

## MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b> Cabinet	<b>REPORT NUMBER:</b> <b>MCa/18/66</b>
<b>FROM:</b> Councillor John Whitehead, Cabinet Member for Finance	<b>DATE OF MEETING:</b> 4 March 2019
<b>OFFICER:</b> Melissa Evans, Corporate Manager, Finance	<b>KEY DECISION REF NO.</b> CAB59

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

#### 1. PURPOSE OF REPORT

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

#### 2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are;
- Transfer surplus funds of £1,939k to the Growth and Efficiency (GEF) reserve.
  - Transfer surplus funds of £1,939k to the Business Rates Equalisation reserve.
  - Transfer surplus funds of £1,218k to the Business Rates Equalisation reserve, surplus funds of £767k to the Growth and Efficiency reserve and net transfers of £46k from specific earmarked reserves as detailed in 3.1(a) below.
  - At this 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 £1,939k be noted;
- Transfer from reserves of £46k being the net amount for the following specific earmarked reserves, referred to in section 5.8 and Appendix C of this report;
    - £208k **to** Joint Local Plan (a new earmarked reserve)
    - £33k **to** Waste
    - £30k **to** Carry Forwards (Leisure Contract)
    - £13k **to** Government Grants (other items – Better Business for All)
    - £10k **to** Elections
    - £237k **from** Planning for appeal costs
    - £40k **from** Government Grants (Policy Strategy, Health and Well-being)
    - £33k **from** Homelessness

- £30k **from** Commuted Maintenance

b) Of the remaining balance of the General Fund surplus £767k be transferred to the Growth and Efficiency Fund and £1,218k to the Business Rates Equalisation reserve, as referred to in section 2.1 (c).

#### **REASON FOR DECISION**

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

## **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 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) or in 2017/18 the Business Rates Equalisation Reserve. For 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 5.12 and Appendix A 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.

- 4.3 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 December 2018 Position

- 5.1 Based upon financial performance and information from April to December (with 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; and
- 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 December, collection rates were 85.79%, compared with 86% 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 December, collection rates were 84.73% compared with 85.89% 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 £294k, a favourable variance of £143k.

5.6 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 savings from 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 £1,939k 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 £1,218k is attributable to Business Rates, £539k of which is one-off as a result of the pilot. As mentioned in 4.3 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 £1,939k, an increase of £291k since the previous report. The improved favourable position can be attributed to Business Rates (£338k). A number of the forecast variances identified within this report have been taken into consideration when setting the budgets for 2019/20.

<b>Explanation</b>	<b>August 2018 (£,000) (Favourable) / Adverse</b>	<b>December 2018 (£,000) (Favourable) / Adverse</b>	<b>Movement (£,000) (Favourable) / Adverse</b>
<b>Strategic Planning</b> <ul style="list-style-type: none"> <li>• Income for the 5% administrative charge for the operating of CIL is a favourable variance of £163k, an increase of £111k since the previous report. The position is based on actual CIL income received to December 2018 and not a full year forecast. This area is difficult to forecast due to its unpredictable nature.</li> <li>• A favourable variance of £126k for professional fees and legal costs associated with the Joint Local Plan is expected, an increase of £15k since the previous report. Dependent upon the final outturn position, it will be recommended to transfer any favourable variance to a new earmarked reserve.</li> <li>• Community Housing Fund - expenditure is budgeted for and met from the earmarked reserve.</li> </ul>	(158)	(443)	(285)

Explanation	August 2018 (£,000) (Favourable) / Adverse	December 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<p>Anticipated spend for 2018/19 is much lower than expected, resulting in £93k less to be transferred from the earmarked reserve.</p> <ul style="list-style-type: none"> <li>A favourable variance of £82k for examination stage costs of the Joint Local Plan is anticipated. Dependent upon the final outturn position, it will be recommended to transfer any favourable variance to the new earmarked reserve as mentioned above.</li> <li>Other items (net) – an adverse variance of £21k.</li> </ul>			
<p><b>Capital Financing Costs</b></p> <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 element for Gateway14 Ltd (£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)	-
<p><b>Gateway 14 Ltd</b></p> <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 £286k.</li> </ul>	(262)	(286)	(24)
<p><b>CIFCO</b></p> <ul style="list-style-type: none"> <li>The favourable position previously reported, has reduced by £148k to a favourable variance of £85k. This can be broken down as follows; <ul style="list-style-type: none"> <li>a) a change in the timing of purchases compared to the budget assumption (now assuming full investment by March 2019 not December 2018).</li> <li>b) borrowing costs being higher than expected due to the change from short term to longer term borrowing.</li> </ul> </li> </ul>	(233)	(85)	148

Explanation	August 2018 (£,000) (Favourable) / Adverse	December 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
The budget assumption was an average borrowing rate of 0.76% (short-term) compared with an average 2.22% (long-term).			
<p><b>Waste</b></p> <ul style="list-style-type: none"> <li>• A favourable variance for the Material Recycling Facility (MRF) of £33k is anticipated, a nominal increase since the previous report. Dependent upon the final outturn position, it will be recommended to transfer any favourable variance to the waste earmarked reserve (current balance £160k).</li> <li>• Refuse Sacks – a favourable variance of £21k is anticipated, a decrease of £3k since the previous quarter. 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 recyclate is collected has reduced from 5 days to 3 days resulting in lower contract costs and a favourable variance of £26k, a decrease of £12k since the previous 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, no change since the previous 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>• 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.</li> </ul>	(55)	(47)	8

Explanation	August 2018 (£,000) (Favourable) / Adverse	December 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<p>It is anticipated that both property numbers and subscribers will increase during 2018/19 resulting in an adverse variance of £15k. There remains no change since the previous report.</p> <ul style="list-style-type: none"> <li>Other items (net) – an adverse variance of £10k.</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. The budget for 2019/20 has been adjusted accordingly.</li> <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 £2k.</li> </ul>	(50)	(44)	6
<p><b>Elections</b></p> <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)	-
<p><b>Sustainable Environment</b></p> <ul style="list-style-type: none"> <li>Income received from pre-application planning advice is expected to result in a favourable variance of £12k. This was not budgeted in 2018/19 and has been reflected in the budget for 2019/20.</li> <li>A favourable variance of £13k for legal expenses and contracted services is expected.</li> <li>Other items (net) – a favourable variance of £10k.</li> </ul>	-	(35)	(35)

<b>Explanation</b>	<b>August 2018 (£,000) (Favourable) / Adverse</b>	<b>December 2018 (£,000) (Favourable) / Adverse</b>	<b>Movement (£,000) (Favourable) / Adverse</b>
<p><b>Leisure Contract</b></p> <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 £5k.</li> </ul> <p>It is recommended that the overall favourable variance of £30k be carried forward to 2019/20 to support the ongoing work on the Strategic Leisure Review.</p>	(35)	(30)	5
<p><b>Investment Income (net) - CCLA, UBS, Schroeder and Funding Circle</b></p> <ul style="list-style-type: none"> <li>A net favourable variance of £28k is anticipated, an increase of £8k since the previous report. This can be attributed to an improved base rate position of 0.75% compared to budget (0.5%) which has positively affected UBS and Schroeder. CCLA is performing lower than budget; this is expected to continue as the property sector's upward momentum has all but ceased and growth in the industrial sector has been offset by falling retail rents. The expected favourable positions of Schroeder and UBS continue to help mitigate the poorer CCLA performance.</li> </ul>	(20)	(28)	(8)
<p><b>Other items (net) – a favourable variance of £18k.</b></p> <p>This includes a favourable variance of £13k for Better Business for All. It is recommended that this be transferred to the Government Grants earmarked reserve at year end.</p>	49	(18)	(67)
<p><b>Community Development – Countryside</b></p> <ul style="list-style-type: none"> <li>A favourable variance is expected of £6k. This is a reduction of £15k since the previous report. The main reason being ad hoc expenditure of £4k for the replacement of the sewerage pump at Needham Market Lake Toilets and £2k for tree maintenance also at Needham Market Lake.</li> </ul>	(21)	(6)	15

Explanation	August 2018 (£,000) (Favourable) / Adverse	December 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
The remaining change of £8k, is made up of a number of smaller items.			
<b>Development Management</b> <ul style="list-style-type: none"> <li>• Planning income – a favourable variance of £193k is expected, an improvement of £49k since the previous 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 £98k, a small improvement of £5k since the previous report.</li> <li>• Appeal related costs are expected to be significant resulting in an adverse variance of £237k, an increase of £115k since the previous report. It is recommended that these costs be funded from the Planning earmarked reserve.</li> <li>• Other items (net) – a favourable variance of £15k.</li> </ul>	97	127	30
<b>ICT costs</b> <ul style="list-style-type: none"> <li>• An adverse variance of £58k is expected due to costs associated with Skype not being identified or budgeted for. This is an ongoing pressure which has not been included as part of the 2019/20 budget.</li> <li>• Following a review of the BT telephone lines in operation across the Council's various properties an adverse variance of £39k is expected, an increase of £17k since the previous report.</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, but there are 7 in use across the Council.</li> </ul>	33	127	94

Explanation	August 2018 (£,000) (Favourable) / Adverse	December 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<p>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 in an adverse variance of £6k.</p> <ul style="list-style-type: none"> <li>Other items (net) – an adverse variance of £24k.</li> </ul>			
<p><b>Democratic Services</b></p> <ul style="list-style-type: none"> <li>There has been little change since the previous report, a nominal £2k improvement as a result of other items (net).</li> </ul>	102	100	(2)
<p><b>PV Panels</b></p> <ul style="list-style-type: none"> <li>Income generated from PV panels is expected to be lower than budget resulting in an adverse variance of £54k. Additional resource has been made available to help identify any outstanding monies due and to support both accurate budget setting and forecasting of income and expenditure going forward.</li> <li>Contract costs for the data provision, energy metering and monitoring of the Council's PV panels are expected to result in an adverse variance of £46k, an increase of £5k since the previous report. The budget for 2019/20 has been adjusted accordingly.</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 £9k, an improvement of £4k since the previous report.</li> <li>Other items (net) – a favourable variance of £8k.</li> </ul>	57	101	44
<p><b>Open Spaces</b></p> <ul style="list-style-type: none"> <li>Replacement protective clothing has been purchased for employees of the Grounds Maintenance Team resulting in an adverse variance of £11k.</li> </ul>	(11)	46	57

Explanation	August 2018 (£,000) (Favourable) / Adverse	December 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
<p>This is one-off expenditure for 2018/19, however, there will be an ongoing budget requirement to replace protective clothing every 3 to 4 years.</p> <ul style="list-style-type: none"> <li>• An adverse variance of £13k is anticipated due to the purchase of 3 pieces of machinery to maintain open spaces and sports fields within the District.</li> <li>• The cost of plant and vehicle fuel is expected to be higher than budget resulting in an adverse variance of £11k.</li> <li>• Plant and vehicle repairs and maintenance – an adverse variance of £7k is anticipated due to a number of ad hoc repairs required during the year.</li> <li>• Other items (net) – an adverse variance of £4k.</li> </ul> <p>It is recommended that £30k of the overall adverse variance be funded from the Commuted Maintenance earmarked reserve.</p>			
<p><b>Policy Strategy Health and Well-being</b></p> <ul style="list-style-type: none"> <li>• In 2014/15 and 2015/16, the Council received grants from Public Health England (£84k) which were not spent and so transferred to an earmarked reserve (Government Grants) for use in future years. The aim of the grant is to support Public Health and the Health and Well-being strategies. It is recommended that the Council utilise the earmarked reserve (£40k) in 2018/19 to support expenditure within the service for GP referrals at Stradbroke and Debenham leisure Centres and the Active Well-being project.</li> <li>• Other items (net) – an adverse variance of £5k.</li> </ul>	-	45	45
<p><b>Health and Safety</b></p> <ul style="list-style-type: none"> <li>• An adverse variance of £36k is expected, an improvement of £11k since the previous report.</li> </ul>	47	36	(11)

<b>Explanation</b>	<b>August 2018 (£,000) (Favourable) / Adverse</b>	<b>December 2018 (£,000) (Favourable) / Adverse</b>	<b>Movement (£,000) (Favourable) / Adverse</b>
The change can be attributed to an expected reduction to the costs associated with Skyguard Lone working (£10k).			
<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, resulting in an adverse variance of £33k.</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>	36	33	(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 expected adverse variance of £32k. This is an improvement of £9k since the last report and costs are one-off for 2018/19.</li> </ul>	41	32	(9)
<b>Building Control</b> <ul style="list-style-type: none"> <li>Income – based on application fees received to date, the service is anticipating an adverse variance of £34k, an increase of £27k since the previous report. To help improve the performance of the Councils building control service, a Suffolk-wide bid was submitted to the Suffolk TCA fund for a 2-year business development officer post which was successful and has now been recruited to.</li> <li>Other items (net) – a favourable variance of £4k.</li> </ul>	12	30	18
<b>Finance</b> <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.</li> </ul>	22	20	(2)

Explanation	August 2018 (£,000) (Favourable) / Adverse	December 2018 (£,000) (Favourable) / Adverse	Movement (£,000) (Favourable) / Adverse
Remedial action has been taken to sign-post alternative methods of payment, but despite this an adverse variance of £20k is expected for 2018/19, a small improvement since the last report. The budget for 2019/20 has been adjusted accordingly.			
<b>Suffolk Office of Data and Analytics</b> <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). An adverse variance of £20k is expected, no change since the previous report. The budget for 2019/20 has been amended.</li> </ul>	20	20	-
<b>Car Parks</b> <ul style="list-style-type: none"> <li>• Grounds and Site Maintenance - a favourable variance of £15k is anticipated for miscellaneous ad hoc works. This expected favourable variance can help to mitigate the adverse variances mentioned below for both income and tools and equipment.</li> <li>• Tools and equipment - an adverse variance of £10k is expected. This can be attributed to service and maintenance costs associated with the car park ticket machines (£7.5k) which should have been accounted for in 2017/18. The installation of a new machine at the Asda Car Park in Stowmarket was required due to an accident (£2.5k). It is possible that we will receive reimbursement from our insurers, but this has not been included within the forecast.</li> <li>• An income shortfall of £10k is anticipated for Excess Charge Notices (fines). This area is difficult to predict due to its uncertain nature.</li> <li>• Other items (net) – an adverse variance of £3k.</li> </ul>	(15)	8	23

<b>Explanation</b>	<b>August 2018 (£,000) (Favourable) / Adverse</b>	<b>December 2018 (£,000) (Favourable) / Adverse</b>	<b>Movement (£,000) (Favourable) / Adverse</b>
<p><b>Business Rates</b></p> <ul style="list-style-type: none"> <li>• 2018/19 Baseline Business Rates net-of Government tariff and levy is expected to result in a favourable variance of £226k. This is based on latest intelligence available including the NNDR1 and has resulted in an improvement of £420k since the previous report.</li> <li>• Business Rates Pooling Benefit – an estimated pooling benefit of £294k is anticipated, a favourable variance of £143k.</li> <li>• The impact of the Business Rates Pilot is an additional benefit to the Council over and above the earmarked growth in the form of S31 grants of £849k, a reduction of £112k since the last report. The majority of S31 grant (£539k) 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% (£637k).</li> <li>• an increase in Rural Rate Relief (£46k).</li> <li>• receipt of additional discretionary grants (£166k).</li> </ul>	(880)	(1,218)	(338)
<b>Sub-total Favourable Variance</b>	<b>(1,648)</b>	<b>(1,939)</b>	<b>(291)</b>

### **Community Infrastructure Levy (CIL)**

- 5.9 CIL income received by the Council between April and December 2018 is £2,318k. 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.

## Growth and Efficiency Fund (GEF)

- 5.10 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 B.
- 5.11 Commitments in 2018/19 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>	
Strategic Purchase - Stowmarket	(1,484)
New Homes Bonus to balance the budget *	(354)
Community Capacity Building *	(259)
Planning (Stalled Sites) / DFGs & Tree Planting *	(110)
Transfer to Strategic Planning reserve - Habitat Regulation Assessment (New Burdens Funding)	(17)
Actual spend - April to December 2018	(135)
Actual Spend - Delivery Plan projects (Staffing) *	(20)
Other commitments	(175)
<i>* identified in 2018/19 budget</i>	
<b>Balance after full spend (current projects)</b>	<b>8,637</b>
<u>New Projects Allocated</u>	
Battery storage	(223)
Vision for Stowmarket	(200)
Shop front & access improvement grants	(350)
Strategic Investment Fund	(3,000)
Regal Theatre *	(2,575)
<b>Total new projects allocated</b>	<b>(6,348)</b>
<b>Remaining unallocated GEF Balance</b>	<b>2,289</b>

## Business Rates Retention Pilot

- 5.12 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 December 2018.

## Earmarked Reserves

5.13 Earmarked reserve balances total £16.6m as at 1 April 2018. Appendix C 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 movements detailed in section 5.11.

## Capital

5.14 Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.

5.15 With complex capital schemes it is difficult to accurately assess the level of payments that will be made during the financial year. Members should continue to 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.

5.16 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, a further £10.4m is expected to be invested by 31 March 2019 and the remainder invested early in the new financial year.

5.17 Capital expenditure for the period April to December 2018 totals £2.4m, against a revised programme (including carry forwards) of £9.3m, excluding the £12.7m for CIFCO and £16.5m for Gateway 14 Ltd (invested from August 2018), as set out in Appendix D. The anticipated spend for 2018/19 against the £9.3m is £4.7m resulting in a favourable variance of £4.6m. The main variances that contribute to the £4.6m favourable position are set out below:

- **Regal Theatre Regeneration** – this budget is not likely to be spent this year, so there will be a requirement to carry forward £2,575k for use in 2019/20 and beyond.
- **Leisure Centres** – a favourable variance of £355k 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 £350k 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.
- **Disabled Facilities Grant (DFG)** – ongoing issues with the service provider of this Countywide contract is expected to result in reduced expenditure for 2018/19 and so an underspend of £247k is anticipated.

- **Community Grants** – historically, any unspent grant money has been carried forward for use in future years. Following a review of the grants allocation process, only expenditure that is genuinely committed will be carried forward for use in 2019/20 resulting in a favourable variance of £233k.
- **Grants for Empty Homes** – the Council is pro-active in working with home owners to bring empty homes back into use. This includes offering grants to assist with repairs. This area is difficult to predict resulting in an under spend of £204k which will be carried forward for use in 2019/20.
- **Electric Vehicle (EV) Charging Points** – following a grant initiative from Highways England to improve its Strategic Network, Mid Suffolk is working with other Local Authorities to increase the number of EV charging points. A favourable variance of £201k is anticipated, but there will be a requirement to carry forward any unspent monies for use in 2019/20.
- **Land assembly, property acquisition and regeneration opportunities** – a favourable variance of £184k 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.
- **ICT costs** – a favourable variance of £178k is expected. A carry forward request will be required to support a number of projects in 2019/20 including a full capital refresh, enabling customer services and data capture.
- **Other items (net)** – a favourable variance of £137k 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 number 5d of the Council's Significant Risk Register – If we do not understand our financial position and respond in a timely and effective 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 – Growth and Efficiency Fund	Attached
APPENDIX C – Earmarked Reserves	Attached
APPENDIX D – 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 2018/19 – MCa/18/18

5 November 2018 General Fund Financial Monitoring 2018/19 (April to August 2018) – MCa/18/37

## 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	9
2	Town Centre Redevelopment Stowmarket (Former Nat West Bank)	240	23
3	Tech Hub – Stowmarket / A14 Corridor / Enterprise Zone	200	21
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>203</b>

## Appendix B

### Growth and Efficiency Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2017/18		Apr 18 - Dec 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	186,100	58,500	57,910	21,735	21,735	159,880	-26,220	13,110	13,110
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	123	123	177,562	41,277		
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		0	0	25,225	-18,775	18,775	
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	5,354	0	16,782	-5,218	5,218	
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	20,309	20,309	327,314	-100,456	6,757	6,757
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
<b>Community Capacity Building</b>												
8	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
9	New engagement post within Communities to support the development of key sites	Ann Hunter	Apr-18	35,000	0	0	16,820	16,820	33,640	-1,360	680	680

## Appendix B

### Growth and Efficiency Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2017/18		Apr 18 - Dec 18		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
<b>CONTINUING PROJECTS</b>												
<b>Community Capacity Building</b>												
10	To support delivery of the partnership programme to be delivered by the Mix in Stowmarket including 1) work with local businesses to develop a programme supporting work readiness and experience for young people designed around business need 2) Offer life coaching, employment support and work readiness skills via drop in and outreach work to 16 -24 year olds in Mid Suffolk to support <b>MSDC only</b>	Lee Carvell	Apr-17	36,257	0	0	0	0	0	-36,257		36,257
<b>Environment and Leisure</b>												
11	LED replacement for streetlights/carpark lights, funding of the capital expenditure to install LED fittings. <b>(Capital)</b>	J Buckingham	Dec-16	88,750	0	0	55,409	31,357	86,765	-1,985		
<b>Housing Delivery/Business Growth</b>												
12	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
13	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	14,423	50,933	391,565	-83,435	41,717	41,717
14	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
15	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>												
16	- Other	Melissa Evans			16,643	185,271	0	0	201,914	201,914		
17	FISONs Building - dangerous structure. Cost of survey	Paul Hughes		10,000	0	0	0	6,190	6,190	-3,810		3,810
<b>CONTINUING PROJECTS SUB-TOTAL</b>				<b>1,808,467</b>	<b>641,887</b>	<b>718,254</b>	<b>134,173</b>	<b>147,466</b>	<b>1,641,780</b>	<b>-166,686</b>		
<b>COMPLETED PROJECTS SUB-TOTAL</b>				<b>3,267,638</b>	<b>600,359</b>	<b>2,591,416</b>	<b>608</b>	<b>562</b>				
				<b>5,076,105</b>	<b>1,242,246</b>	<b>3,309,670</b>	<b>134,781</b>	<b>148,028</b>	<b>1,641,780</b>	<b>-166,686</b>	<b>157,426</b>	<b>173,498</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)		263	(30)	(30)
Growth and Efficiency Fund	(9,318)	17	8,885	(3,091)	(3,507)
Business Rates Equalisation Reserve	(1,987)		957	(767)	(1,797)
Government Grants	(204)		40	(13)	(177)
Homelessness	(360)		33		(327)
Welfare Benefits Reform	(211)				(211)
Commuted Maintenance Payments	(311)		30		(281)
Elections Fund	(64)			(10)	(74)
Planning Enforcement	(20)				(20)
Growth & Sustainable Planning	(351)		82		(269)
Planning (Legal)	(155)		155		-
Strategic Planning	(350)	(17)			(367)
Joint Local Plan	-			(208)	(208)
Community Infrastructure Levy	(2,474)				(2,474)
Revocation of personal search fees	(50)				(50)
Repairs and Renewals	(292)				(292)
Eric Jones House	(46)				(46)
Waste	(160)			(33)	(193)
<b>Total General Fund</b>	<b>(16,616)</b>	<b>-</b>	<b>10,445</b>	<b>(4,152)</b>	<b>(10,323)</b>

Note: includes the recommended transfers to GEF (£1,218k) and the Business Rates Equalisation Reserve (£767k) shown in section 3.1 (b).

## Appendix D

MID SUFFOLK CAPITAL PROGRAMME 2018/19	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend Apr - Dec	Full Year Forecast	Full Year Forecast LESS Budget
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000
<b>Supported Living</b>						
Mandatory Disabled Facilities Grant	376	71	447	147	200	-247
Discretionary Housing Grants	100	35	135	56	135	0
Empty Homes Grant	100	144	244	38	40	-204
<b>Total Supported Living</b>	<b>576</b>	<b>250</b>	<b>826</b>	<b>240</b>	<b>375</b>	<b>-451</b>
<b>Planning for Growth</b>						
Grants for Affordable Housing	0	500	500	101	150	-350
<b>Total Planning for Growth</b>	<b>0</b>	<b>500</b>	<b>500</b>	<b>101</b>	<b>150</b>	<b>-350</b>
<b>Environment and Projects</b>						
Replacement Refuse Freighters - Joint Scheme	0	0	0	0	0	0
Recycling Bins	80	63	143	60	60	-83
LED Streetlights	0	44	44	31	31	-13
Electric Vehicle Charging Points	396	0	396	41	195	-201
<b>Total Environment and Projects</b>	<b>476</b>	<b>107</b>	<b>583</b>	<b>132</b>	<b>286</b>	<b>-297</b>
<b>Communities and Public Access</b>						
Planned Maintenance / Enhancements - Car Parks	162	-60	102	63	69	-33
Streetcare - Vehicles and Plant Renewals	44	0	44	59	59	15
Play Equipment	25	25	50	0	25	-25
Community Development Grants	189	150	339	69	106	-233
<b>Total Communities and Public Access</b>	<b>420</b>	<b>115</b>	<b>535</b>	<b>191</b>	<b>259</b>	<b>-276</b>
<b>Leisure Contracts</b>						
<b>Total Leisure Contracts</b>	<b>485</b>	<b>60</b>	<b>545</b>	<b>131</b>	<b>190</b>	<b>-355</b>
<b>Capital Projects</b>						
Planned Maintenance - Corporate Buildings	80	0	80	15	70	-10
<b>Total Capital Projects</b>	<b>80</b>	<b>0</b>	<b>80</b>	<b>15</b>	<b>70</b>	<b>-10</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	0	-2,575
Land assembly, property acquisition and regeneration opportunities	1,925	1,391	3,316	1,474	3,132	-184
Wingfield Barns	0	0	0	41	41	41
<b>Total Investment and Commercial Delivery</b>	<b>4,530</b>	<b>1,391</b>	<b>5,921</b>	<b>1,516</b>	<b>3,173</b>	<b>-2,748</b>
<b>Corporate Resources</b>						
ICT - Hardware / Software costs	200	150	350	150	172	-178
<b>Total Corporate resources</b>	<b>200</b>	<b>150</b>	<b>350</b>	<b>150</b>	<b>172</b>	<b>-178</b>
<b>CIFCO</b>	<b>0</b>	<b>12,667</b>	<b>12,667</b>	<b>10,445</b>	<b>10,445</b>	<b>-2,222</b>
<b>Gateway 14 Ltd</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>29,427</b>	<b>31,627</b>	<b>-6,886</b>