and beyond will be far more significant and depending upon the final level of support offered by the Government, significant actions may need to be taken to ensure financial sustainability in the long-term.
- 4.9 A lot of work has been and continues to be undertaken to quantify the impact of the emergency on the Council's finances, but there are many unknown aspects that will only become clearer as time progresses. The impact will be monitored and reported as part of the budget monitoring reports to Cabinet during 2020/21, with any in-year actions that are required and will form a significant part of the considerations for the budget for 2021/22 and the updated Medium Term Financial Strategy.
- 4.10 Based on the assumptions and information that we currently have and the money that has been received to date from the Government, it appears that we have sufficient money in reserves to achieve a balanced position for 2020/21, but this will be carefully monitored throughout the year.

5. 2019/20 Outturn Position

- 5.1 The report covers:
- The General Fund Revenue Budget
 - The General Fund Capital Programme.

5.2 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
- Uncertainties relating to funding or other changes that were not known at the time the budget was approved.

5.3 Taking each area in turn, the position on key aspects of the 2019/20 budget is summarised below:

General Fund Revenue Account

5.4 In relation to funding:

- (a) Council Tax (£5.47m): at the end of March, the collection rate was 98.46%, compared with 98.45% for the previous year. The collecting of council tax has remained a challenge, especially from those receiving council tax reductions under the Local Council Tax Reduction Scheme (LCTR). The collection rates have also been affected due to an increase in the uptake of direct debits over 12 months rather than 10 months. Recovery Action is varied and continues to be a high priority for the Shared Revenues Partnership (SRP). This is a source of income for the Council that could see a significant reduction in 2020/21 following the Covid-19 emergency, but due to the way that the Collection Fund operates, the impact will be seen in 2021/22.
- (b) Government Grants: baseline business rates (£2.1m) and New Homes Bonus (£0.7m) were allowed for in the Budget. NHB is fixed but the actual amount of business rates will vary as explained further in section 5.10.
- (c) Business Rates: at the end of March, the collection rate was 98.60% compared with 98.62% for the same period last year. This source of income is also going to be significantly impacted by the Covid-19 emergency, similarly to council tax, in both 2020/21 and beyond.

5.5 The unaudited accounts show an adverse variance (reduced expenditure and/or increased income) of £219k. This is before the proposed reserve transfers as set out in paragraph 5.14 and Appendix D. The net adverse variance can mainly be attributed to; business rates (£640k), reserves transfers (£302k), offset by favourable variances for planning fee income (£439k) and recharges to the HRA (£159k). It is worth noting that expenditure on services is generally in line with the budget.

5.6 At the time of writing this report the audit of the 2018/19 accounts has still to be signed off. The audit work however has identified an adjustment that had to be made to the General Fund balances, resulting from an overstatement of income from the housing benefit subsidy of £158k. This has been amended in the accounts for 2018/19 and the opening reserve balances shown in this report.

5.7 Details of the financial position at the end of the year are outlined in the table below.

Service Area	Revised Budget	Original Actual	Other earmarked reserves adjustments	Carry Forwards	Total Reserve Adjustments	Revised Actual	Revised Actual LESS Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Resources	2,471	2,722	30	60	90	2,812	341
Economic Development and Regeneration	216	264	(20)	34	14	278	61
Environment and Commercial Partnerships	3,372	3,443	(340)	-	(340)	3,104	(268)
Housing	147	267	59	-	59	326	179
Law and Governance	1,156	1,201	-	-	-	1,201	44
Senior Leadership Team	560	648	-	-	-	648	88
Assets and Investments	308	476	-	-	-	476	169
Sustainable Communities	1,859	611	337	59	396	1,006	(852)
Customers, Digital Transformation and Improvement	1,483	1,418	-	-	-	1,418	(65)
Net expenditure on services ***	11,572	11,050	66	153	219	11,269	(303)
Recharge to HRA	(1,132)	(1,292)				(1,292)	(159)
Recharge to Capital							
Capital financing costs	(385)	(427)				(427)	(42)
Transfers to (from) reserves	(473)	(171)	(66)	(153)	(219)	(390)	83
Total budget requirement ***	9,582	9,161	-	-	-	9,161	(421)
Council Tax	(5,466)	(5,466)				(5,466)	-
Collection fund (Surplus)	(9)	(9)				(9)	-
Business Rates less Tariff	(1,609)	(1,217)				(1,217)	393
Business Rates - Pooling Benefit	(283)	(302)				(302)	(19)
18/19 distribution of deficit	(197)	523				523	720
Rural Services Delivery Grant	(227)	(227)				(227)	-
S31 Grant	(1,107)	(1,561)				(1,561)	(454)
New Homes Bonus	(683)	(683)				(683)	-
Total funding	(9,582)	(8,942)	-	-	-	(8,942)	640
Total adverse variance	0	219	-	-	-	219	219

*** Actual expenditure and budgets from the Business Rates Retention Pilot and the Transformation Fund have been excluded from the table above. Full details of spend in 2019/20 are detailed in Appendix B and Appendix C.

5.8 A tolerance level of 10% based on full year actual to budget has been used to identify those variances where further narrative is required. Appendix A shows the main items that are included in the overall net adverse variance of £219k. The majority of variances identified within this report were taken into consideration when setting the budgets for 2020/21.

5.9 Further explanations of the variances are provided below:

- a) **Former Council Offices** - it was originally anticipated that redevelopment of the former council offices would commence mid-way through 2019/20 and so a 6 month budget was allocated for running costs. Work remains ongoing with start on site anticipated in 2020/21. This has resulted in a full years' costs being incurred in 2019/20 and an adverse variance of £55k.
- b) **CIFCO** - an overall net favourable variance of £69k. Local authority borrowing rates being lower than budgeted (approximately 0.8% against a budget of 1.25%) resulting in a favourable variance of £136k. This is partially offset by an adverse variance of £67k which relates to lower than budgeted income. The budget was based on investment of £24.75m, the actual amount invested is lower, at £23.5m.

CIFCO 2 - a delay in the timing of investments resulting in an actual spend of £4.05m against a budget of £12.5m has led to a net adverse variance of £144k.

- c) **ICT** – an adverse variance of £85k, which can in the main be attributed to telephony costs and the SCC contract.
- d) **Building Control** - based on application fees received, due in part to an increase in the market share, a favourable variance of £40k has been achieved.
- e) **Licensing** - surplus income of £43k has been achieved for taxi and alcohol / entertainment licenses.
- f) **Leisure Contracts** – an adverse variance of £54k which can be attributed to 2 key items.
- the planned budget reduction of the management fee for Kingfisher and Hadleigh Pool will not take effect until such time as both sites are fully refurbished, this has resulted in an adverse variance of £72k.
 - repair costs - a favourable variance of £20k. Any repairs required are being undertaken as part of the wider Kingfisher and Hadleigh Pool refurbishment. The favourable variance can help to mitigate the adverse variance regarding the management fee mentioned above.
- g) **Open Spaces** – an adverse variance of £46k. This can be attributed to a number of items:
- works at Siam Gardens and utilising the Pocket Parks grant (received in 2018/19) has resulted in an adverse variance of £39k which is to be funded from the Government Grants earmarked reserve.
 - a reduction in the contribution received from Suffolk County Council (SCC) for grass cutting (from 3 cuts to 1), has resulted in an adverse variance of £13k.
 - repair costs as a result of significant works at Belle Vue Park including a damaged wall and urgent resurfacing works has resulted in an adverse variance of £12k.
 - Other smaller items (net) – a favourable variance of £10k
- h) **Car Parks (net expenditure)** – the majority of the £25k adverse variance, can be attributed to business rates (£14k). There has been a small number of ad hoc repairs to ticket machines and minor resurfacing works at car parks including Lavenham. These repairs have resulted in an adverse variance of £4k.
- i) **PV Panels / Feed in Tariff (FiT) income** – an overall adverse variance of £183k.
- Additional expertise has been procured to resolve a number of outstanding issues relating to PV panels (£24k).
 - The cost of associated repairs, replacement inverters and servicing has resulted in an adverse variance of £95k. This expenditure was required in order to maximise the systems income potential.
 - Income received from the Feed in Tariff (FiT) was lower than budgeted resulting in an adverse variance of £58k.
- j) **Planning** - a favourable variance of £557k has been achieved, the main reasons for which can be broken down as follows:
- A favourable variance of £118k, appeal costs and judicial reviews were much lower than expected. It is recommended that the underspend be transferred to earmarked reserves for use in 2020/21.

- Income achieved from both planning fees and planning performance agreements (PPA) is higher than anticipated resulting in an overall favourable variance of £439k.
- k) **Community Infrastructure Levy (CIL)** - based on income received for 2019/20, the 5% administration charge to help support the running costs of CIL has resulted in a favourable variance of £58k.
- l) **Policy Strategy, Health and Well-being** – income received from the Clinical Commissioning Group (£275k) to support the creation of community capacity and to enable communities to do more for themselves. This will be transferred to a new earmarked reserve to support expenditure in 2020/21 and beyond.
- m) **Corporate Resources** – the main reasons for the overall favourable variance of £144k can be broken down as follows:
- **Investment income** - our investments have performed better than expected resulting in a favourable variance of £100k.
 - **Bank Charges** - costs associated with increased activity through our banking merchants has resulted in an adverse variance of £15k.
 - **Finance** - an adverse variance of £71k which can be mainly be attributed to professional fees including valuation costs associated with the Councils assets (£47k), treasury advice (£12k) and additional costs incurred for the Integra Finance System (£8k).
 - **SRP Contract** - each partner within the Shared Revenues Partnership has received a dividend for 2019/20, this has resulted in a favourable variance of £83k. There is also a reduction to the contract cost for 2020/21 which has been reflected in the budget going forward.
 - **Grant income** - a favourable variance of £25k for grant income received in relation to Council Tax.
 - **Minimum Revenue Provision (MRP)** - the budget for 2019/20 is set before the confirmed capital spend for 2018/19 is known which has resulted in a favourable variance of £40k.
- n) **Charge to HRA and Capital** – a favourable variance of £159k which can be attributed to increased costs associated with a number of support functions and corporate services. These include some of the items mentioned above i.e. ICT, bank charges and finance.

5.10 Funding variances:

- a) **Business Rates** - an adverse variance of £640k, this is made up of a number of items:
- An adverse variance of £720k which is due to the Collection Fund deficit, this was not known at the time of setting the 2019/20 budget.
 - An adverse variance of £393k for baseline business rates. This includes £49k additional income for the retention of 100% business rates growth in 2018/19. This will be transferred to the Business Rates Retention Pilot earmarked reserve.
 - Partially offsetting those adverse variances mentioned above, is a favourable variance of £454k for additional S31 grants in relation to new retail discount relief for 2019/20.

- The final Business Rates Pool position is £302k. A favourable variance of £19k.

Any variance relating to business rates will be funded from the Business Rates Equalisation reserve as recommended in section 3.2(b) of this report.

Business Rates Retention Pilot

5.11 Following the successful bid by the 8 local authorities in Suffolk to become a pilot area for the retention of 100% business rates growth in 2018/19 for one year only, Appendix B provides further details of the schemes and spend as at March 2020.

Community Infrastructure Levy (CIL)

5.12 CIL income received by the Council in the year 2019/20 is £2,087k. Following any necessary expenditure and adjustments for the 5% administration charge, there is a requirement to transfer any surplus variance to the earmarked reserve for spend on infrastructure in accordance with the Regulation 123 list in 2020/21 and beyond.

Transformation Fund

5.13 The table below provides a high-level summary of the movement in the Transformation Fund during 2019/20. A more detailed breakdown is shown in Appendix C.

BABERGH	£'000
Balance at 31st March 2019	458
New Homes Bonus Allocation *	683
Business Rates Grant *	1,107
2019/20 surplus	355
Total contributions 2019/20	2,145
Revised Balance Available	2,603
LESS;	
New Homes Bonus to balance the budget *	(683)
Business Rates Grant to balance the budget *	(1,107)
Actual spend - April to March 2020 - Appendix C	(94)
Balance at 31st March 2020	719
<i>* identified in 2019/20 budget</i>	

Earmarked Reserves

5.14 Earmarked reserve balances (including CIL) total £9.47m as at 1 April 2019. Appendix D outlines the specific earmarked reserve movements detailed in section 5.9 of this report as well as the Transformation Fund movements detailed in section 5.13.

5.15 Earmarked reserves are for a particular purpose or known requirements that affect more than one financial year. The Council is able to increase its earmarked reserves when underspends occur, income has exceeded costs or where grant monies or

other sources of funding are received for specific purposes. The overall net adverse variance of £219k means that the Council has been able to supplement the Transformation Fund reserve by £355k and has made the following contributions both to and from earmarked reserves as set out in Tables 1 and 2 below.

Table 1 – transfers to reserves

	Budget	Actual	Variance (favourable) / adverse
Not service specific			
Business Rates Equalisation	197	-	197
Elections	20	20	-
Sub-total	217	20	197
Service specific			
Neighbourhood Planning Grants (NPGs)		4	(4)
Government Grants - Coronavirus Response		30	(30)
Temporary Accommodation		32	(32)
Homelessness		62	(62)
Wellbeing		275	(275)
Planning (Legal Costs)		131	(131)
Joint Local Plan		17	(17)
Commuted Maintenance Payments		10	(10)
Sub-total	-	562	(562)
Carry Forwards (2019/20)	-	153	(153)
TOTAL exc CIL / TF and BRRP	217	735	(518)

Table 2 – transfers from reserves

	Budget	Actual	Variance (favourable) / adverse
Not service specific			
2018/19 carry forwards	(75)	(75)	-
Property Searches (used to offset general pressure)	(45)	(45)	-
Elections	(70)	(70)	-
Sub-total	(191)	(191)	-
Service specific			
Strategic Planning inc Community Housing Grant, Brownfield Sites etc	(95)	(15)	(80)
Temporary Accommodation		(2)	2
Waste (MRF)	(141)	(151)	10
Homelessness	(29)	(18)	(10)
Government Grants		(10)	10
Government Grants - New Burdens (CRED)		(10)	10
Government Grants - Pocket Parks		(39)	39
Government Grants - Public Health		(45)	45
Government Grants - County Lines		(5)	5
Commuted Maintenance Payments - Grounds Maintenance Contract	(128)	(128)	-
Commuted Maintenance Payments	-	(32)	32
Neighbourhood Planning Grants (NPGs)	(66)		(66)
Planning (Legal Costs)	(41)		(41)
Joint Local Plan		(41)	41
Sub-total	(499)	(496)	(3)
TOTAL exc CIL / TF and BRRP	(690)	(687)	(3)

Note: Tables 1 and 2 exclude transfers to and from the Business Rates Retention Pilot, TF and CIL as these are shown in sections 5.11, 5.13 and Appendix D respectively.

- 5.16 Members should note that the overall outturn position includes a small number of carry forward requests totalling £153k and are asked to approve these as per the recommendation in section 3.3 of the report.

<u>Carry Forward Requests</u>	(£'000)
Corporate training – to support employee development through post-entry training and the commissioning of a leadership and management development framework.	60
Community Development – support for Covid-19 (£48k) and grant aid committed and spent in 2020/21.	54
Economy and Business – to support ongoing visitor economy work	34
Other carry forward items (less than £10k)	5
Total	153

Capital

- 5.17 Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.
- 5.18 With complex capital schemes it is difficult to accurately assess the level of payments that will be made during the financial year. The Council continues to embark on new projects relating to investments and commercial delivery where it is difficult to accurately predict 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.
- 5.19 Capital expenditure for 2019/20 totals £8.310m, against a revised programme (including carry forwards) of £34.617m, as set out in Appendix E.

	£'000
Revised Capital Programme	34,617
Actual expenditure	8,310
Contractual commitments as at 31 March 2020 (paragraph 5.20)	801
Carry forward requests (paragraph 5.21)	25,366
Total expenditure and carry forward requests	34,477
Net capital programme favourable variance	(140)

5.20 The main variances that contribute to the £140k favourable position are set out below:

- a) **Community Development Grants** – a favourable variance of £105k.
- b) **Other items (net)** - £35k favourable variance.

5.20 The main Contractual commitments are detailed in the table below. These funds were committed in 2019/20 and will be spent in 2020/21. The resources to fund these commitments will also be transferred to 2020/21.

Contractual Commitments as at 31 March 2020	(£'000)
Mandatory Disabled Facilities Grants	696
Community Development Grants	105
Total	801

5.21 The following items are schemes where no contractual commitment yet exists, but they represent either plans or aspirations for investment, for which carry forward to the 2020/21 capital programme is requested, again with the requisite capital resources to fund this. It is proposed that these capital resources are carried forward into 2020/21 and reviewed as part of the Corporate Plan to assess whether the original requirement still exists, how it contributes to the strategic priorities and hence whether the resource can be redirected or removed.

Carry Forward Requests as at 31 March 2020	(£'000)
CIFCO – further investment	8,452
Land assembly, property acquisition and regeneration opportunities	6,347
Belle Vue	4,000
Strategic Investment Fund	3,000
Leisure Contracts	2,231
Former Council Offices (Hadleigh)	562
Grants - Affordable Housing	400
ICT	248
Empty Homes Grant	67
Planned Maintenance / Enhancements – Care Parks	32
Play Equipment	27
Total	25,366

6. LINKS TO THE CORPORATE PLAN

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

7. FINANCIAL IMPLICATIONS

7.1 These are detailed in the report.

8. LEGAL IMPLICATIONS

8.1 There are no specific legal implications.

9. RISK MANAGEMENT

9.1 This report is most closely linked with the Council's Significant Risk No. 13 – We may be unable to respond in a timely and effective way to financial demands and also Corporate Risk No. 5E05 – if the Finance Strategy is not in place with a balanced position over the medium term the Councils will not be able to deliver the core objectives and service delivery may be at risk of not being delivered. 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, Assistant Directors and the Senior Leadership Team
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

10. CONSULTATIONS

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

11. EQUALITY ANALYSIS

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

12. ENVIRONMENTAL IMPLICATIONS

- 12.1 With the Council's ambition to become carbon neutral by 2030 then all budget holders will need to consider the environmental implications of how their revenue and capital budgets are spent.

13. APPENDICES

Title	Location
APPENDIX A – Detailed Variances (Revenue)	Attached
APPENDIX B – Business Rates Retention Pilot	Attached
APPENDIX C – Transformation Fund	Attached
APPENDIX D – Earmarked Reserves	Attached
APPENDIX E – Detailed Variances (Capital)	Attached

14. BACKGROUND DOCUMENTS

19 February 2019 Budget Report 2019/20 – BC/18/39

12 September 2019 Quarter 1 General Fund Financial Monitoring 2019/20 - BCa/19/8

12 December 2019 Quarter 2 General Fund Financial Monitoring 2019/20 (sent electronically)

12 March 2020 Quarter 3 General Fund Financial Monitoring 2019/20 – BCa/19/41

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Assets and Investments				
AD Area: Assets and Investment				
Former Council Offices (Hadleigh)	57	112	55	96%
CIFCO	(1,004)	(911)	93	-9%
TOTAL	(947)	(799)	147	-16%
Cabinet Member for Customers, Digital Transformation & Improvement				
AD Area; Customer Services				
ICT	538	624	85	16%
TOTAL	538	624	85	16%

Explanation of major variances
It was originally anticipated that redevelopment of the former council offices would commence mid-way through 2019/20 and so a 6 month budget was allocated for running costs. Work remains ongoing with start on site anticipated in 2020/21. This has resulted in a full years' costs being incurred in 2019/20 and an adverse variance of £55k.
<ul style="list-style-type: none"> • CIFCO - an overall net favourable variance of £51k. Local authority borrowing rates being lower than budgeted (approximately 0.8% against a budget of 1.25%) resulting in a favourable variance of £118k. This is partially offset by an adverse variance of £67k which relates to lower than budgeted income. The budget was based on investment of £24.75m, the actual amount invested is lower, at £23.5m. • CIFCO 2 - a delay in the timing of investments resulting in an actual spend of £4.05m against a budget of £12.5m has led to a net adverse variance of £144k.
An adverse variance of £85k, which can in the main be attributed to telephony costs and the SCC contract.

APPENDIX A

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Environment				
Environment and Commercial Partnerships				
Building Control	(316)	(356)	(40)	13%
Licensing	(142)	(180)	(38)	26%
Leisure Contracts	186	240	54	29%
Open Spaces	467	513	46	10%
Car Parks (net expenditure)	175	200	25	14%
TOTAL	195	217	22	11%

Cabinet Member for Housing				
AD area: Housing				
PV Panel Expenditure	84	210	125	148%
PV Panel Income	(372)	(314)	58	-16%
TOTAL	(288)	(105)	183	133%

Explanation of major variances
Based on application fees received, due in part to an increase in the market share, a favourable variance of £40k has been achieved.
Surplus income of £43k has been achieved for taxi and alcohol / entertainment licenses.
<ul style="list-style-type: none"> The planned budget reduction of the management fee for Kingfisher and Hadleigh Pool will not take effect until such time as both sites are fully refurbished, this has resulted in an adverse variance of £72k. Repair costs - a favourable variance of £20k. Any repairs required are being undertaken as part of the wider Kingfisher and Hadleigh Pool refurbishment. The favourable variance can help to mitigate the adverse variance regarding the management fee mentioned above. Works in relation to Siam Gardens and utilising the Pocket Parks grant (received in 2018/19) has resulted in an adverse variance of £39k which is to be funded from the Government Grants earmarked reserve. A reduction in the contribution received from Suffolk County Council (SCC) for grass cutting (from 3 cuts to 1), has resulted in an adverse variance of £13k. Repair costs as a result of significant works at Belle Vue Park including a damaged wall and urgent resurfacing works has resulted in an adverse variance of £12k. Other smaller items (net) – a favourable variance of £10k Business rates - an adverse variance of £14k. There has been a number of small ad hoc repairs to both ticket machines as well as minor resurfacing works at the car parks including Lavenham. These repairs have resulted in an adverse variance of £4k.

An overall adverse variance of £183k.
<ul style="list-style-type: none"> Additional expertise has been procured to resolve a number of outstanding issues relating to PV panels (£24k). The cost of associated repairs, replacement inverters and servicing has resulted in an adverse variance of £95k. This expenditure was required in order to maximise the systems income potential. Income received from the Feed in Tariff (FIT) was lower than budgeted resulting in an adverse variance of £58k.

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Planning				
AD Area: Sustainable Communities				
Planning fee income including pre-app charges and planning performance agreements (PPAs)	(846)	(1,285)	(439)	52%
Professional and Consultancy fees (Planning) - including appeal costs	405	287	(118)	-29%
CIL (5% Admin Charge)	(100)	(158)	(58)	58%
TOTAL	(541)	(1,156)	(615)	114%

Cabinet Member for Communities				
AD Area: Sustainable Communities				
Policy Strategy Health and Well-being	-	(275)	(275)	

Explanation of major variances
Income achieved from both planning fees and planning performance agreements (PPA) is higher than anticipated resulting in an overall favourable variance of £439k.
A favourable variance of £118k, appeal costs and judicial reviews were much lower than expected. It is recommended that the underspend be transferred to earmarked reserves for use in 2020/21.
Based on income received for 2019/20, the 5% administration charge to help support the running costs of CIL has resulted in a favourable variance of £58k.

Income received from the Clinical Commissioning Group (£275k) to support the creation of community capacity and to enable communities to do more for themselves. This will be transferred to a new earmarked reserve to support expenditure in 2020/21 and beyond.

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Finance				
AD Area: Corporate Resources				
Corporate Resources	1,659	1,515	(144)	-9%
TOTAL	1,659	1,515	(144)	-9%
Other items (net)	10,570	10,601	31	0%
Recharge to HRA and Capital	(1,132)	(1,292)	(159)	14%
Transfers to (from) Reserves	(473)	(171)	302	-64%
NET SERVICE COST	9,582	9,161	(421)	-4%

Explanation of major variances

A favourable variance of £144k, the main reasons for which can be broken down as follows;

- **Investment income** - our investments have performed better than expected resulting in a favourable variance of £100k.
- **Bank Charges** - costs associated with increased activity through our banking merchants has resulted in an adverse variance of £15k.
- **Finance** - an adverse variance of £71k which can be attributed professional fees including valuation costs associated with the Councils assets (£47k), treasury advice (£12k) and additional costs incurred for the Integra Finance System (£8k).
- **SRP Contract** - each partner within the Shared Revenues Partnership has received a dividend for 2019/20, this has resulted in a favourable variance of £83k. There is also a reduction to the contract cost for 2020/21 which has been reflected in the budget going forward.
- **Grant income** - a favourable variance of £25k for grant income received in relation to Council Tax
- **Minimum Revenue Provision (MRP)** - the budget for 2019/20 is set before the confirmed capital spend for 2018/19 is known which has resulted in a favourable variance of £40k.

A favourable variance of £159k which can be attributed to increased costs associated with a number of support functions and corporate services. These include some of items mentioned above ie , ICT, bank charges and finance.
See section 5.14 Tables1 and 2 for a detailed breakdown

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Funding				
Collection Fund Distribution of (surplus)/deficit 2018/19	(197)	523	720	-365%
Baseline, less tariff, less levy	(1,609)	(1,217)	393	-24%
Business Rates - Pooling Benefit	(283)	(302)	(19)	7%
S31 grants	(1,107)	(1,561)	(454)	41%
Other funding i.e. New Homes Bonus, Council Tax etc	(6,385)	(6,385)	(0)	0%
TOTAL FUNDING	(9,582)	(8,942)	640	-7%
TOTAL ADVERSE VARIANCE	0	219	219	

Explanation of major variances
An adverse variance of £720k which is due to the Collection Fund deficit, this was not known at the time of setting the 2019/20 budget.
An adverse variance of £393k due to a reduction in baseline business rates. This includes £49k additional income for the retention of 100% business rates growth in 2018/19. This will be transferred to the Business Rates Retention Pilot earmarked reserve.
Additional S31 grants in relation to new retail discount relief for 2019/20.

BABERGH – BUSINESS RATES PILOT

Scheme Description	BRR Funding £'000	Other Funding - TF £'000	Total Funding £'000	Actual Spend 2018/19 £'000	Actual Spend 2019/20 £'000	Cumulative spend to 2019/20
Belle Vue, Hamilton Road and wider Sudbury Town Centre Development	500	9	509	46	146	192
Angel Court Housing Development	200	-	200	-	123	123
Delphi Site / Newton Road (Sudbury) / South Suffolk Business Area	200	25	225	20	65	84
St Peters Church Regeneration	100	-	100	-	-	-
Establishment of a Central Suffolk Chamber of Commerce	42	-	42	30	-	30
4 Towns Visioning commision		20	20		11	11
Inclusive Growth Engagement Officer	60	-	60	-	-	-
Unallocated	280		280			-
Total	1,382	54	1,436	96	345	440

APPENDIX C

Transformation Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2018/19		Apr 19 - Mar 20		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	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 required for; Phase 1 - will be informed by the evidence from the strategic review of our built sports facilities and playing pitches 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 Abbeycroft) 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)	Cassandra Clements	May-16	186,100	91,606	91,016	12,138	22,508	217,267	31,167		
Business Growth												
2	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	22,000	17,782	0	4,168	0	21,949	-51	51	
3	4 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). (BDC - 21%, MSDC - 79%)	Lee Carvell	Mar-19	208,500	0	0	10,568	40,795	51,362	-157,138	32,999	124,139
4	Shop front & access improvement grants (MSDC only)	Lee Carvell	Jun-18	350,000	0	6,937	0	11,755	18,692	-331,308		331,308

APPENDIX C

Transformation Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2018/19		Apr 19 - Mar 20		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
CONTINUING PROJECTS												
Community Capacity Building												
5	New engagement post within Communities to support the development of key sites	Vicky Moseley	Apr-18	35,000	0	23,063	26,075	26,075	75,213	40,213		
6	Free casual swimming for children for the summer holidays from 25th July to 5th September inclusive.	Cassandra Clements	Jul-19	33,525	0	0	24,222	18,868	43,090	9,565		
7	To support the 2nd year delivery of the partnership programme being delivered by the Mix in Stowmarket	Fiona Duhamel	Feb-20	40,000	0	0	0	40,000	40,000	0	0	0
Efficient Organisation												
8	Additional resources to enable Senior Planning Officer level to be released to support delivery of the planning transformation programme	Phil Isbell	Oct-16	205,000	47,509	47,551	7,175	7,175	109,411	-95,589	47,795	47,795
9	To provide resource to support the management and delivery of the Customer Transformation Programme - work designed to accelerate a number of customer and digital focused projects.	Samantha Lake	Nov-19	32,800	0	0	6,821	6,821	13,643	-19,157	9,579	9,579
Housing Delivery/Business Growth												
10	Commissioning of external specialist feasibility / viability work on key sites as required, to be able to move them forward for approval and development to support economic and housing growth	Robert Hobbs	Jan-15	475,000	194,159	132,050	0	4,950	331,159	-143,841	43,341	100,500
General Transformation - other projects												
11	- Other	Melissa Evans		286,254	16,643	234,611	0	35,000	286,254	0		0
12	Trees for Life	David Clarke		15,000	0	3,350	2,682	3,707	9,739	-5,261	2,630	2,630
13	FISONs Building - dangerous structure. Cost of survey (MSDC only)	Paul Hughes		10,000	0	6,190	0	0	6,190	-3,810		3,810
14	Strategic Purchase - Aldi, Stowmarket (MSDC only)	Emily Atask		1,484,000	0	1,759,008	0	0	1,759,008	275,008		
15	Improve disabled access at Needham Market Train Station. Matched funding with SCC. (MSDC only)	Tom Barker		50,000	0	0	0	0	0	-50,000		50,000
CONTINUING PROJECTS SUB-TOTAL				3,383,179	367,699	2,303,776	93,848	217,654	2,982,977	-400,202		
COMPLETED PROJECTS SUB-TOTAL				3,267,638	600,359	2,591,416	0	0				
				6,650,817	968,058	4,895,192	93,848	217,654	2,982,977	-400,202	136,394	669,761

Earmarked Reserves

BABERGH					
Transfers to / from Earmarked Reserves	Balance 31 March 2019	Transfers between	Transfers to	Transfers from	Balance 31 March 2020
Carry Forwards	(75)		(153)	75	(153)
Transformation Fund	(458)		(355)	94	(719)
Business Rates Retention	(1,274)	(49)		185	(1,138)
Business Rates Equalisation	(1,532)	49	-	591	(892)
Government Grants	(282)		(30)	109	(203)
Commuted Maintenance Payments	(627)		(10)	160	(477)
Elections Fund	(70)		(20)	70	(20)
Elections Equipment	(35)				(35)
Planning Enforcement (Legal Costs)	(88)				(88)
Revocation of personal search fees	(55)			45	(9)
Homelessness	(197)		(62)	18	(241)
Temporary Accommodation	(44)		(32)	2	(75)
Planning (Legal Costs)	(132)		(131)		(263)
Neighbourhood Planning Grants (NPGs)	(72)		(4)		(76)
Sites etc	(247)			15	(232)
Strategic Planning - Joint Local Plan	(159)		(17)	41	(135)
Well-being	-		(275)		(275)
Waste	(160)			151	(9)
Total Earmarked Reserves excluding CIL	(5,509)	-	(1,090)	1,557	(5,042)
Community Infrastructure Levy (CIL)	(3,961)		(3,282)	865	(6,378)
Total Earmarked Reserves	(9,471)	-	(4,371)	2,422	(11,420)

Note: includes the transfer to the Transformation Fund (£355k) and the transfer from the Business Rates Equalisation Reserve (£640k) as shown in section 3.2 (b).

2019/20 Capital Programme

BABERGH CAPITAL PROGRAMME 2019/20 GENERAL FUND	Original Budget £'000	Carry Forwards/ Budget Adjustments £'000	Current Budget £'000	Actual Spend £'000	Contractual Commitments £'000	Uncommitted Carry Forwards	Variance after Carry Forwards (favourable) /adverse £'000	Explanation of major variances
Housing								
Discretionary Housing Grants	100		100	100			-	
Empty Homes Grant	100		100	33		67	-	
Grants for Affordable Housing	-	400	400	-		400	-	As self-financing for the Housing Revenue Account has enabled the Council to build new homes, grant funding for housing associations has reduced resulting in an underspend of £400k. The budget for 2019/20 is a carry forward from the previous year, it was agreed as part of the budget setting process that the budget continue to be carried forward year on year until it is fully utilised.
Mandatory Disabled Facilities Grant	409	517	926	230	696		-	It is believed that by increasing Disabled Facility Grants to £7,500 (non means tested) will increase the number of grants that are awarded in future.
Total Housing	609	917	1,526	363	696	467	-	
Environment and Projects								
Electric Vehicle Charging Points	-		-	29			29	
Planned Maintenance / Enhancements - Car Parks	36		36	4		32	-	
Recycling Bins	65		65	75			10	
Replacement Refuse Freighters - Joint Scheme	376		376	380			4	
Total Environment and Projects	477	-	477	487	-	32	42	
Sustainable Communities								
Community Development Grants	117	130	247	36	105		(105)	
Play Equipment	50	50	100	73		27	-	
Total Sustainable Communities	167	180	347	109	105	27	(105)	

2019/20 Capital Programme

BABERGH CAPITAL PROGRAMME 2019/20 GENERAL FUND	Original Budget £'000	Carry Forwards / Budget Adjustments £'000	Current Budget £'000	Actual Spend £'000	Contractual Commitments £'000	Uncommitted Carry Forwards	Variance after Carry Forwards (favourable) /adverse £'000	Explanation of major variances
Total Leisure Contracts	4,537	837	5,374	3,143	-	2,231	-	A number of areas of work remain outstanding including the following; <ul style="list-style-type: none"> • Conditions survey repair and maintenance work. • responsive investigation and repair works including structural remediation. • delays in re-opening the Leisure Centres due to Covid-19 may incur further costs including new Health and Safety specific safeguards. • As reported in previous reports, the favourable variance of £2.2m is recommended to be carried forward to 2020/21 to support the ongoing work surrounding Kingfisher Leisure Centre and Hadleigh Pool and those items mentioned above.
Investment and Commercial Delivery								
Belle Vue	4,000		4,000	-		4,000	-	The opportunities for land assembly, property acquisition and regeneration have been limited. Clifco acquisitions have been slower than anticipated due to competitive market conditions and limited investment stock. Belle Vue project is on-going and has been subject to a scheme re-design. Work on the former council offices is also due to commence in 2020/21
Clifco - further investment	12,500		12,500	4,048		8,452	-	
Land assembly, property acquisition and regeneration opportunities	-	6,377	6,377	20		6,347	(10)	
Planned Maint / Enhancements - Other Corp Buildings	48	26	74	29		-	(45)	
Property Investment Fund	3,000		3,000	-		3,000	-	
Former Council Offices (Hadleigh)	582		582	-		562	(20)	
Total Investment and Commercial Delivery	20,130	6,403	26,533	4,096	-	22,361	(76)	
Customers, Digital Transformation and Improvement								
ICT - Hardware / Software costs	200	160	360	112		248	-	The favourable variance of £248k is recommended to be carried forward for use in 2020/21, to support the delivery of new capabilities such as Business Intelligence and Automation, increasing adoption and awareness of collaboration tools, supporting the replacement of ERP tools and supporting delivery of technologies that enable distributed working.
Total Corporate Resources	200	160	360	112	-	248	-	
Total General Fund Capital Spend	26,120	8,497	34,617	8,310	801	25,366	(140)	