

## BABERGH DISTRICT COUNCIL

<b>TO:</b> Cabinet	<b>REPORT NUMBER:</b> <b>BCa/19/2</b>
<b>FROM:</b> Cabinet Member for Finance	<b>DATE OF MEETING:</b> 13 June 2019
<b>OFFICER:</b> Katherine Steel, Assistant Director, Corporate Resources Melissa Evans, Corporate Manager, Finance Sharon Bayliss, Senior Finance Business Partner	<b>KEY DECISION REF NO.</b> CAB123

### GENERAL FUND FINANCIAL OUTTURN 2018/19

#### 1. PURPOSE OF REPORT

- 1.1 This report summarises the 2018/19 financial outturn for the General Fund and Capital Programme.
- 1.2 This is subject to the external auditors' report on the Statement of Accounts for the year, which will be presented to the Joint Audit and Standards Committee later in the year once the audit is complete.
- 1.3 Key changes since the previous report total £1.452m. This can be broken down as follows; additional Business Rates S31 grants (£846k), Revenues and Benefits (including Housing Benefit Subsidy £287k), recharges to HRA and Capital (£171k) and an increase to planning fee income (£112k).

#### 2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are;
  - a) Transfer of surplus funds of £2.281m to the Transformation Fund.
  - b) Transfer of surplus funds of £2.281m to the Business Rates Equalisation Reserve
  - c) Transfer surplus funds of £1.846m to the Business Rates Equalisation reserve as explained further in the table in section 5.4, surplus funds of £293k to the Transformation Fund and net transfers of £143k to specific earmarked reserves as detailed in 3.2(a) below.
  - d) To recommend carry forward requests for the General Fund (£75k) and Capital (£7.850m).

### **3. RECOMMENDATIONS**

- 3.1 That the 2018/19 financial outturn as set out in this report be noted.
- 3.2 That, the following net transfers of £2.281m be noted;
- a) Transfer to reserves of £143k being the net amount, for the following specific earmarked reserves, referred to in section 5.7 and Appendix C of this report;
  - b) Of the remaining balance of the General Fund surplus £1.846m be transferred to the Business Rates Equalisation reserve and £293k to the Transformation Fund, as referred to in section 2.1 (c).
- 3.3 That the General Fund carry-forward requests totalling £75k referred to in paragraph 5.8 of this report be approved.
- 3.4 That the total Capital carry-forward requests referred to in paragraphs 5.16 of this report totalling £7.850m be approved.

#### **REASON FOR DECISION**

**To ensure that Members are kept informed of the outturn position for both General Fund Revenue and Capital and to approve the carry forward requests.**

### **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 Funding arrangements for councils have changed significantly; Babergh has seen a 92.7% cumulative cut in revenue support grant over the five years from 2013/14 to 2018/19. 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 or in 2017/18 the Business Rates Equalisation Reserve.

- 4.3 For 2018/19 Babergh was part of the Suffolk Business Rates Pilot, for retention of 100% of growth. The financial benefits were shared between the councils in Suffolk and a proportion used to achieve sustainable economic growth. Babergh benefited from an additional £1.370m in retained business rates to spend on various growth initiatives as set out in 5.10 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.
- 4.4 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. 2018/19 Outturn Position**

### **5.1 In relation to funding:**

- (a) Council Tax (£5.2m): at the end of March, collection rates were 98.45%, compared with 98.5% for the previous year. The collecting of Council Tax remains challenging, especially from those receiving Council Tax reductions under the Local Council Tax Reduction Scheme (LCTR).
- (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 as explained further in the table in 5.4.
- (c) Business Rates: at the end of March, collection rates were 98.62% compared with 98.47% for the previous year.
- (d) Based on the final outturn position from Suffolk County Council the Business Rates Pool position will be £277k, a favourable variance of £71k.

5.2 The unaudited accounts show a favourable variance (reduced expenditure and/or increased income) of £2.281m. This is before the proposed reserve transfers as set out in paragraph 5.7 and Appendix C. The favourable variance can mainly be attributed to; Business Rates including S31 grants (£1.846m), Strategic Planning (£342k) and other items net (£93k). It is worth noting that expenditure on services is generally in line with the budget.

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

Service Area	Revised	Original	Other		Total Reserve Adjustments	Revised	Revised
	Budget	Actual	Earmarked Reserve Adj	Carry Forwards		Actual	Actual LESS Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
BMS Invest	88	271	-	-	-	271	183
Corporate Resources	2,578	2,505	-	18	18	2,523	(55)
Customer Services	1,458	1,511	-	-	-	1,511	53
Economic Development and Regeneration	154	159	(12)	-	(12)	147	(7)
Environment Commercial Partnerships	3,287	3,217	(50)	8	(42)	3,174	(112)
Housing	173	448	(16)	-	(16)	432	259
Law and Governance	991	1,020	35	-	35	1,055	64
Planning for Growth	1,759	1,126	186	49	235	1,362	(397)
Senior Leadership Team	690	723	-	-	-	723	32
<b>Net expenditure on services ***</b>	<b>11,177</b>	<b>10,979</b>	<b>143</b>	<b>75</b>	<b>218</b>	<b>11,197</b>	<b>20</b>
Recharge to HRA	(1,106)	(1,262)			-	(1,262)	(157)
Recharge to Capital	(227)	(242)			-	(242)	(15)
Capital financing costs	46	(131)			-	(131)	(176)
Transfers to / (from) reserves	(1,564)	(1,453)	(143)	(75)	(218)	(1,672)	(108)
<b>Total budget requirement ***</b>	<b>8,327</b>	<b>7,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,892</b>	<b>(435)</b>
Council Tax	(5,214)	(5,214)				(5,214)	-
Collection fund (Surplus)	(12)	(12)				(12)	-
Business Rates less Tariff	(2,488)	(2,607)				(2,607)	(119)
Business Rates - Pooling Benefit	(206)	(277)				(277)	(71)
17/18 distribution of deficit	1,256	1,256				1,256	-
S31 Grant	(797)	(2,453)				(2,453)	(1,656)
New Homes Bonus	(866)	(866)				(866)	-
<b>Total funding</b>	<b>(8,327)</b>	<b>(10,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,173)</b>	<b>(1,846)</b>
<b>Total Favourable variance</b>	<b>-</b>	<b>(2,281)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,281)</b>	<b>(2,281)</b>

\*\*\* Actual expenditure and budgets from the Transformation Fund have been excluded from the table above. Full details of spend in 2018/19 are detailed in Appendix B.

5.4 The table below shows in detail the items that are included in the net favourable variance of £2.281m. A number of these have been reported in previous budgetary control reports to Cabinet. December 2018 variances have been included for comparison. Most of the variances identified within this report have been taken into consideration when setting the budgets for 2019/20.

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<b>Strategic Planning</b>	(239)	(342)	(103)
<ul style="list-style-type: none"> <li>Income for the 5% administrative charge for the operation of CIL is a favourable variance of £94k, an increase of £26k since the previous report.</li> <li>A favourable variance of £159k for professional fees and legal costs associated with the Joint Local Plan, an increase of £45k since the previous report.</li> </ul>			

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<p><b>Strategic Planning Cont'd</b></p> <ul style="list-style-type: none"> <li>Other items (net) – a favourable variance of £2k.</li> </ul> <p>£159k of the overall variance has been transferred to the new Joint Local Plan earmarked reserve to support ongoing professional and legal costs in future years.</p> <ul style="list-style-type: none"> <li>In March 2019, the Council received government grants for Brownfield sites (£4k) and the Custom Build Grant (£30k). Both of these grants have been placed in the Strategic Planning earmarked reserve to spend during 2019/20.</li> <li>Community Housing Fund - expenditure is budgeted for and met from the earmarked reserve. Actual spend for 2018/19 is much lower, resulting in £53k less to be transferred from the earmarked reserve.</li> </ul>			
<p><b>Revenues and Benefits</b></p> <p>The favourable variance of £287k can be broken down as follows;</p> <ul style="list-style-type: none"> <li>In March 2019, following the Department of Work and Pensions (DWP) audit of the 2017/18 Housing Benefit Subsidy claim, the Council received reimbursement of £158k.</li> <li>Additional grants received not budgeted for including the Council Tax Family Annex Grant has resulted in a favourable variance of £29k.</li> <li>Recovery of Housing Benefit overpayments was greater than expected resulting in a favourable variance of £97k.</li> <li>Other items (net) – a favourable variance of £3k.</li> </ul>	-	(287)	(287)
<p><b>CIFCO</b></p> <ul style="list-style-type: none"> <li>A favourable variance of £185k, an improvement of £19k since the previous report. The change is due to the timing of the acquisitions and changes to the interest rate.</li> </ul>	(166)	(185)	(19)

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<p><b>Recharge to HRA and Capital</b></p> <ul style="list-style-type: none"> <li>A net favourable variance of £171k. This can be attributed to a number of increased costs within the General Fund support services some of which are mentioned in this table and includes ICT, HR and Organisational Development, Finance and Health and Safety. These costs are shared between the General Fund and HRA, so a proportion of the additional costs have been charged to the HRA, resulting in the variance from budget.</li> </ul>	-	(171)	(171)
<p><b>Waste</b></p> <ul style="list-style-type: none"> <li>A favourable variance for the Material Recycling Facility (MRF) of £41k, an increase of £10k since the previous report. This has been transferred to the waste earmarked reserve (current balance £119k).</li> <li>Domestic waste – a favourable variance of £41k, a reduction (£9k) since the previous report.</li> <li>Garden Waste – an overall favourable variance of £16k.</li> <li>Other items (net) – a favourable variance of £11k.</li> </ul>	(65)	(109)	(44)
<p><b>Other items (net) – a favourable variance of £108k.</b></p> <p>This includes a favourable variance of £6k for grants received in 2018/19 for Suffolk County Lines (£5k) and Private Sector Housing (£1k). It is recommended that the £6k be transferred to the Government Grants earmarked reserve at year end.</p>	(21)	(108)	(87)
<p><b>Elections</b></p> <ul style="list-style-type: none"> <li>A favourable variance of £98k, an improvement of £64k since the previous report resulting from reimbursement from Central Government of election costs that have previously been met by the Council.</li> </ul>	(34)	(82)	(48)

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<p><b>Elections cont'd</b></p> <ul style="list-style-type: none"> <li>Other items (net) – an adverse variance of £16k.</li> </ul> <p>£35k of the total favourable variance has been transferred to a new reserve to support the ad hoc cost of purchasing elections related equipment in future years.</p>			
<p><b>Sustainable Environment</b></p> <ul style="list-style-type: none"> <li>Income received from pre-application advice has resulted in a favourable variance of £17k. This was not budgeted for in 2018/19 and has been reflected in the budget for 2019/20.</li> <li>A positive outcome from an historic enforcement issue (clearance of an untidy site) has resulted in a favourable variance of £43k.</li> <li>Legal expenses and contracted services – a favourable variance of £5k.</li> <li>Other items (net) – a favourable variance of £14k.</li> </ul> <p>£68k of the total favourable variance has been transferred to the planning enforcement earmarked reserve to support ongoing work within the service.</p>	(35)	(79)	(44)
<p><b>Building Control</b></p> <ul style="list-style-type: none"> <li>There has been little change since the previous report, a £9k improvement as a result of other items (net).</li> </ul>	(67)	(76)	(9)
<p><b>Community Development Grants and Contributions</b></p> <ul style="list-style-type: none"> <li>A favourable variance of £70k for which a carry forward of £30k has been requested to support commitments in 2019/20.</li> </ul>	-	(70)	(70)

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<b>Shared Legal Services</b> <ul style="list-style-type: none"> <li>There has been little change since the previous report, a £7k decrease as a result of other items (net).</li> </ul>	(44)	(37)	7
<b>Policy Strategy Health and Well-being</b> <ul style="list-style-type: none"> <li>A favourable variance of £19k, an increase of £16k since the previous report, which can be attributed to the fact that the carry forward from 2017/18 (£35k) to support the delivery of the Joint Leisure, Sport and Physical Activity Strategy action plan was not fully spent in 2018/19. A further carry forward of £19k has been requested.</li> </ul>	(3)	(19)	(16)
<b>Investment Income (net) - CCLA, UBS, Schroeder and Funding Circle</b> <ul style="list-style-type: none"> <li>A net favourable variance of £9k, a reduction of £18k since the previous report. The majority of the change is attributed to Funding Circle, an impairment charge has been necessary due to an increase in defaults and bad debts. As Funding Circle is an investment where the Council's funds are lent to UK businesses it is likely that the current economic climate and Brexit has contributed to struggling trading conditions.</li> </ul>	(27)	(9)	18
<b>Minimum Revenue Provision (MRP)</b> <ul style="list-style-type: none"> <li>A favourable variance of £4k, £16k less than the previous report as a result of capital spend for the year being finalised.</li> </ul>	(20)	(4)	16
<b>PV Panels</b> <ul style="list-style-type: none"> <li>An adverse variance of £185k, an increase of £52k since the previous report. The majority of the change can be attributed to lower than expected Feed in Tariff (FiT) income (£33k) and the cost of repairs / services being greater than anticipated (£19k).</li> </ul>	133	185	52



Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<p><b>ICT costs</b></p> <ul style="list-style-type: none"> <li>• Skype costs as mentioned in the previous report has resulted in an adverse variance of £62k, an increase of £4k.</li> <li>• Other items that have contributed to the overall adverse variance are; Software Licences – Finance Capita Hosted (£36k), BT Telephone Lines (£46k) and a number of other smaller items (£12k). The expenditure for software licences has been identified as ongoing and so the budget for 2019/20 has been adjusted accordingly.</li> <li>• An external review of the ICT Contract towards the end of 2018/19, the aim of which is to identify savings and to ensure that the Council has a robust and modern ICT programme going forward has resulted in an unbudgeted cost of £29k.</li> </ul>	121	185	64
<p><b>Street and Major Road Cleansing</b></p> <ul style="list-style-type: none"> <li>• Grounds Maintenance Contract – an adverse variance of £189k, an increase of £74k since the last report. The adverse variance is now in line with the cost pressure identified as part of the 2019/20 budget setting process.</li> <li>• Surplus income from the late receipt of Government Grants (March 2019) resulting in a favourable variance of £40k. Pocket Parks (£14k) and Parks Improvement (£26k).</li> <li>• Other items (net) – an adverse variance of £29k.</li> </ul> <p>The commuted maintenance payment earmarked reserve balance has been utilised to support the £189k adverse variance on the Grounds Maintenance contract, £10k of the other items (net) variance and the £40k income for Pocket Parks and Parks Improvement has been transferred to the Government Grants earmarked reserve.</p>	115	178	63

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<b>Car Parks</b> <ul style="list-style-type: none"> <li>There has been little change since the previous report, a nominal £4k reduction as a result of other items (net).</li> </ul>	145	141	(4)
<b>Borehamgate Rental Income</b> <ul style="list-style-type: none"> <li>An adverse variance of £97k, an increase of £57k since the last report, due to lower than expected income. This is despite the inclusion of a vacancy factor in the 2018/19 budget. Currently records show a vacancy factor of approximately 26% - 2 units in Kings House and 4 retail units within the Borehamgate Precinct.</li> <li>An adverse variance of £16k - monies due to tenants in respect of overpaid rents that must be repaid to the management agent Carter Jonas.</li> <li>Other items (net) – an adverse variance of £14k.</li> </ul>	64	127	63
<b>Transfers to / (from) reserves</b> <ul style="list-style-type: none"> <li>The net transfer from reserves is £110k less than budgeted. This can be attributed to contributions made to reserves that were not anticipated including Carry Forwards (£35k).</li> <li>An element within the £110k variance is that the amount spent from the Community Housing Fund to support activity within the service was also less than expected (£75k).</li> </ul>	-	110	110
<b>Corporate Subscriptions</b> <ul style="list-style-type: none"> <li>An adverse variance of £45k. As reported previously, £20k for Suffolk Office of Data and Analytics (SODA). A conscious decision to subscribe to a number of other bodies to give insight to the Council has resulted in an increase to the adverse variance previously reported. These include subscriptions for the Haven Gateway Partnership, EMAP and the National Fraud Initiative (NFI).</li> </ul>	20	45	25

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<b>HR and Organisational Development</b> <ul style="list-style-type: none"> <li>• An adverse variance of £53k – includes contracted services, recruitment costs and professional and legal expenses.</li> <li>• Corporate Training - a favourable variance of £18k for which a carry forward request has been submitted.</li> </ul>	-	35	35
<b>Finance</b> <ul style="list-style-type: none"> <li>• Payment cards - an adverse variance of £12k, an increase of £5k since the last report.</li> <li>• Bank Charges – costs associated with the banking merchant are higher than budget resulting in an adverse variance of £11k, an improvement of £3k since the previous report.</li> <li>• Other items (net) – an adverse variance of £7k.</li> </ul>	21	30	9
<b>Land Charges</b> <ul style="list-style-type: none"> <li>• An adverse variance of £33k - the land charges team has seen a reduction in the number of searches performed. For those searches that have been carried out, a number of these were 'no fee' personal searches.</li> <li>• New Burdens grant income for personal searches has resulted in a favourable variance of £9k.</li> </ul>	-	24	24
<b>Democratic Services</b> <ul style="list-style-type: none"> <li>• There has been an £18k improvement since the previous report. This follows a conscious effort to reduce printing and postage costs.</li> </ul>	41	23	(18)
<b>Health and Safety</b> <ul style="list-style-type: none"> <li>• An adverse variance of £18k, an improvement of £9k since the previous report. The change can be attributed to lower than expected costs associated with the Skyguard lone working system.</li> </ul>	27	18	(9)

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<p><b>Housing Solutions (Homelessness)</b></p> <ul style="list-style-type: none"> <li>Ringfenced grants due to the Council in support of the Homelessness Reduction Act 2017 legislation are less than budgeted resulting in an adverse variance of £9k, an improvement of £23k since the last report.</li> <li>An increase in the demand for B&amp;B services has resulted in an adverse variance of £48k, an increase of £23k since the previous report.</li> <li>Homeless prevention payments - an adverse variance of £15k.</li> <li>Other items (net) – a favourable variance of £10k.</li> </ul> <p>The £62k adverse variance has been met from the homelessness earmarked reserve.</p> <p><b>Housing Solutions (other temporary accommodation)</b></p> <ul style="list-style-type: none"> <li>Surplus net income for rental income and service charges for the provision of homelessness in both the General Fund (Old School House) and HRA properties (Sandringham Court and other temporary accommodation), has resulted in a favourable variance of £44k.</li> </ul> <p>This has been transferred to a new temporary accommodation reserve to support future expenditure.</p>	58	18	(40)
<p><b>Economic Development</b></p> <ul style="list-style-type: none"> <li>In 2017/18, the Council received a grant of £25k for growing the visitor economy through Destination Management / Marketing Organisation (DMO) work, which was transferred to an earmarked reserve for spending in 2018/19. A little under 50% of this work has taken place during the year, so a transfer from the Government Grants reserve of just £12k has been required to offset expenditure incurred in 2018/19.</li> </ul>	25	12	(13)

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<p><b>Development Management</b></p> <ul style="list-style-type: none"> <li>• Planning income – a favourable variance of £172k, an improvement of £123k since the previous quarter. The change can be attributed to higher than expected applications including fees from Brantham (£56k) and Bentley (£13k).</li> <li>• Consultants and Professional Fees – an increase in the need to obtain professional ecology and landscape advice for planning applications has resulted in an adverse variance of £109k, a nominal reduction of £1k since the last report.</li> <li>• Appeal related costs has resulted in an adverse variance of £84k, an improvement of £7k since the previous report.</li> <li>• Other items (net) – a favourable variance of £10k.</li> </ul> <p>The net adverse variance has been funded from the Planning earmarked reserve.</p>	123	11	(112)
<p><b>Business Rates</b></p> <ul style="list-style-type: none"> <li>• 2018/19 Baseline Business Rates net-of Government tariff and levy has resulted in a favourable variance of £119k, an improvement of £47k since the previous report.</li> <li>• Business Rates Pooling Benefit – a pooling benefit of £277k was achieved, a favourable variance of £71k.</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 £1.656m, an improvement of £799k, since the last report. The majority of S31 grant (£1.207m) is one-off for 2018/19.</li> </ul>	(1,001)	(1,846)	(845)

Explanation	December 2018 Amount (£'000) (Favourable) / Adverse	Outturn Amount (£'000) (Favourable) / Adverse	Movement (£'000) (Favourable) / Adverse
<p><b>Business Rates cont'd</b></p> <p>The favourable variance from the pilot 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% (£1.454m).</li> <li>• an increase in Rural Rate Relief (£59k).</li> <li>• receipt of additional discretionary grants (£143k).</li> </ul> <p>As referred to in section 3.2(b) of this report, it is recommended that the overall favourable variance of £1.846m be transferred to the Business Rates Equalisation reserve.</p>			
<b>Total favourable variance</b>	<b>(829)</b>	<b>(2,281)</b>	<b>(1,452)</b>

### Community Infrastructure Levy (CIL)

5.5 CIL income received by the Council for the year ending 31st March 2019 is £1.895m (£1.423m at the last report). Following any necessary expenditure and adjustments for the 5% administration charge, the balance is transferred to the earmarked reserve for spend on infrastructure in accordance with the Regulation 123 list in 2019/20 and beyond.

### Earmarked Reserves

5.6 Earmarked reserve balances total £9.6m as at 1 April 2019. Appendix C outlines the specific earmarked reserve movements detailed in paragraphs 5.7 and 5.8 as well as the Transformation Fund movements detailed in section 5.9.

5.7 The overall net favourable variance of £2.281m means that the Council has been able to supplement the Business Rates Equalisation reserve by £1.846m, the Transformation Fund by £293k and has made the following contributions to earmarked reserves;- £159k to Joint Local Plan, £68k to Planning Enforcement, £46k to Government Grants, £44k to Temporary Accommodation, £41k to Waste, £35k to Elections Equipment and £34k to Strategic Planning. A small number of transfers from reserves has also been required, £199k Commuted Maintenance Payments, £62k Homelessness, £12k Government Grants and £11k Planning (Legal).

- 5.8 Members should note that the overall outturn position includes a small number of carry forward requests totalling £75k and are asked to approve these as per the recommendation in section 3.3 of the report.

<b><u>Carry Forward Requests</u></b>	<b>(£'000)</b>
Community Development – grant aid committed, but not yet spent	30
Corporate training – to support employee development through post-entry training.	18
Sports and Leisure – to support a range of projects that will deliver Leisure, Sport and Physical Activity Strategy priorities including the commissioned Active Wellbeing programme and a contribution to salary costs for the temporary Strategic Leisure Advisor post	17
Other carry forward items (less than £10k)	10
<b>Total</b>	<b>75</b>

### **Transformation Fund**

- 5.9 The table below provides a high-level summary of the movement in the Transformation Fund during 2018/19. A more detailed breakdown is shown in Appendix B.

<b>BABERGH</b>	<b>£'000</b>
<b>Balance at 31st March 2018</b>	<b>653</b>
New Homes Bonus Allocation *	866
Business Rates Grant *	797
2018/19 surplus	293
<b>Total contributions 2018/19</b>	<b>1,956</b>
<b>Revised Balance Available</b>	<b>2,609</b>
<b>LESS;</b>	
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 March 2019	(133)
Actual Spend - Delivery Plan projects (Staffing) *	(27)
<b>Balance at 31st March 2019</b>	<b>457</b>
<i>* identified in 2018/19 budget</i>	
<b>Current future commitments</b>	<b>(122)</b>

## Business Rates Retention Pilot

5.10 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 was 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 31 March 2019.

## Capital

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

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

5.13 Capital expenditure for 2018/19 totals £23.8m, against a revised programme (including carry forwards) of £23.1m as set out in Appendix D.

	£'000
<b>Revised Capital Programme</b>	<b>23,084</b>
Actual expenditure	15,609
Contractual commitments as at 31 March 2019 (paragraph 5.15)	296
Carry forward requests (paragraph 5.16)	7,850
<b>Total expenditure and carry forward requests</b>	<b>23,755</b>
<b>Net capital programme adverse variance</b>	<b>671</b>

5.14 The main variances that contribute to the £671k adverse position are set out below:

- **CIFCO** – 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 was spent, with a further £13.7m invested during 2018/19. As part of the 2017/18 Capital Investment Company Business Trading and Performance Report (presented to Full Council in July 2018), the Holding Company Board requested from the Council (via its holding company shareholders) a maximum 10% (£2.5m) contingency against the full investment of £25m previously approved to ensure that it makes its final acquisition in line with the business plan criteria. This was after the budget was set, hence the adverse variance of £1.055m.
- **Grants for Empty Homes** – the Council is pro-active in working with homeowners to bring empty homes back into use including offering grants to assist with repairs. Despite this there has been a reticence by homeowners to participate in the scheme during 2018/19 which has resulted in an underspend of £236k.



- **ICT costs** – following a carry forward request to support a number of projects in 2019/20 including a full capital refresh, enabling customer services and data capture, there remains a favourable variance of £99k.
- **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 £92k.
- **Other items (net)** – an adverse variance of £43k.

5.15 Contractual commitments are detailed in the table below. These funds were committed in 2018/19 and will be spent in 2019/20. The resources to fund these commitments will also be transferred to 2019/20.

<b>Contractual Commitments as at 31 March 2019</b>	<b>(£'000)</b>
Mandatory Disabled Facilities Grants	166
Community Development Grants	130
<b>Total</b>	<b>296</b>

5.16 The following items are schemes where no contractual commitment yet exists, but they represent either plans or aspirations for investment, for which carry forward to the 2019/20 capital programme is requested, again with the requisite capital resources to fund this. It is proposed that these capital resources are carried forward into 2019/20 and reviewed as part of the Joint Strategic Plan to assess whether the original requirement still exists, how it contributes to the strategic priorities and hence whether the resource can be redirected or removed.

<b>Carry Forward Requests as at 31 March 2019</b>	<b>(£'000)</b>
Land Assembly, property acquisition and regeneration opportunities	6,365
Leisure Centres	837
Grants - Affordable Housing	400
ICT	160
Play Equipment	50
Planned Maintenance – Corporate Buildings	38
<b>Total</b>	<b>7,850</b>

## 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**

Title	Location
APPENDIX A – Business Rates Retention Pilot	Attached
APPENDIX B – Transformation Fund	Attached
APPENDIX C – Earmarked Reserves	Attached
APPENDIX D – 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

5 November 2018 General Fund Financial Monitoring 2018/19 (April to August 2018) – BCa/18/43

7 March 2019 General Fund Financial Monitoring 2018/19 (April to December 2018) – BCa/18/71

## BABERGH – BUSINESS RATES PILOT

	<b>Scheme Description</b>	<b>BRR Funding £'000</b>	<b>Actual Spend £'000</b>
1	Belle Vue, Hamilton Road and wider Sudbury Town Centre Development	500	46
2	Angel Court Housing Development	200	-
3	Delphi Site / Newton Road (Sudbury) / South Suffolk Business Area	200	20
4	St Peters Church Regeneration	100	-
5	Establishment of a Central Suffolk Chamber of Commerce	30	30
6	Inclusive Growth Engagement Officer	60	-
	Unallocated	280	
	<b>Total</b>	<b>1,370</b>	<b>96</b>

## Appendix B

### Transformation Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2017/18		Apr 18 - Mar 19		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 required for; Phase 1 - will be informed by the evidence from the strategic review of our built sports facilities and playing pitches and will allow us to undertake a joint leisure strategy and investment plan for both Councils. Phase 2 - to undertake an independent review of the current contractual arrangements (with SLM and 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	33,106	33,106	182,622	-3,478	1,739	1,739
2	Capital Investment Strategy (CIS) – external professional advisers to support the development of the Capital Investment Strategy, as well as the associated governance framework and delivery model to support implementation	Emily Atack	Aug-16	136,285	88,658	88,658	147	147	177,610	41,325		
<b>Business Growth</b>												
3	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		4,876	0	30,100	-13,900	13,900	
4	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	6,354	0	17,782	-4,218	4,218	
5	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	26,972	26,972	340,640	-87,130	Remaining budget no longer required	
6	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
7	Shop front & access improvement grants ( <b>MSDC only</b> )	Lee Carvell	Jun-18	350,000	0	0	0	6,937	6,937	-343,063		343,063
<b>Community Capacity Building</b>												
8	New engagement post within Communities to support the development of key sites	David Clarke	Apr-18	35,000	0	0	23,062	23,063	46,125	11,125		

## Appendix B

## Transformation Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2017/18		Apr 18 - Mar 19		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
<b>CONTINUING PROJECTS</b>												
<b>Efficient Organisation</b>												
9	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	40,000	0	0	0	40,000	40,000			
<b>Efficient Organisation</b>												
10	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		
11	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>												
12	Commissioning of external specialist feasibility / viability work on key sites as required, to be able to move them forward for approval and development to support economic and housing growth	Robert Hobbs	Jan-15	475,000	194,159	132,050	0	0	326,209	-148,791	43,341	105,450
<b>Housing Delivery/Business Growth</b>												
13	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	10,438	10,438	100,960	2,960		
<b>General Transformation - other projects</b>												
14	- Other	Melissa Evans			16,643	185,271	0	49,340	251,254	251,254		
15	Trees for Life <b>(MSDC only)</b>	Melissa Evans		15,000	0	0	0	3,350	3,350	-11,650		11,650
16	FISONs Building - dangerous structure. Cost of survey <b>(MSDC only)</b>	Paul Hughes		10,000	0	0	0	6,190	6,190	-3,810		3,810
17	Strategic Purchase - Aldi, Stowmarket <b>(MSDC only)</b>			1,484,000				1,759,008	1,759,008	275,008		
<b>CONTINUING PROJECTS SUB-TOTAL</b>				3,625,405	626,260	694,080	160,364	1,989,908	3,470,612	-154,793		
<b>COMPLETED PROJECTS SUB-TOTAL</b>				3,267,638	600,359	2,591,416	0	0				
				6,893,043	1,226,619	3,285,497	160,364	1,989,908	3,470,612	-154,793	122,418	524,932

## General Fund Earmarked Reserves

Transfers to / from Earmarked Reserves	Balance	Transfers	Transfers	Balance
	01 April 2018	Out	In	31 March 2019
	£'000	£'000	£'000	£'000
<b>General Fund</b>				
Carry Forwards	(224)	224	(75)	(75)
Transformation Fund	(653)	2,152	(1,956)	(457)
Business Rates Equalisation Reserve	(788)	943	(1,846)	(1,691)
Business Rates Retention Pilot	-	96	(1,370)	(1,274)
Strategic Planning	(339)	53	(34)	(320)
Joint Local Plan	-		(159)	(159)
Government Grants	(248)	12	(46)	(282)
Homelessness	(259)	62		(197)
Temporary Accommodation	-		(44)	(44)
Commuted Maintenance Payments	(232)	199	(595)	(627)
Elections Fund	(50)		(20)	(70)
Elections Equipment	-		(35)	(35)
Planning Enforcement	(20)		(68)	(88)
Growth & Sustainable Planning	(20)			(20)
Planning (Legal)	(123)	11		(112)
Waste	(119)		(41)	(160)
Revocation of personal search fees	(55)			(55)
<b>Sub-total General Fund (exc CIL)</b>	<b>(3,129)</b>	<b>3,751</b>	<b>(6,289)</b>	<b>(5,667)</b>
Community Infrastructure Levy (CIL)	(2,496)	228	(1,693)	(3,960)
<b>TOTAL GENERAL FUND</b>	<b>(5,625)</b>	<b>3,979</b>	<b>(7,981)</b>	<b>(9,628)</b>

Note; includes the transfers to the Business Rates Equalisation Reserve (£1.846m) and Transformation Fund (£293k) shown in section 3.2 (b).

## Appendix D

BABERGH CAPITAL PROGRAMME 2018/19	Original Budget	Carry Forwards	Current Budget	Actual Spend	Full Year Forecast LESS Budget	Contractual Commitments	Uncommitted Carry Forwards	Variance after Carry Forwards (favourable)/ adverse
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Supported Living</b>								
Mandatory Disabled Facilities Grant	409	13	422	256	(166)	166		-
Discretionary Housing Grants	100		100	55	(45)			(45)
Empty Homes Grant	100	199	299	63	(236)			(236)
<b>Total Supported Living</b>	<b>609</b>	<b>212</b>	<b>821</b>	<b>374</b>	<b>(447)</b>	<b>166</b>	<b>-</b>	<b>(281)</b>
<b>Planning for Growth</b>								
Grants for Affordable Housing		400	400		(400)		400	-
<b>Total Planning for Growth</b>	<b>-</b>	<b>400</b>	<b>400</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>400</b>	<b>-</b>
<b>Environment and Projects</b>								
Replacement Refuse Freighters - Joint Scheme	185	60	245	236	(9)			(9)
Recycling Bins	65	(15)	50	49	(1)			(1)
LED Streetlights		44	44	55	11			11
Electric Vehicle Charging Points				5	5			5
<b>Total Environment and Projects</b>	<b>250</b>	<b>89</b>	<b>339</b>	<b>346</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>Communities and Public Access</b>								
Community Development Grants	117	175	292	70	(222)	130		(92)
Play Equipment	50	100	150	100	(50)		50	(0)
Planned Maintenance / Enhancements - Car Parks	36		36	16	(20)			(20)
Open Spaces (funded by s106)				101	101			101
<b>Total Community Services</b>	<b>203</b>	<b>275</b>	<b>478</b>	<b>287</b>	<b>(191)</b>	<b>130</b>	<b>50</b>	<b>(11)</b>
<b>Leisure Contracts</b>								
<b>Total Leisure Contracts</b>	<b>1,412</b>		<b>1,412</b>	<b>576</b>	<b>(837)</b>		<b>837</b>	<b>-</b>
<b>Capital Projects</b>								
Planned Maint / Enhancements - Other Corp Buildings	48		48	10	(38)		38	-
<b>Total Capital Projects</b>	<b>48</b>	<b>-</b>	<b>48</b>	<b>10</b>	<b>(38)</b>	<b>-</b>	<b>38</b>	<b>-</b>
<b>Investment and Commercial Delivery</b>								
Land assembly, property acquisition and regeneration opportunities	2,973	3,595	6,568	203	(6,365)		6,365	-
<b>Total Investment and Commercial Delivery</b>	<b>2,973</b>	<b>3,595</b>	<b>6,568</b>	<b>203</b>	<b>(6,365)</b>	<b>-</b>	<b>6,365</b>	<b>-</b>
<b>Corporate Resources</b>								
ICT - Hardware / Software costs	200	150	350	91	(259)		160	(99)
<b>Total Corporate Resources</b>	<b>200</b>	<b>150</b>	<b>350</b>	<b>91</b>	<b>(259)</b>	<b>-</b>	<b>160</b>	<b>(99)</b>
<b>CIFCO</b>	<b>-</b>	<b>12,667</b>	<b>12,667</b>	<b>13,722</b>	<b>1,055</b>			<b>1,055</b>
<b>Total General Fund Capital Spend</b>	<b>5,696</b>	<b>17,389</b>	<b>23,084</b>	<b>15,609</b>	<b>(7,475)</b>	<b>296</b>	<b>7,850</b>	<b>671</b>