

## MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b> Cabinet	<b>REPORT NUMBER:</b> <b>MCa/18/37</b>
<b>FROM:</b> Councillor John Whitehead, Cabinet Member for Finance	<b>DATE OF MEETING:</b> 5 November 2018
<b>OFFICER:</b> Melissa Evans, Corporate Manager, Finance	<b>KEY DECISION REF NO.</b> CAB55

### GENERAL FUND FINANCIAL MONITORING 2018/19 – APRIL TO AUGUST 2018

#### 1. PURPOSE OF REPORT

- 1.1 Based on the financial performance of the Council during April to August 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 five months of the year.

#### 2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are;
- a) Transfer surplus funds of £1,648k to the Growth and Efficiency (GEF) reserve.
  - b) Transfer surplus funds of £1,648k to the Business Rates Equalisation reserve.
  - c) Transfer surplus funds of £880k to Business Rates Equalisation reserve, surplus funds of £773k to the Growth and Efficiency reserve and net transfers of £5k from specific earmarked reserves as detailed in 3.1(a) below.
  - d) At this early stage in the year, make no recommendation for the transfer of surplus funds to reserves.

#### 3. RECOMMENDATIONS

- 3.1 That subject to any further budget variations that arise during the rest of the financial year, the following net transfers of £1,648k be noted:
- a) Transfer from reserves of £5k being the net amount for the following specific earmarked reserves, referred to in section 5.8 and Appendix D of this report:
    - £111k **to** Carry Forwards (Strategic Planning)
    - £32k **to** Waste
    - £10k **to** Elections
    - £122k **from** Planning for appeal costs
    - £36k **from** Homelessness
  - b) The remaining balance of the General Fund surplus of £773k be transferred to Growth and Efficiency Fund and £880k to the Business Rates Equalisation reserve.

3.2	The revised 2018/19 Capital Programme referred to in Appendix E and section 5.19 be approved.
<b>REASON FOR DECISION</b>	
<b>To ensure that Members are kept informed of the current budgetary position for both General Fund Revenue and Capital.</b>	

#### 4. KEY INFORMATION

##### Strategic Context

4.1 In February 2018 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.

The strategic response to those challenges, to ensure long term financial sustainability, is set out in five key actions:

- (1) Aligning resources to the Councils' refreshed strategic plan and essential services.
- (2) Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
- (3) Behaving more commercially, generating additional income and considering new funding models (e.g. acting as an investor).
- (4) Encouraging the use of digital interaction and transforming our approach to customer access.
- (5) Taking advantage of various forms of local government finance (e.g. New Homes Bonus (NHB), Business Rates Retention) by enabling sustainable business and housing growth.

4.2 The MTFS at Appendix B shows a cumulative funding pressure over the four years 2019/20 to 2022/23, of £544k. using all of the £4m minimum New Homes Bonus allocation over the four years. These figures are being revised as part of the 2019/20 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

4.3 Funding arrangements for councils have changed significantly, Mid Suffolk has seen a 69% cumulative cut in revenue support grant over the five years from 2013/14 to 2017/18. As a result of the Business Rates pilot in 2018/19 the revenue support grant of £36k is funded from the 100% business rate growth retained. The Council has become reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus to support the Council's service cost budget. Since New Homes Bonus was introduced in 2011/12 the Council has received in total £11.1m, a small proportion of which has been used to support the core budget and the rest transferred to the Growth and Efficiency Fund (GEF) reserve or in 2017/18 the Business Rates Equalisation Reserve.

From 2018/19 Mid Suffolk is part of the Suffolk Business Rates Pilot, for retention of 100% of growth meaning that this source of funding will be even more important. The financial benefits will be shared between the councils in Suffolk and a proportion used to achieve sustainable economic growth. Further details are shown in 5.13 of this report. 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 generate income from alternative sources in order to protect key services and with the aim of becoming self-sufficient in relation to income that the Council can generate itself.

4.4 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.

## 5. April to August 2018 Position

5.1 Based upon financial performance and information from April to August (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.

5.2 The report covers:

- The General Fund Revenue Budget
- The General Fund Capital Programme.

5.3 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
- Uncertainties relating to funding or other changes that were not known at the time the budget was approved, e.g. legislative changes.

5.4 Taking each area in turn, the position on key aspects of the 2018/19 budget is summarised below:

### Revenue

5.5 In relation to funding:

- (a) Council Tax (£5.9m): at the end of August, collection rates were 48.29%, compared with 48.45% 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: baseline business rates (£2.7m) and New Homes Bonus (£1.5m) were allowed for in the Budget. NHB is fixed but the actual amount of business rates will vary.

- (c) Business Rates: at the end of August, collection rates were 50.63% compared with 52.27% for the same period last year.
- (d) Based on current projections from Suffolk County Council it is estimated that the Business Rates Pilot position will be £264k, a favourable variance of £113k.

5.6 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) Working alongside Corporate Managers and Assistant Directors, the Finance Team has developed a new monitoring process for employee costs for 2018/19. Based on full year projections, it is currently anticipated that the actual vacancies due to staff turnover will be in line with the budget.
- b) Included within the 2018/19 budget is a generic savings target of £80k for non-pay expenditure, a reduction of £20k since 2017/18. This target will continue to reduce by £20k per year until it is completely removed in 2022/23, as specific savings are identified and monitored in individual service areas rather than against a corporate target. Further details of the actual non-pay variances are outlined in section 5.8 below.

5.7 The overall net favourable variance of £1,648k means that the Council will be able to make a number of contributions to the relevant reserves at the year end. Of the total favourable variance £880k is attributable the Business Rates, £691k of which is one-off as a result of the pilot. As mentioned in 4.4 above, the Business Rates income is volatile and requires close monitoring.

5.8 The table below shows the main items that are included in the overall net favourable variance of £1,648k, an improvement of £1,472k since the first report. The improved favourable position can be attributed to CIFCO (£233k), Gateway14 (£262k) and Business Rates (£890k). The forecast variances identified within this report will be taken into consideration when setting the budgets for 2019/20.

<b>Explanation</b>	<b>May 2018 Amount (£,000) (Favourable) / Adverse</b>	<b>August 2018 (£,000) (Favourable) / Adverse</b>	<b>Movement (£,000) (Favourable) / Adverse</b>
<b>Capital Financing Costs</b> <ul style="list-style-type: none"> <li>• Minimum Revenue Provision (MRP) – a favourable variance of £390k is predicted. The budget for 2018/19 included an allowance for other commercial investments i.e. Gateway14 (£327k). MRP expenditure materialises the year after the capital expenditure has taken place, so given that there was no spend in 2017/18 as was anticipated when the budget for 2018/19 was set, costs will be lower. Any spend in 2018/19 will generate MRP in 2019/20.</li> </ul>	(390)	(390)	-

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<b>Gateway 14</b> <ul style="list-style-type: none"> <li>Borrowing costs are lower (1.2%) than the budget assumption of 2%, resulting in an expected favourable variance of £262k.</li> </ul>	-	(262)	(262)
<b>CIFCO</b> <ul style="list-style-type: none"> <li>Borrowing costs are lower (0.5%) than the budget assumption of 0.76% and a change in the timing of purchases compared to the budget assumption (assuming full investment by December 2018), is expected to result in a favourable variance of £233k.</li> </ul>	-	(233)	(233)
<b>Strategic Planning</b> <ul style="list-style-type: none"> <li>An expected favourable variance of £111k for professional fees and legal costs associated with the Joint Local Plan, will be carried forward for use in 2019/20. This is an increase of £33k since the previous report.</li> <li>Income for the 5% administrative charge for the operating of CIL has resulted in a favourable variance of £52k. The position is based on actual CIL income received to August 2018 and not a full year forecast. This area is difficult to forecast due to its unpredictable nature.</li> <li>Other items (net) – an adverse variance of £5k.</li> </ul>	(71)	(158)	(87)
<b>Waste</b> <ul style="list-style-type: none"> <li>At this stage in the year, a favourable variance for the Material Recycling Facility (MRF) of £32k is anticipated, a nominal increase since the first report. The gate fee is re-calculated each year making it difficult to accurately reflect the price per tonne. It is currently anticipated that the basket price will increase to as much as £15/tonne, however, this is very much dependent on the world market. Mid Suffolk already has an earmarked waste reserve containing £160k. Dependent upon the final outturn position, it will be recommended to transfer any favourable variance to the waste earmarked reserve.</li> </ul>	(48)	(55)	(7)

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<ul style="list-style-type: none"> <li>• Refuse Sacks – a favourable variance of £24k is anticipated. A supply of these has built up since setting the 2018/19 budget, so additional spend in this financial year is expected to be minimal.</li> <li>• Trade Waste – the number of days that glass recycle is collected has reduced from 5 days to 3 days resulting in decreased contract costs and a favourable variance of £38k, an improvement of £15k since the first report.</li> <li>• Garden Waste – a review of contract costs for the collection and disposal of garden waste has resulted in an adverse variance of £8k, an improvement of £5k since the first report. The continued adverse variance is despite an increase in the level of subscriptions and can be offset against the favourable variance highlighted above for Trade Waste.</li> <li>• Recycling Credit (Domestic Waste) - an adverse variance of £10k is expected, due to a reduction in the level of tonnage collected.</li> <li>• A 'settlement of account' adjustment is required each year between Serco and the Council in respect of the refuse contract. The adjustment takes account of any changes to property numbers and subscribers for the garden waste service since the previous year. It is anticipated that both property numbers and subscribers will increase during 2018/19 resulting in an adverse variance of £15k.</li> <li>• Other items (net) – an adverse variance of £6k.</li> </ul>			
<p><b>Shared Legal Services</b></p> <ul style="list-style-type: none"> <li>• Legal expenses – a favourable variance of £36k is expected. Expenditure relating to the provision of external legal services is charged directly to the service area in which the work took place meaning the budget is no longer required within the Shared Legal Service. This will be corrected in 2019/20.</li> </ul>	(36)	(50)	(14)

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<ul style="list-style-type: none"> <li>Fees for the provision of conveyancing searches is expected to be less than budget resulting in a favourable variance of £6k.</li> <li>Other items (net) - a favourable variance of £8k.</li> </ul>			
<b>Leisure Contract</b> <ul style="list-style-type: none"> <li>An inflationary increase for the management fee was applied to the 2018/19 budget. This is no longer required, resulting in a favourable variance of £25k.</li> <li>Other items (net) – a favourable variance of £10k.</li> </ul>	(37)	(35)	2
<b>Elections</b> <ul style="list-style-type: none"> <li>A favourable variance of £34k is expected following reimbursement from Central Government of election costs that have previously been met by the Council. It is recommended that £10k of the favourable variance be transferred to the elections earmarked reserve for use in future years.</li> </ul>	-	(34)	(34)
<b>Community Development – Countryside</b> <ul style="list-style-type: none"> <li>A favourable variance is expected within a number of budget areas including £6k for grounds and site maintenance, £8k on tools and equipment, £5k for miscellaneous supplies and services and £2k other items (net).</li> </ul>	(24)	(21)	3
<b>Investment Income (net) - CCLA, UBS, Schroder and Funding Circle</b> <ul style="list-style-type: none"> <li>A net favourable variance of £20k is anticipated. An improved base rate position of 0.75% compared to budget (0.5%). has positively affected UBS and Schroeder. CCLA is performing lower than budget, this is expected to continue as the property sectors upward momentum has all but ceased, growth in the industrial sector has been offset by falling retail rents. The expected favourable positions of Schroder and UBS have helped mitigate, the poorer CCLA performance.</li> </ul>	-	(20)	(20)

<b>Explanation</b>	<b>May 2018 Amount (£,000) (Favourable) / Adverse</b>	<b>August 2018 (£,000) (Favourable) / Adverse</b>	<b>Movement (£,000) (Favourable) / Adverse</b>
<b>Car Parks</b> <ul style="list-style-type: none"> <li>• Grounds and Site Maintenance - a favourable variance of £18k is anticipated, this budget is used for miscellaneous ad hoc works. For example, in 2017/18, the Council installed cycle stands in Wilkes Way Car Park.</li> <li>• Other items (net) – an adverse variance of £3k.</li> </ul>	(21)	(15)	6
<b>Open Spaces</b> <ul style="list-style-type: none"> <li>• Supplies and Services – a favourable variance of £15k for tools and equipment is currently anticipated, a small improvement since the first report. This budget is used to support ad hoc equipment purchases as well as any unexpected emergency costs that the service may be called out for.</li> <li>• Other items (net) – an adverse variance of £4k.</li> </ul>	(12)	(11)	1
<b>Democratic Services</b> <ul style="list-style-type: none"> <li>• The Independent Remuneration Panel (IRP) - an adverse variance of £79k is expected, an improvement of £10k since the first report due to a re-working of the calculations involved.</li> <li>• Printing costs are expected to result in an adverse variance of £12k. The overall print function is being reviewed to better understand how the Council currently utilises this function and where we can achieve efficiencies.</li> <li>• Other items (net) – an adverse variance of £11k.</li> </ul>	93	102	9
<b>Development Management</b> <ul style="list-style-type: none"> <li>• Planning income – a favourable variance of £144k is expected, this is a significant improvement (£375k) since the first report.</li> <li>• Consultants and Professional Fees – an increase in the need to obtain professional ecology and landscape advice for planning applications is expected to result in an adverse variance of £103k, an increase of £82k since the first report.</li> </ul>	269	97	(172)



Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<ul style="list-style-type: none"> <li>• Appeal related costs are expected to increase resulting in an adverse variance of £122k. It is recommended that these costs be funded from the planning earmarked reserve.</li> <li>• Other items (net) – an adverse variance of £16k.</li> </ul>			
<b>PV Panels</b> <ul style="list-style-type: none"> <li>• Contract costs for the data provision, energy metering and monitoring of the Councils PV panels are expected to result in an adverse variance of £41k. This can be attributed to a timing difference which will occur in 2018/19 only.</li> <li>• To enable the Council to maximise its Feed in Tariff income (FiT), there has been a significant amount of time spent inspecting and replacing faulty and / or damaged equipment. This is expected to result in an adverse variance of £13k.</li> <li>• Other items (net) – an adverse variance of £3k.</li> </ul>	-	57	57
<b>Other items (net) – an adverse variance of £49k.</b>	<b>62</b>	<b>49</b>	<b>(13)</b>
<b>Health and Safety</b> <ul style="list-style-type: none"> <li>• An adverse variance of £47k is expected, a small increase of £3k since the first report.</li> </ul>	44	47	3
<b>Wingfield Barns</b> <ul style="list-style-type: none"> <li>• A number of remedial repairs including the replacement of guttering and roof tiles, the relocation of the bar, installation of new heaters and a mobile kitchen have all attributed to an adverse variance of £41k. These costs are one-off for 2018/19.</li> </ul>	-	41	41
<b>Housing Solutions (Homelessness)</b> <ul style="list-style-type: none"> <li>• Ringfenced grants due to the Council in support of the Homelessness Reduction Act 2017 legislation, are expected to be less than budgeted for resulting in an adverse variance of £33k. This is a reduction of £98k since the first report and follows a review by the Finance Team and Corporate Manager.</li> </ul>	(67)	36	103

<b>Explanation</b>	<b>May 2018 Amount (£,000) (Favourable) / Adverse</b>	<b>August 2018 (£,000) (Favourable) / Adverse</b>	<b>Movement (£,000) (Favourable) / Adverse</b>
<ul style="list-style-type: none"> <li>Other items (net) – an adverse variance of £3k.</li> </ul> <p>Dependent upon the final outturn position, it will be recommended to utilise the earmarked reserve for any favourable or adverse variances.</p>			
<p><b>ICT costs</b></p> <ul style="list-style-type: none"> <li>Following a review of the BT telephone lines in operation across the Council's various properties an adverse variance of £22k is expected.</li> <li>It was anticipated that following the move to Endeavour House and the creation of Touchdown Points, a total of 5 photocopiers would be required, there are 7 in use across the Council. The increase in number of machines as well as an increase in the number and type of items printed or copied is expected to result an adverse variance of £6k.</li> <li>Other items (net) – an adverse variance of £5k.</li> </ul>	-	33	33
<p><b>Finance</b></p> <ul style="list-style-type: none"> <li>An adverse variance due to the increase in the volume of payment cards for council tax and associated postage costs is anticipated. Remedial action has been taken to sign-post alternative methods of payment, despite this an adverse variance of £22k is expected for 2018/19. The budget for 2019/20 will be reviewed and amended accordingly.</li> </ul>	-	22	22
<p><b>Suffolk Office of Data and Analytics</b></p> <ul style="list-style-type: none"> <li>Suffolk Chief Officers Leadership Team (SCOLT) agreed in April 2018 to establish and fund for 2 years the Suffolk Office of Data and Analytics (SODA). The purpose of which is to develop a high-quality evidence base to enable effective and informed decisions. An adverse variance of £20k is expected due to the decision being taken after the budget was set. The budget for 2019/20 will be adjusted.</li> </ul>	-	20	20

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<p><b>Building Control</b></p> <ul style="list-style-type: none"> <li>Income – based on application fees received to date, the service is anticipating an adverse variance of £7k, an improvement of £47k since the first report. Work is currently being undertaken across Suffolk to address how this position may be improved.</li> <li>Other items (net) – an adverse variance of £5k.</li> </ul>	52	12	(40)
<p><b>Business Rates</b></p> <ul style="list-style-type: none"> <li>2018/19 Baseline business rates less Government tariff and levy is expected to result in an adverse variance of £194k an increase of £61k since the first report.</li> <li>Business Rates Pooling Benefit – an estimated pooling benefit of £264k is anticipated. This is a favourable variance of £113k.</li> <li>Following further analysis of the impact of the Business Rates Pilot by the Finance Team, an additional benefit to the Council over and above the earmarked growth in the form of S31 grants of £961k is expected, the majority of which (£691k) is one-off for 2018/19.</li> </ul> <p>The favourable variance can be attributed to;</p> <ul style="list-style-type: none"> <li>the threshold for small business rates relief being lowered, changes to the multiplier cap, growth decline and the percentage for business rates retention increasing from 40% to 80% (£830k).</li> <li>an increase in Rural Rate Relief (£47k).</li> <li>receipt of additional discretionary grants (£84k).</li> </ul>	10	(880)	(890)
<b>Sub-total Favourable Variance</b>	<b>(176)</b>	<b>(1,648)</b>	<b>(1,472)</b>

## Community Infrastructure Levy (CIL)

- 5.9 CIL income received by the Council between April to August 2018 is £535k. Dependent on the final outturn position for 2018/19, 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 2019/20 and beyond.

### Updated 2017/18 outturn position

- 5.10 Following the audit of the 2017/18 Statement of Accounts there were changes required that affected the Council's 2017/18 outturn position resulting in an improved surplus position of £3,911k (an increase of £1,681k). The accounting treatment for CIL income (£1,363k) was the main reason for the change and has increased the balance in the earmarked reserve.

### Growth and Efficiency Fund (GEF)

- 5.11 The table below provides a high-level summary of the anticipated movement in the GEF during 2018/19. A more detailed breakdown is shown in Appendix C.
- 5.12 Commitments in 2018/19 will continue to be reviewed to ensure the key priorities are supported.

<b>MID SUFFOLK</b>	<b>£'000</b>
<b>Balance at 31st March 2018</b>	<b>9,318</b>
Surplus NHB *	1,109
Business Rates Grant *	764
<b>Total contributions 2018/19</b>	<b>1,873</b>
<b>Revised Balance Available</b>	<b>11,191</b>
<b>LESS;</b>	
Regal Theatre *	(2,575)
New Homes Bonus to balance the budget *	(354)
Community Capacity Building *	(259)
Planning (Stalled Sites) / DFGs & Tree Planting *	(110)
Delivery Plan projects - Staffing *	(52)
Transfer to Strategic Planning reserve - Habitat Regulation Assessment (New Burdens Funding)	(17)
Other commitments	(268)
Actual spend - April to August 2018	(79)
<i>* identified in 2018/19 budget</i>	
<b>Balance after full spend (current projects)</b>	<b>7,478</b>
<u>New Projects Allocated</u>	
Battery storage	(223)
Vision for Stowmarket	(200)
Shop front & access improvement grants	(350)
Strategic Investment Fund	(3,000)
Strategic Purchase - Stowmarket	(1,484)
<b>Total new projects allocated</b>	<b>(5,257)</b>
<b>Remaining unallocated GEF Balance</b>	<b>2,221</b>

## **Business Rates Retention Pilot**

- 5.13 The 8 local authorities in Suffolk collaborated in 2017 to submit a bid to become a pilot area for the retention of 100% business rates growth in 2018/19. The bid was successful, along with 9 other areas across the country, and has been in place since 1 April 2018. The pilot will run for 2018/19 only. A list of schemes developed by officers to support growth initiatives and submitted to SCC for consideration and sign-off was submitted to Cabinet on 8 October 2018 (MCa/18/32). See Appendix A for further details and spend as at August 2018.

## **Medium Term Financial Strategy (MTFS) Update**

- 5.14 Following approval of the MTFS by Full Council in February 2018, it was proposed that regular updates to the medium-term financial position would be provided as part of the budget monitoring. This update includes any known cost pressures or savings that are likely to affect the budgeted position for 2019/20 onwards. Full details are shown in Appendix B. The cumulative shortfall in funding position in 2022/23 has improved by £157k since the first report as a result of ongoing budget discussions.

## **Earmarked Reserves**

- 5.15 Earmarked reserve balances total £16.6m as at 1 April 2018. Appendix D outlines the specific earmarked reserve movements detailed in section 3.1(a) and 5.8 of this report as well as the Growth and Efficiency Fund reserve movements detailed in section 5.12.

## **Capital**

- 5.16 Use of capital and one-off funds is critical and need to be linked into our future delivery plans.
- 5.17 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 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.
- 5.18 Following approval by Full Council in April 2017 to set up a holding company, activity to invest the £25m for the Capital Investment began with its first purchase in December 2017. During 2017/18, £12.3m of the £25m has been spent, with the remainder of £12.7m expected to be invested by December 2018.
- 5.19 Capital expenditure for the period April to August 2018 totals £1.3m, against a revised programme (including carry forwards) of £9.3m, excluding the £12.7m for CIFCO and £16.5m for Gateway 14 (invested from August 2018), as set out in Appendix E. The anticipated spend for 2018/19 against the £9.3m is £7.4m resulting in a favourable variance of £1.9m. The main variances that contribute to the £1.9m favourable position are set out below:

- **Land assembly, property acquisition and regeneration opportunities** – a favourable variance of £1,062k is expected. The level of activity to acquire land and property for regeneration and investment opportunities is fast moving, so even though the budget is not likely to be fully spent this year, there will be a requirement to carry forward any unspent monies for use in 2019/20 and beyond.
- **Leisure Centres** – a favourable variance of £373k is anticipated. This budget will be carried forward to 2019/20 to support the ongoing work surrounding the Leisure Strategy. When the budget was set for 2018/19 it was not known exactly when expenditure would occur.
- **Grants for Affordable Housing** – a favourable variance of £300k is expected. As self-financing has enabled us to build new homes ourselves, grant funding for housing associations has reduced. The budget for 2018/19 is a carry forward from the previous year, it was agreed as part of the 2018/19 budget setting process that the budget continue to be carried forward year on year until it is fully utilised. This will again be reviewed as part of 2019/20 budget setting.
- **Planned Maintenance and Enhancements (Car Parks)** – a favourable variance of £42k is expected, the priority for this budget is to carry out any urgent works. It is recommended that the £42k be carried forward at the end of 2018/19 for use in 2019/20.
- **Other items (net)** – a favourable variance of £173k is anticipated.

## 6. LINKS TO JOINT STRATEGIC 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 Joint Strategic Plan. Specific links are to financially sustainable Councils, managing our corporate 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 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. Other key risks are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation Measures</b>
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	3 - Probable	2 - Noticeable	Regular monitoring by key officers

## **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 There are no specific environmental implications.

## **13. APPENDICES**

<b>Title</b>	<b>Location</b>
APPENDIX A – Business Rates Retention Pilot	Attached
APPENDIX B – MTFS Summary	Attached
APPENDIX C – Growth and Efficiency Fund	Attached
APPENDIX D – Earmarked Reserves	Attached
APPENDIX E – Capital Programme	Attached

**14. BACKGROUND DOCUMENTS**

22 February 2018 Budget Report 2018/19 – MC/17/35

6 August 2018 Quarter 1 General Fund Financial Monitoring 201819 – MCa/18/18



## MID SUFFOLK – BUSINESS RATES PILOT

	<b>Scheme Description</b>	<b>Budget £'000</b>	<b>Actual Spend £'000</b>
1	Needham Lake Café / Visitor Centre	300	
2	Town Centre Redevelopment Stowmarket (Former Nat West Bank)	240	14
3	Tech Hub – Stowmarket / A14 Corridor / Enterprise Zone	200	50
4	The Foyer, Stowmarket	150	150
5	Inclusive Growth Engagement Officer	60	
6	Establishment of a Central Suffolk Chamber of Commerce	30	
	<b>Total</b>	<b>980</b>	<b>214</b>

## Appendix B

### MID SUFFOLK MTFs SCENARIO 2019/20 – based on minimum New Homes Bonus

Line	Description	2018/19	2019/20	2020/21	2021/22	2022/23
		Budget	Budget	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000
	<b>Expenditure</b>					
1	Employees	9,045	9,444	9,820	10,265	10,659
2	Premises Costs	772	683	698	710	720
3	Supplies & Services	7,137	4,442	4,352	4,390	4,396
4	Transport Costs	438	440	403	332	334
5	Contracts	3,297	3,363	3,431	3,499	3,569
6	Transfer Payments	16,964	16,964	16,964	16,964	16,964
7	Income (incl. s31 B/Rates Grant)	(24,515)	(24,480)	(24,422)	(24,377)	(24,443)
8	New Homes Bonus Income	(1,463)	(1,165)	(966)	(939)	(939)
	<b>Capital Financing Charges</b>					
9	Debt Management Costs	3	3	3	3	3
10	Interest Payable (Pooled Funds)	130	130	130	130	130
11	Interest Payable (CIFCO)	594	617	613	610	610
12	Interest Payable (Other Commercial Investments)	435	614	743	765	765
13	MRP	1,211	1,374	1,540	1,540	1,540
	<b>Investment Income</b>					
14	Pooled Funds	(430)	(425)	(420)	(415)	(410)
15	Interest Receivable (Cash Surplus)	(7)	(7)	(7)	(7)	(7)
16	Interest Receivable (CIFCO)	(1,064)	(1,147)	(1,143)	(1,139)	(1,139)
17	Interest Receivable (Other Commercial Investments)	(470)	(860)	(1,452)	(1,258)	(1,258)
18	Charge to HRA	(1,016)	(1,036)	(1,057)	(1,078)	(1,100)
19	Charge to Capital	(271)	(276)	(282)	(288)	(293)
	<b>Transfers to Reserves</b>					
20	New Homes Bonus	1,463	1,165	966	939	939
21	S31 Business Rates Grant	764	900	900	900	900
22	Other	42	20	20	20	20
23	<b>Net Service Cost</b>	<b>13,060</b>	<b>10,761</b>	<b>10,833</b>	<b>11,566</b>	<b>11,961</b>
	<b>Funding:</b>					
24	Other Earmarked Reserves	(1,229)	(123)			
25	Growth and Efficiency Fund - DP Project (Staffing)	(52)				
26	Growth and Efficiency Fund - Community Capacity Building	(250)	(250)	(250)	(250)	(250)
27	Growth and Efficiency Fund - contribution to capital for Regal Theatre Regeneration	(2,575)				
28	New Homes Bonus - to balance the budget	(354)	(1,165)	(966)	(939)	(939)
29	S31 Business Rates Grant - to balance the budget	(764)	(900)	(900)	(900)	(900)
	<b>Government Support</b>					
30	(a) Baseline business rates	(2,657)	(2,236)	(2,236)	(2,236)	(2,236)
31	(b) B/Rates – growth/pooling benefit	(151)	(151)	(151)	(151)	(151)
32	(c) B/Rates prior yr deficit	957				
33	(e) RSG Tariff		-	-	-	-
34	(f) Rural Services Delivery Grant		(347)	(347)	(347)	(347)
35	Collection Fund surplus	(70)	(70)	(70)	(70)	(70)
36	Council Tax (0% increase in 19/20, 1.15% in 20/21 and 1.75% in 21/22, 1.75% IN 22/23)	(5,826)	(5,915)	(6,062)	(6,248)	(6,440)
37	Growth in taxbase	(89)	(77)	(78)	(80)	(82)
38	<b>Total Funding</b>	<b>(13,060)</b>	<b>(11,235)</b>	<b>(11,061)</b>	<b>(11,222)</b>	<b>(11,417)</b>
39	2019/20	(0)	(474)	(474)	(474)	(474)
40	2020/21			246	246	246
41	2021/22				572	572
42	2022/23					200
43	<b>Shortfall in funding / (Surplus Funds) - cumulative</b>	<b>(0)</b>	<b>(474)</b>	<b>(228)</b>	<b>344</b>	<b>544</b>
44	Estimated New Homes Bonus (5 year average of No of houses built)		(1,134)	(967)	(971)	(971)
45	Estimated New Homes Bonus (projected completions)		(1,391)	(1,471)	(1,627)	(1,627)
46	Minimum New Homes Bonus		(1,165)	(966)	(939)	(939)
48	Council Taxbase	1.54%	1.30%	1.30%	1.30%	1.30%
49	Band D Council Tax	0.50%	0.00%	1.15%	1.75%	1.75%
50	<b>Band D Council Tax</b>	<b>£162.78</b>	<b>£162.78</b>	<b>£164.65</b>	<b>£167.53</b>	<b>£170.47</b>

## Appendix B Continued

### BUDGET GAP BASED ON OTHER NHB SCENARIOS

#### Scenario 1 - 5 year average of number of houses built

Description	2018/19			2019/20				2020/21				2021/22				2022/23
	Budget			Budget				Forecast				Forecast				Forecast
	£000			£000				£000				£000				£000
Expenditure	-			10,761				10,833				11,566				11,961
Funding	-			(11,204)				(11,061)				(11,254)				(11,449)
<b>(Surplus) / Deficit - 5 year average No of houses built</b>	-			<b>(443)</b>				<b>(229)</b>				<b>312</b>				<b>513</b>

#### Scenario 2 – projected completions

Description	2018/19			2019/20				2020/21				2021/22				2022/23
	Budget			Budget				Forecast				Forecast				Forecast
	£000			£000				£000				£000				£000
Expenditure	-			10,761				10,833				11,566				11,961
Funding	-			(11,461)				(11,566)				(11,910)				(12,104)
<b>(Surplus) / Deficit - projected completions</b>	-			<b>(700)</b>				<b>(733)</b>				<b>(343)</b>				<b>(143)</b>

Note: further analysis and scenario planning has not yet to been undertaken in relation to MTFS planning at this stage.

## Appendix C

### Growth and Efficiency Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2017/18		Apr 18 - August 18		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
<b>CONTINUING PROJECTS</b>												
<b>Assets &amp; Investments</b>												
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	58,500	57,910	9,019	9,019	134,449	8,349	0	0
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	Emily Atack	Aug-16	136,285	88,658	88,658	67	67	177,449	41,164		
3	To make best use of our corporate assets to include a financial appraisal of the current GF property assets	Jill Pearmain	Aug-16	9,805	4,495	4,495	0	0	8,991	-814	407	407
<b>Business Growth</b>												
4	To support the installation of one or more Electric Vehicle (EV) charging points - Sudbury. <b>Babergh only - Capital</b>	James Buckingham	Mar-17	44,000	25,225		4,370	0	29,595	-14,405	14,405	
5	Hadleigh Market - consultancy costs to test whether it is possible to develop and grow Hadleigh Market into a successful town market. <b>BDC Only</b>	Lee Carvell	Apr-16	22,000	11,428	0	3,000	0	14,428	-7,572	7,572	
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	427,770	143,395	143,301	11,281	11,281	309,258	-118,512	59,256	59,256
7	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	4,250	4,250
8	To support the development of a Technology Hub / Innovation Centre with the District by providing a project co-ordinator and for the fusing of a feasibility study. <b>MSDC only</b>	Lee Carvell	Oct-17	50,000	0	0	0	0	0	-50,000		50,000

## Appendix C

### Growth and Efficiency Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2017/18		Apr 18 - August 18		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
<b>CONTINUING PROJECTS</b>												
<b>Community Capacity Building</b>												
9	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	22,880	22,880	0	0	45,761	-14,239	7,120	7,120
10	New engagement post within Communities to support the development of key sites	Ann Hunter	Apr-18	35,000	0	0	8,463	8,463	16,926	-18,074	9,037	9,037
<b>Efficient Organisation</b>												
11	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. <b>MSDC only</b>	Lee Carvell	Apr-17	9,257	0	0	0	0	0	-9,257		9,257
<b>Efficient Organisation</b>												
12	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	31,410	31,410	0	0	62,820	2,820		
<b>Housing Delivery</b>												
13	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	0	0	95,061	-109,939	54,970	54,970
<b>Housing Delivery/Business Growth</b>												
14	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	Lou Rawsthorne	Jan-15	475,000	194,159	132,050	0	36,403	362,612	-112,388	56,194	56,194
<b>Housing Delivery/Business Growth</b>												
15	External support to undertake Local Housing Needs Surveys	Robert Hobbs	Feb-16	20,000	2,709	8,449	0	0	11,158	-8,842	4,421	4,421
16	Additional staffing capacity to migrate historic and future developer contribution information to the new ICT system supporting the Community Infrastructure Levy	Robert Hobbs	Jun-16	98,000	40,744	39,339	3,342	3,342	86,768	-11,232	5,616	5,616
17	Building the evidence base for the Joint Local Plan - the requirement to hold and maintain accurate baseline information within GIS underpins the preparation of the Joint Local Plan and land allocation strategy.	Robert Hobbs	Aug-16	44,000	26,286	27,688	0	0	53,975	9,975		
<b>General Transformation - other projects</b>												
18	- Other	Melissa Evans			16,643	185,271	0	0	201,914	201,914		
18	FISONs Building - dangerous structure. Cost of survey	Paul Hughes		10,000	0	0		2,800	2,800	-7,200		7,200
<b>CONTINUING PROJECTS SUB-TOTAL</b>				<b>1,840,717</b>	<b>714,041</b>	<b>789,003</b>	<b>39,543</b>	<b>71,375</b>	<b>1,613,962</b>	<b>-226,755</b>		
<b>COMPLETED PROJECTS SUB-TOTAL -SEE BELOW</b>				<b>3,267,638</b>	<b>600,359</b>	<b>2,591,416</b>	<b>1,682</b>	<b>7,181</b>				
				<b>5,108,355</b>	<b>1,314,400</b>	<b>3,380,419</b>	<b>41,225</b>	<b>78,557</b>	<b>1,613,962</b>	<b>-226,755</b>	<b>223,248</b>	<b>267,727</b>

## General Fund Earmarked Reserves

Transfers to / from Earmarked Reserves	Balance	Transfers	Transfers	Transfers	Balance
	01 April 2018	Between	Out	In	31 March 2019
	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>					
Carry Forwards	(263)		262	(111)	(112)
Growth and Efficiency Fund	(9,318)	17	8,953	(1,873)	(2,221)
Business Rates Equalisation Reserve	(1,987)		957		(1,030)
Government Grants	(204)				(204)
Homelessness	(360)		36		(324)
Welfare Benefits Reform	(211)				(211)
Commuted Maintenance Payments	(311)				(311)
Elections Fund	(64)			(10)	(74)
Planning Enforcement	(20)				(20)
Growth & Sustainable Planning	(351)				(351)
Planning (Legal)	(155)		122		(33)
Strategic Planning	(350)	(17)			(367)
Community Infrastructure Levy	(2,474)			(535)	(3,009)
Revocation of personal search fees	(50)				(50)
Repairs and Renewals	(292)				(292)
Eric Jones House	(46)				(46)
Waste	(160)			(32)	(192)
<b>Total General Fund</b>	<b>(16,616)</b>	<b>-</b>	<b>10,330</b>	<b>(2,561)</b>	<b>(8,847)</b>

## Appendix E

MID SUFFOLK CAPITAL PROGRAMME 2018/19 GENERAL FUND	Original Budget £'000	Carry Forwards £'000	Current Budget £'000	Actual Spend Apr - Aug £'000	Full Year Forecast £'000	Full Year Forecast LESS Budget £'000
<b>Supported Living</b>						
Mandatory Disabled Facilities Grant	376	71	447	125	377	-70
Discretionary Housing Grants	100	35	135	0	135	0
Empty Homes Grant	100	144	244	31	244	0
<b>Total Supported Living</b>	<b>576</b>	<b>250</b>	<b>826</b>	<b>155</b>	<b>756</b>	<b>-70</b>
<b>Planning for Growth</b>						
Grants for Affordable Housing	0	500	500	51	200	-300
<b>Total Planning for Growth</b>	<b>0</b>	<b>500</b>	<b>500</b>	<b>51</b>	<b>200</b>	<b>-300</b>
<b>Environment and Projects</b>						
Replacement Refuse Freighters - Joint Scheme	0	0	0	0	0	0
Recycling Bins	80	63	143	60	90	-53
LED Streetlights	0	44	44	0	44	0
Electric Vehicle Charging Points	396	0	396	2	396	0
<b>Total Environment and Projects</b>	<b>476</b>	<b>107</b>	<b>583</b>	<b>62</b>	<b>530</b>	<b>-53</b>
<b>Communities and Public Access</b>						
Planned Maintenance / Enhancements - Car Parks	162	0	162	2	120	-42
Streetcare - Vehicles and Plant Renewals	44	0	44	23	23	-21
Play Equipment	25	25	50	0	50	0
Community Development Grants	189	150	339	28	339	0
<b>Total Communities and Public Access</b>	<b>420</b>	<b>175</b>	<b>595</b>	<b>53</b>	<b>532</b>	<b>-63</b>
<b>Leisure Contracts</b>						
<b>Total Leisure Contracts</b>	<b>485</b>	<b>0</b>	<b>485</b>	<b>68</b>	<b>112</b>	<b>-373</b>
<b>Capital Projects</b>						
Planned Maintenance - Corporate Buildings	80	0	80	6	80	0
<b>Total Capital Projects</b>	<b>80</b>	<b>0</b>	<b>80</b>	<b>6</b>	<b>80</b>	<b>0</b>
<b>Investment and Commercial Delivery</b>						
Open for Business	30	0	30	0	0	-30
Regal Theatre Regeneration	2,575	0	2,575	0	2,575	0
Land assembly, property acquisition and regeneration opportunities	1,925	1,391	3,316	854	2,254	-1,062
<b>Total Investment and Commercial Delivery</b>	<b>4,530</b>	<b>1,391</b>	<b>5,921</b>	<b>854</b>	<b>4,829</b>	<b>-1,092</b>
<b>Corporate Resources</b>						
ICT - Hardware / Software costs	200	150	350	85	350	0
<b>Total Corporate resources</b>	<b>200</b>	<b>150</b>	<b>350</b>	<b>85</b>	<b>350</b>	<b>0</b>
<b>Delivery Programme Investment Opportunities</b>	<b>0</b>	<b>12,667</b>	<b>12,667</b>	<b>0</b>	<b>12,667</b>	<b>0</b>
<b>Gateway 14</b>	<b>0</b>	<b>16,507</b>	<b>16,507</b>	<b>16,507</b>	<b>16,507</b>	<b>0</b>
<b>Total General Fund Capital Spend</b>	<b>6,766</b>	<b>31,748</b>	<b>38,514</b>	<b>17,841</b>	<b>36,563</b>	<b>-1,950</b>