

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/18/43
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 8 November 2018
OFFICER: Katherine Steel, Assistant Director - Corporate Resources Melissa Evans, Corporate Manager - Finance	KEY DECISION REF NO. 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;
- Transfer of surplus funds of £639k to the Transformation Fund.
 - Transfer of surplus funds of £639k to the Business rates Equalisation Reserve
 - Transfer surplus funds of £661k to the Business rates Equalisation Reserve and net transfers of £22k from specific earmarked reserves as detailed in 3.1 (a) below.
 - At this early stage in the year, make no recommendations 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 £639k be noted:
- Transfer from reserves of £22k being the net amount, for the following specific earmarked reserves, referred to in section 5.8 and Appendix D of this report:
 - £94k to Carry Forwards (Strategic Planning and Policy Strategy Health and Well-Being)
 - £27k to Waste
 - £10k to Elections
 - £10k to Strategic Planning

<ul style="list-style-type: none"> • £59k from Planning for appeal costs • £54k from Homelessness • £50k from Commuted Maintenance Payments <p>b) The remaining balance of the General Fund surplus of £661k be transferred to Business rates Equalisation Reserve.</p> <p>3.2 The revised 2018/19 Capital Programme referred to in Appendix E and section 5.19 be approved.</p>
<p>REASON FOR DECISION</p> <p>To ensure that Members are kept informed of the current budgetary position for both General Fund Revenue and Capital.</p>

4. KEY INFORMATION

Strategic Context

4.1 In February 2018 Babergh 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 £1.2m, using all the 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, Babergh has seen a 65% 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 £204k 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 £7.6m, most of which has been used to balance the budget and the rest transferred to the Transformation Fund reserve or in 2017/18 the Business Rates Equalisation Reserve. From 2018/19 Babergh 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:

General Fund Revenue Account

- 5.5 In relation to funding:
- (a) Council Tax (£5.2m): at the end of August, collection rates were 48.60%, compared with 48.66% for the same period last year. The collecting of council tax remains challenging, especially from those receiving council tax reductions under the Local Council Tax Reduction Scheme (LCTR). Recovery Action is varied and is a high priority for the Shared Revenues Partnership (SRP).
 - (b) Government Grants: baseline business rates (£2.5m) and New Homes Bonus (£0.9m) 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 48.22% compared with 47.78% for the same period last year.
 - (d) Based on current projections from Suffolk County Council it is estimated that the final Business Rates Pilot position will be £253k. A favourable variance of £47k.
- 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 2021/22, as savings are better 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 £639k 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 £695k is attributable the Business Rates, £722k 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 £639k. an improvement of £862k since the first report. The improved favourable position can be attributed to CIFCO (£233k and Business Rates (£695k). The forecast variances identified within this report will be taken into consideration when setting the budgets for 2019/20.

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
CIFCO <ul style="list-style-type: none"> 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. 	-	(233)	(233)
Waste <ul style="list-style-type: none"> At this early stage in the year, a favourable variance for the Material Recycling Facility (MRF) of £27k is anticipated, a nominal reduction 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. Dependent upon the final outturn position, it will be recommended to transfer any favourable variance to the waste earmarked reserve (current balance £119k). Domestic waste – a £54k favourable variance is expected. This can be attributed to an increase in the recycling credit due (£23k), lower than expected contract costs (£21k) and a number of other smaller items (£10k). Trade Waste – the number of days that glass recyclate is collected has reduced from 5 days to 3 days resulting in decreased contract costs and a favourable variance of £21k, an improvement of £35k since the first report. Garden Waste – a review of contract costs for the collection and disposal of garden waste has resulted in an adverse variance of £11k. This is despite an increase in the level of subscriptions and can be offset against the favourable variance highlighted above for Trade Waste. Recycling credits – based on increased tonnage collected from our bring sites, a forecast favourable variance of £29k is anticipated. 	(25)	(120)	(95)

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<p>Strategic Planning</p> <ul style="list-style-type: none"> An expected favourable variance of £88k for professional fees and legal costs associated with the Joint Local Plan, a reduction of £38k since the previous report. It is recommended that £63k be carried forward for use in 2019/20 and £10k be transferred to the earmarked reserve. Income for the 5% administrative charge for the operating of CIL has resulted in a favourable variance of £47k. 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. Other items (net) – an adverse variance of £22k. 	(135)	(113)	22
<p>Building Control</p> <ul style="list-style-type: none"> Income – based on application fees received to date, the service is anticipating a favourable variance of £53k, a reduction of £40k since the last report. Other items (net) – an adverse variance of £1k. 	(95)	(52)	43
<p>Shared Legal Services</p> <ul style="list-style-type: none"> 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. Fees for the provision of conveyancing searches is expected to be less than budget resulting in a favourable variance of £8k. Income from legal fees recovered is greater than expected resulting in a favourable variance £7k. Other items (net) - a favourable variance of £1k. 	(36)	(52)	(16)

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
Elections <ul style="list-style-type: none"> 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. 	-	(34)	(34)
Sustainable Environment <ul style="list-style-type: none"> A favourable variance of £24k is anticipated. The majority of which, £19k is due to income received from pre-application planning advice. Other items (net) – a favourable variance of £7k. 	-	(31)	(31)
Investment Income (net) - CCLA, UBS, Schroder and Funding Circle <ul style="list-style-type: none"> A net favourable variance of £28k 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 mitigated, the poorer CCLA performance. 	-	(28)	(28)
Policy Strategy Health and Well-being <ul style="list-style-type: none"> Carry forwards to support the delivery of the Joint Leisure, Sport and Physical Activity Strategy action plan and the ongoing development of the Health and Wellbeing Business Partner function in 2018/19 are unlikely to be spent resulting in a favourable variance of £31k. A carry forward request will be submitted for spending in 2019/20. Other items (net) – an adverse variance of £7k. 	-	(24)	(24)
Capital Financing Costs <ul style="list-style-type: none"> Minimum Revenue Provision (MRP) costs realised in 2018/19 are based on actual spend that took place in 2017/18. 	(20)	(20)	-

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
Capital expenditure for 2017/18 was lower than anticipated resulting in a small favourable variance of £20k.			
Leisure Contract <ul style="list-style-type: none"> • Following commencement of the Kingfisher Leisure Centre redevelopment and the replacement of the swimming pool at Hadleigh Pool and Leisure Centre, a favourable variance of £23k for repair costs is expected, a small reduction of £3k since the previous report. • Other items (net) – an adverse variance of £14k. 	(26)	(9)	17
Car Parks <ul style="list-style-type: none"> • Business Rates – as reported previously an adverse variance of £120k is expected. • Repairs – an adverse variance of £21k is expected, an increase of £6k since the first report. In April 2018, one-off costs for urgent repairs to the wall at the rear of North Street Car Park were required at a cost of £9k. The remaining £12k is anticipated for ad hoc repairs across all the Councils car park sites including the cost of minor resurfacing works. • Based on car parking income received to date, an adverse variance of £19k is anticipated. • Other items (net) – an adverse variance of £11k. 	129	171	42
Development Management <ul style="list-style-type: none"> • Planning income – a favourable variance of £102k is expected, this is a significant improvement (£278k) since the previous report. • 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 £123k. • Appeal related costs are expected to increase resulting in an adverse variance of £75k, It is recommended that £59k of the total £75k adverse variance be funded from the planning earmarked reserve. 	204	112	(92)

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<ul style="list-style-type: none"> Other items (net) – an adverse variance of £16k. 			
Other items (net) – an adverse variance £86k.	(23)	86	109
PV Panels <ul style="list-style-type: none"> Contract costs for the data provision, energy metering and monitoring of the Councils PV panels are expected to result in an adverse variance of £42k. This can be attributed to a timing difference which will occur in 2018/19 only. 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 £18k. Other items (net) – an adverse variance of £3k. 	-	63	63
Borehamgate Rental Income <ul style="list-style-type: none"> Despite supplementary work by the Finance Team to include a vacancy factor in the 2018/19 income budget, a further income shortfall of £40k is anticipated. The Council is actively working with the management agent to promote and enhance the small number of vacant units in order to maximise rental income. An adverse variance of £16k is anticipated, this is monies due to tenants in respect of overpaid rents that must be repaid to the management agent Carter Jonas. Other items (net) – an adverse variance of £2k. 	13	58	45
Housing Solutions (Homelessness) <ul style="list-style-type: none"> 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 £32k. This is a reduction of £163k since the first report and follows a review by the Finance Team and Corporate Manager. An increase in the demand for B&B services is expected to result in an adverse variance of £15k. 	(131)	54	185

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<ul style="list-style-type: none"> Other items (net) – an adverse variance of £7k. <p>Dependent upon the final outturn position, it will be recommended to utilise the earmarked reserve for any favourable or adverse variances.</p>			
<p>Health and Safety</p> <ul style="list-style-type: none"> An adverse variance of £47k is expected, a small increase of £3k since the first report. 	44	47	3
<p>Democratic Services</p> <ul style="list-style-type: none"> The Independent Remuneration Panel (IRP) - an adverse variance of £19k is expected. An overall increase of £4k since the first report due to a re-working of the calculations involved. Printing costs are expected to result in an adverse variance of £14k. The overall print function is being reviewed to better understand how the Council currently utilises this function and where we can achieve efficiencies. Other items (net) – an adverse variance of £14k. 	15	47	32
<p>Street and Major Road Cleansing</p> <ul style="list-style-type: none"> Grounds Maintenance Contract – as reported previously an adverse variance of £50k is anticipated. A review is currently underway by the service to better understand what grounds maintenance work is being performed and whether there is the potential to utilise commuted maintenance sums currently being held. Other items (net) – a favourable variance of £7k. <p>Dependent on the final outturn position, it is recommended that the commuted sums balance be utilised to support any adverse variance.</p>	50	43	(7)
<p>Finance</p> <ul style="list-style-type: none"> Payment cards - an adverse variance due to the increase in the volume of payment cards for council tax and associated postage costs is anticipated. 	-	38	38

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<p>Remedial action has been taken to sign-post alternative methods of payment, despite this an adverse variance of £18k is expected. The budget for 2019/20 will be reviewed and amended accordingly.</p> <ul style="list-style-type: none"> Bank Charges – the costs associated with the banking merchant (Global Services) are higher than anticipated resulting in an adverse variance of £20k. 			
<p>ICT costs</p> <ul style="list-style-type: none"> Following a review of the BT telephone lines in operation across the Council's various properties an adverse variance of £25k is expected. 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. Other items (net) – an adverse variance of £5k. 	-	36	36
<p>Suffolk Office of Data and Analytics</p> <ul style="list-style-type: none"> 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. 	-	20	20
<p>Business Rates</p> <ul style="list-style-type: none"> 2018/19 Baseline business rates less Government tariff and levy is expected to result in an adverse variance of £370k an increase of £53k since the first report. 	259	(695)	(954)

Explanation	May 2018 Amount (£,000) (Favourable) / Adverse	August 2018 Amount (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<ul style="list-style-type: none"> • Business Rates Pooling Benefit – an estimated pooling benefit of £253k is anticipated. This is a favourable variance of £47k. • 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 of £1,018k is expected, the majority of which (£722k) is one-off for 2018/19. <p>The favourable variance can be attributed to;</p> <ul style="list-style-type: none"> • 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% (£899k). • an increase in Rural Rate Relief (£59k). • receipt of additional discretionary grants (£60k). 			
Sub-total favourable variance	223	(636)	(859)

Community Infrastructure Levy (CIL)

5.9 CIL income received by the Council between April to August 2018 is £677k. 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 £3,746k (an increase of £2,186k). The accounting treatment for CIL income (£1,983k) was the main reason for the change and has increased the balance in the earmarked reserve.

Transformation Fund

5.11 The table below provides a high-level summary of the anticipated movement in the Transformation Fund 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.

BABERGH	£'000
Balance at 31st March 2018	655
New Homes Bonus Allocation *	866
Business Rates Grant *	797
Total contributions 2018/19	1,663
Revised Balance Available	2,318
LESS;	
New Homes Bonus to balance the budget *	(866)
Transformation Fund to balance the budget *	(329)
Business Rates Grant to balance the budget *	(797)
Actual spend - April to August 2018	(41)
Balance at 31st March 2019	285
Current future commitments to be reviewed	(223)
<i>* identified in 2018/19 budget</i>	

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 11 October 2018 (BCa/18/39). 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 to the medium-term financial position would be provided as part of budget monitoring. This update includes any known cost pressures or savings that are likely to affect the budgeted deficit position for 2019/20 onwards. Full details are shown in Appendix B. The cumulative shortfall in funding position at 2022/23 has improved by £164k since the first report as a result of ongoing budget discussions.

Earmarked Reserves

5.15 Earmarked reserve balances total £5.6m 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 needs 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 expected to be invested by December 2018.
- 5.19 Capital expenditure for the period April to August 2018 totals £0.5m, against a revised programme (including carry forwards) of £10.4m, excluding the £12.7m for CIFCO, as set out in Appendix E. The anticipated spend for 2018/19 against the £10.4m is £3.6m resulting in a favourable variance of £6.8m. The main variances that contribute to the £6.8m favourable position are set out below:
- **Land assembly, property acquisition and regeneration opportunities** – a favourable variance of £6,235k 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 £250k 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 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.
 - **Other items (net)** – a favourable variance of £58k.

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:

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

Title	Location
APPENDIX A – Business Rates Retention Pilot	Attached
APPENDIX B – MTFS Summary	Attached
APPENDIX C – Transformation Fund	Attached
APPENDIX D – Earmarked Reserves	Attached
APPENDIX E – Capital Programme	Attached

14. BACKGROUND DOCUMENTS

20 February 2018 Budget Report 2018/19 – BC/17/29

9 August 2018 Quarter 1 General Fund Financial Monitoring 2018/19 – BCa/18/22

BABERGH – BUSINESS RATES PILOT

	Scheme Description	Budget £'000	Actual Spend £'000
1	Belle Vue, Hamilton Road and wider Sudbury Town Centre Development	500	58
2	Angel Court Housing Development	200	6
3	Delphi Site / Newton Road (Sudbury) / South Suffolk Business Area	200	19
4	Inclusive Growth Engagement Officer	60	
5	Establishment of a Central Suffolk Chamber of Commerce	30	
	Total	990	83

Appendix B

BABERGH 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
	<u>Expenditure</u>					
1	Employees	7,970	8,113	8,446	8,853	9,256
2	Premises Costs	807	879	901	920	938
3	Supplies & Services	3,577	3,601	3,530	3,570	3,579
4	Transport Costs	279	280	241	169	169
5	Contracts	4,244	4,380	4,468	4,557	4,648
6	Transfer Payments	20,202	20,202	20,202	20,202	20,202
7	Income (incl.S31 B/Rates Grant)	(26,873)	(26,890)	(26,921)	(26,928)	(26,936)
8	New Homes Bonus Income	(866)	(680)	(716)	(864)	(864)
	<u>Capital Financing Charges</u>					
9	Debt Management Costs	3	3	3	3	3
10	Interest Payable (Pooled Funds)	9	9	8	8	8
11	Interest Payable (CIFCO)	594	617	612	608	608
12	MRP	933	1,109	1,261	1,261	1,261
	<u>Investment Income</u>					
13	Pooled Funds	(421)	(416)	(411)	(406)	(406)
14	Interest Receivable (Cash Surplus)	(8)	(8)	(8)	(8)	(8)
15	Interest Receivable (CIFCO)	(1,064)	(1,147)	(1,143)	(1,139)	(1,139)
16	Charge to HRA	(1,106)	(1,128)	(1,150)	(1,173)	(1,197)
17	Charge to Capital	(227)	(232)	(237)	(241)	(246)
	<u>Transfers to Reserves</u>					
18	New Homes Bonus	866	680	716	864	864
19	S31 Business Rates Grant	797	900	900	900	900
20	Other	27	20	20	20	20
21	Net Service Cost	9,744	10,290	10,722	11,176	11,660
	Funding:					
22	Other Earmarked Reserves	(1,038)	(95)			
23	Transformation Fund - DP Project (Staffing)	(50)				
24	Transformation Fund- to balance the budget	(329)				
25	New Homes Bonus - to balance the budget	(866)	(680)	(716)	(864)	(864)
26	S31 Business Rates Grant	(797)	(900)	(900)	(900)	(900)
27	Government Support					
28	(a) Baseline business rates	(2,488)	(2,103)	(2,103)	(2,103)	(2,103)
29	(b) B/Rates – growth/pooling benefit	(206)	(206)	(206)	(206)	(206)
30	(c) B/Rates prior yr deficit	1,256				
31	(d) RSG Tariff	-	-	-	-	-
32	(e) Rural Services Delivery Grant	-	(182)	(182)	(182)	(182)
33	Collection Fund surplus	(12)	(12)	(12)	(12)	(12)
34	Council Tax (£5 increase to Band D)	(5,125)	(5,381)	(5,628)	(5,881)	(6,141)
35	Growth in taxbase	(89)	(78)	(82)	(86)	(90)
36	Total Funding	(9,744)	(9,636)	(9,829)	(10,234)	(10,498)
37	2019/20	0	654	654	654	654
38	2020/21			239	239	239
39	2021/22				49	49
40	2022/23					220
41	Shortfall in funding / (Surplus Funds) - cumulative	0	654	893	942	1,162
42	Estimated New Homes Bonus (5 year average of No of houses built)		(517)	(414)	(423)	(423)
43	Estimated New Homes Bonus (projected completions)		(948)	(1,299)	(1,629)	(1,629)
44	Minimum New Homes Bonus		(680)	(716)	(864)	(864)
45	Council Taxbase	1.03%	1.50%	1.50%	1.50%	1.50%
46	Band D Council Tax	3.25%	3.15%	3.05%	2.96%	2.88%
47	Band D Council Tax	£158.86	£163.86	£168.86	£173.86	£178.86

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	-	10,290		10,722	11,176	11,660
Funding	-	(9,473)		(9,526)	(9,793)	(10,056)
(Surplus) / Deficit - 5 year average No of houses built	-	817		1,196	1,384	1,603

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	-	10,290		10,722	11,176	11,660
Funding	-	(9,905)		(10,412)	(10,999)	(11,262)
(Surplus) / Deficit - projected completions	-	386		310	178	398

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

Appendix C

Transformation 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
	CONTINUING PROJECTS											
	Assets & Investments											
1	Strategic Leisure Review - comprehensive condition survey of all 4 leisure facilities to understand future costs requirements. Additional Resources for; Phase 1 - will be informed by the evidence from the strategic review of our built sports facilities and playing pitches (which is due to complete in October 2015), and will allow us to undertake a joint leisure strategy and investment plan for both Councils. Phase 2 - to undertake an independent review of the current contractual arrangements (with SLM and SSL) and deliver future delivery options in line with the strategy. This will involve a review of all existing legal and contractual documentation, leases and management agreements, options appraisal, and our capital investment strategy for these assets and for making recommendations Funding to pay for two Leisure Industry specialists (Project Manager for phase 1, external consultant for phase 2)	Chris Fry	May-16	126,100	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
	Business Growth											
4	To support the installation of one or more Electric Vehicle (EV) charging points - Sudbury. Babergh only - Capital	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. BDC Only	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. MSDC only	Lee Carvell	Oct-17	50,000	0	0	0	0	0	-50,000		50,000

Appendix C

Transformation 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	
CONTINUING PROJECTS												
Community Capacity Building												
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
Efficient Organisation												
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. MSDC only	Lee Carvell	Apr-17	9,257	0	0	0	0	0	-9,257		9,257
Efficient Organisation												
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		
Housing Delivery												
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
Housing Delivery/Business Growth												
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
Housing Delivery/Business Growth												
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		
General Transformation - other projects												
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
CONTINUING PROJECTS SUB-TOTAL				1,840,717	714,041	789,003	39,543	71,375	1,613,962	-226,755		
COMPLETED PROJECTS SUB-TOTAL -SEE BELOW				3,267,638	600,359	2,591,416	1,682	7,181				
				5,108,355	1,314,400	3,380,419	41,225	78,557	1,613,962	-226,755	223,248	267,727

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
General Fund					
Carry Forwards	(224)		224	(94)	(94)
Transformation Fund	(655)		2,033	(1,663)	(285)
Business Rates Equalisation Reserve	(788)		1,256		468
Strategic Planning	(339)			(10)	(349)
Government Grants	(248)				(248)
Homelessness	(259)		54		(205)
Commuted Maintenance Payments	(232)		50		(182)
Community Infrastructure Levy (CIL)	(2,496)				(2,496)
Elections Fund	(50)			(10)	(60)
Planning Enforcement	(20)				(20)
Growth & Sustainable Planning	(20)				(20)
Planning (Legal)	(123)		59		(64)
Waste	(119)			(27)	(146)
Revocation of personal search fees	(55)				(55)
Total General Fund	(5,627)	-	3,676	(1,804)	(3,755)

Note; without the transfer to reserve of any 2018/19 surplus the Business Rates Equalisation Reserve will be £468k 'overdrawn'

Appendix E

BABERGH 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
Supported Living						
Mandatory Disabled Facilities Grant	409	13	422	108	400	-22
Discretionary Housing Grants	100	0	100	23	100	0
Empty Homes Grant	100	199	299	21	299	0
Total Supported Living	609	212	821	153	799	-22
Planning for Growth						
Grants for Affordable Housing	0	400	400	0	100	-300
Total Planning for Growth	0	400	400	0	100	-300
Environment and Projects						
Replacement Refuse Freighters - Joint Scheme	185	60	245	10	238	-7
Recycling Bins	65	-15	50	49	50	-0
LED Streetlights	0	44	44	0	44	0
Electric Vehicle Charging Points	0	0	0	4	4	4
Total Environment and Projects	250	89	339	63	337	-3
Communities and Public Access						
Community Development Grants	117	175	292	32	292	0
Play Equipment	50	100	150	0	150	0
Planned Maintenance / Enhancements - Car Parks	36	0	36	0	3	-33
Total Community Services	203	275	478	32	445	-33
Leisure Contracts						
Total Leisure Contracts	1,412	0	1,412	128	1,163	-250
Capital Projects						
Planned Maint / Enhancements - Other Corp Buildings	48	0	48	0	48	0
Total Capital Projects	48	0	48	0	48	0
Investment and Commercial Delivery						
	0					
Land assembly, property acquisition and regeneration opportunities	2,973	3,595	6,568	81	333	-6,235
Total Investment and Commercial Delivery	2,973	3,595	6,568	81	333	-6,235
Corporate Resources						
	0					
ICT - Hardware / Software costs	200	150	350	51	350	0
Total Corporate Resources	200	150	350	51	350	0
Delivery Programme Investment Opportunities	0	12,667	12,667	0	12,667	0
Total General Fund Capital Spend	5,696	17,389	23,084	508	16,241	-6,843