

BABERGH DISTRICT COUNCIL CABINET MEMBER UPDATE

From: Councillor John Ward Cabinet Member for Finance	Report Number: CMU6
To: Council	Date of meeting: 24 September 2019

TO PROVIDE AN UPDATE FROM THE CABINET MEMBER FOR FINANCE

1. Overview of Portfolio

- 1.1 This report summarises the key areas of activity in my portfolio since the election in May, before highlighting what is coming up for the next 3 months. The portfolio includes Finance, Commissioning and Procurement and the Shared Revenues Partnership. For Babergh it also includes HR and Organisational Development.

2. Recommendation

- 2.1 That Council notes the report.

3. Key Activities since May

Financial Outturn 2018/19

- 3.1 The 2018/19 year-end financial position for each council for both the General Fund and Housing Revenue Account (HRA) were presented to Cabinet in June (reports BCa/19/2 and 3 for Babergh and MCa/19/3 and 4 for Mid Suffolk).
- 3.2 For the General Fund, the outturn position compared to the budget was a favourable variance of £2.281m for Babergh and £3.462m for Mid Suffolk. For both councils the reasons for the large variance was mainly due to additional income being received from business rates, planning fees, housing benefit subsidy and the administrative element of the Community Infrastructure Levy, rather than planned budgets not being spent. As a result of this a large proportion of the additional income has been placed into the Business Rates Equalisation Reserve to allow for known future reductions with some also being placed into the Transformation Fund for Babergh and the Growth and Efficiency Fund for Mid Suffolk and other earmarked reserves.
- 3.3 For the HRA, the outturn position compared to budget was smaller favourable variances of £247k for Babergh and £167k for Mid Suffolk, which have been placed in the Strategic Priorities Reserve for each Council.
- 3.4 The four reports include a lot more detail than can be covered in this report to Council, so I would always encourage you to look at the outturn reports to gain a more in depth understanding of our current financial position.

2018/19 Statement of Accounts

- 3.5 I am pleased to report that the unaudited 2018/19 Statement of Accounts was prepared and published on our website within the tightened timescale of 31st May. This is a challenge that the Finance Team has risen to for the second year now.
- 3.6 Unfortunately, the accounts have not yet been audited by our external auditors, Ernst & Young LLP (EY), due to resourcing issues, so were not signed off by the end of July as intended. The position is being monitored by the Assistant Director, Corporate Resources in liaison with EY and the current plan indicates that the audited accounts will be presented to Joint Audit and Standards Committee in November. I can assure councillors that this delay in completing the audit will not result in any penalty or reputational damage to the Council.

2018/19 Annual Treasury Management Report

- 3.7 The outturn report on Treasury Management activity was presented to Joint Audit and Standards Committee on 25th July (report JAC/19/4) and is on the Council agenda today.
- 3.8 I am pleased to report that all activity for 2018/19 for Mid Suffolk complied with the agreed strategy and prudential indicators and for Babergh this was the case apart from one exception when the cash held with Lloyds Bank exceeded the daily limit by £391k due to the receipt of unplanned income.

2019/20 Budget Monitoring

- 3.9 The first quarter budget monitoring reports for the General Fund and HRA were presented to Cabinet on 28th August for Mid Suffolk (reports MCa/19/14 and 15) and 12th September for Babergh (reports BCa/19/8 and 9).
- 3.10 The format of the quarterly reports has changed since the outturn report in June, following feedback from councillors, so I hope you find the new presentation more accessible in terms of the key messages. Both the General Fund and HRA reports have changed, but due to the different nature of the two accounts the presentation is not the same.
- 3.11 Based on the information at the first quarter, projected to the end of the year, the General Fund is showing a favourable variance of £170k for Babergh and £180k for Mid Suffolk. Planning fee income is continuing the favourable trend from the previous year, but pressures are being seen in business rates, ICT costs and in relation to the PV panels income and maintenance. Capital spend is currently projected to be £1.4m less than budget for Babergh and £1.9m for Mid Suffolk. The common elements of reduced spend across the two councils are grants for affordable housing and disabled facilities grants, with the addition of the leisure centre work for Babergh and Gateway 14 for Mid Suffolk.
- 3.12 For the HRA, the position is different with an adverse variance of £177k currently being projected to the end of the year for Babergh and £141k for Mid Suffolk. These projected adverse variance figures are lower than the favourable variances reported for 2018/19 as outlined above. Pressure is continuing to be seen in relation to repairs and maintenance for both councils and also in income levels for Babergh from both housing and garage rents. Capital spend is currently projected to be on target at the year-end.

- 3.13 As for the outturn reports for last year, there is a lot more detail in the four reports, which I would encourage you to look at to aid your understanding of our current financial position.

Finance Training for Councillors

- 3.14 Since the elections in May, the Finance Team has developed and is delivering a series of training modules for all councillors. To date an overview of the Councils' finance and an introduction to local government finance has been delivered followed by treasury management and the General Fund. At the time of writing this report one of the two sessions planned for the HRA and Statement of Accounts has been delivered with further modules on business rates and council tax to come in the next quarter.
- 3.15 A lot of effort has gone into developing this training material and to date attendance has been disappointing, with about one third of councillors attending the introduction sessions and just under half attending the General Fund and treasury management sessions. I would encourage you to attend these sessions where possible because there is always something that we can learn whether we are newly elected or returning councillors.
- 3.16 The modules to be presented in the coming quarter are business rates in October and council tax in November. The dates were within your welcome pack after the election and meeting invitations will be coming out from Committee Services in due course, but I would encourage you to put these dates in your diary now.

Shared Revenues Partnership (SRP)

- 3.17 Since the election in May there has been one meeting of the SRP Joint Committee on 10th July 2019. Just to remind you that our representatives on this Committee are Councillors Jan Osborne and Derek Davis for Babergh and Councillors Suzie Morley and John Whitehead for Mid Suffolk.
- 3.18 The papers for all the Joint Committee meetings can be accessed via our website if any councillor is interested in looking at their work in more detail.
- 3.19 The Shared Revenues Partnership has recently been recognised for their work to reduce fraud and error in housing benefit payments. In processing 'Verify Earnings and Pensions' (VEP) alerts, the partnership authorities are amongst the top performing authorities in the country, with performance rates of 98.1% for Babergh, 97.7% for Ipswich and 96.7% for Mid Suffolk during the financial year 2018/19. For the period April to June 2019/20, performance increased to 98.4% for both Mid Suffolk and Ipswich.
- 3.20 The Shared Revenues Partnership has been thanked by the Department for Work and Pensions (DWP) for their continuous efforts in tackling fraud and error across the districts and have also been asked to work with them to develop 'best practice' which the DWP can refer to when working with authorities whose performance requires improvement.

4. Future Key Activities

Regular Reports to Cabinet / Committees

- 4.1 Over the coming three months there will be some of the regular finance reports being presented to Cabinet or Committee. These will be the second quarter budget monitoring report going to Cabinet in November and both the half-year report on treasury management and the auditors report on the 2018/19 accounts going to Joint Audit and Standards Committee in November.
- 4.2 I will report the key messages from these reports in my next Cabinet Member report to Council.

Council Tax Reduction Scheme

- 4.3 The Shared Revenues Partnership is currently reviewing the operation of the Council Tax Reduction Scheme whereby those residents on low income receive a discount from their council tax bill, so that they pay just 5%.
- 4.4 Since the introduction of Universal Credit and the consequent frequent changes in circumstances, the current scheme is proving costly to administer and does not provide residents with clarity about their council tax liability at the start of each year.
- 4.5 Cabinet will be asked to give approval in October for a consultation period to be undertaken during November for a revised scheme. Following consultation, a final proposal will be presented to Cabinet in February for recommendation to Council so that a revised scheme could be implemented from 1st April 2020.

2019/20 Budget and Medium-Term Financial Strategy

- 4.6 Over the next three months the detailed work will be undertaken on the budget for 2019/20 and updating the Medium-Term Financial Strategy for engagement with councillors later in the year.
- 4.7 To begin that process an all councillor briefing is being held next week on 30th September at 5.30pm in the Council Chamber, which I would encourage you to attend. This will look at the financial projections for the coming three years and set out the assumptions behind those numbers, so that councillors have an understanding of the challenge that we are facing before the detailed budget and medium-term outlook is discussed.