

MID SUFFOLK DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: MCa/19/63
FROM: Councillor John Whitehead, Cabinet Member for Finance	DATE OF MEETING: 6 July 2020
OFFICER: Melissa Evans, Corporate Manager, Finance, Commissioning and Procurement Sharon Bayliss, Senior Finance Business Partner	KEY DECISION REF NO. CAB196

GENERAL FUND FINANCIAL OUTTURN 2019/20

1. PURPOSE OF REPORT

- 1.1 This report summarises the 2019/20 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.

2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are;
- Withdraw funds of **£318k** from the Growth and Efficiency (GEF) reserve.
 - Withdraw surplus funds of **£318k** from the Business Rates Equalisation reserve.
 - Transfer surplus funds of **£294k** to the Growth and Efficiency Fund, withdraw funds of £611k from the Business Rates Equalisation reserve and net transfers of £1k from specific earmarked reserves as detailed in 3.2(a) below.
 - To recommend carry forward requests for the General Fund of £164k and Capital of £18.956m.

3. RECOMMENDATIONS

- 3.1 That the 2019/20 financial outturn as set out in this report be noted.
- 3.2 That the following net transfers of **£318k** be approved;
- Transfer from reserves of £1k being the net amount for specific earmarked reserves, referred to in section 5.15 and Appendix D of this report;
 - Of the remaining balance of the General Fund surplus **£294k** be transferred to the Growth and Efficiency Fund and £611k from the Business Rates Equalisation reserve, as referred to in section 2.1 (c).

3.3	That the General Fund carry-forward requests totalling £164k referred to in paragraph 5.16 of this report be approved.
3.4	That the total Capital carry-forward requests referred to in paragraph 5.22 of this report totalling £18.956m be approved.
<p>REASON FOR DECISION</p> <p>To ensure that Members are kept informed of the outturn position for both General Fund Revenue and Capital and to approve earmarked reserve transfers and carry forward requests.</p>	

4. KEY INFORMATION

Strategic Context

- 4.1 In February 2019 Mid Suffolk District Council approved the Joint Medium-Term Financial Strategy (MTFS). This confirms the approach over the medium term to transform the Council into an organisation that is thriving and not just surviving, by reviewing, remodelling and reinventing the way the Council operates.

The following overarching principles should be considered when evaluating ideas and opportunities for change as set out below:

- Reduce our costs (both internally and across the wider system)
- Increase our income
- Provide better / “best” value
- Increased social value
- Provide a better service for our customers
- Reduction in administration costs, without compromising service
- Support the Council’s aspiration to be carbon neutral by 2030

- 4.2 The focus will be on internal efficiencies and improvements within existing structures. Continuously looking to streamline work and reduce waste in processes. Greater cross-functional working and multi-skilling and improving ways of working to move away from ‘professional silos’ and toward integrated services for the public. Where customer demand is understood, analysed and met through new services and business models, and where the demand itself is re-shaped and managed while engaging service users to ascertain priorities.

- 4.3 Funding arrangements for councils have changed significantly in recent years, the revenue support grant has been completely removed in 2019/20. The finance settlement announced on 6 February 2020 provided no update on the progress of either the move to further business rates retention or the Review of Relative Needs and Resources (commonly called the Fair Funding Review), but it has subsequently been announced, as a result of the Covid-19 emergency that this will be moved back one year to April 2022. The settlement confirmed that the next business rates revaluation is planned for 2021 and from then on, the Government intends to move to a three-yearly revaluation cycle, but this has also now been moved back one year to April 2022.

- 4.4 No change to the New Homes Bonus threshold of 0.4%. The 2020/21 element of NHB will be paid for one year only, the legacy payments of the bonus in respect of growth in 2019/20 and previous years will continue to be paid in 2020/21. The Government will consult on the future of the housing incentive sometime during 2020/21. The Written Ministerial Statement says this will include moving to a new, more targeted approach which is aligned with other measures around planning performance and confirmed that the payments will be phased out.
- 4.5 Although the Council may not be reliant on NHB to balance the budget for the next two years, the forecast for 2021 onwards is to use approximately 14% of NHB for the following two years. The Council has the ambition to be self-financing and free from any reliance on NHB.
- 4.6 The details within the Joint MTFS shows a cumulative surplus of £3.4m over the three years 2021/22 to 2023/24, using the estimated New Homes Bonus allocation over the three years (based on 1% growth per annum). When NHB is phased out completely by 2023/24, the projected surplus for the Council is only £308k. Work has commenced on closing this gap by identifying and modelling the outcomes of various initiatives.
- 4.7 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.
- 4.8 Towards the end of 2019/20 the Covid-19 global pandemic escalated and from mid-March the country went into lockdown. This has had a significant impact on the Council's finances, including both additional costs – revenue and capital and loss of income e.g. costs of housing rough sleepers and loss of car parking income.
- 4.9 The impact in 2019/20 was minimal with additional costs of £9k for items such as PPE, equipment and furnishings for homelessness accommodation. A loss of income of £12k from car parks is also being reflected in the figures in this report. The impact in 2020/21 and beyond will be far more significant and depending upon the final level of support offered by the Government, significant actions may need to be taken to ensure financial sustainability in the long-term.
- 4.10 A lot of work has been and continues to be undertaken to quantify the impact of the emergency on the Council's finances, but there are many unknown aspects that will only become clearer as time progresses. The impact will be monitored and reported as part of the budget monitoring reports to Cabinet during 2020/21, with any in-year actions that are required and will form a significant part of the considerations for the budget for 2021/22 and the updated Medium Term Financial Strategy.
- 4.11 Based on the assumptions and information that we currently have and the money that has been received to date from the Government, it appears that we have sufficient money in reserves to achieve a balanced position for 2020/21, but this will be carefully monitored throughout the year.

5. 2019/20 Outturn Position

5.1 The report covers:

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

5.2 Budget monitoring is a key tool and indicator on the delivery of the Council's plans and priorities for the year. There will, of course, always be reasons why there are variances such as:

- Economic conditions and those services that are affected by demand
- Uncertainties relating to funding or other changes that were not known at the time the budget was approved.

5.3 Taking each area in turn, the position on key aspects of the 2019/20 budget is summarised below:

General Fund Revenue Account

5.4 In relation to funding:

- (a) Council Tax (£6.12m): at the end of March, the collection rate was 98.51%, compared with 98.59% for the previous year. The collecting of council tax has remained a challenge, especially from those receiving council tax reductions under the Local Council Tax Reduction Scheme (LCTR). The collection rates have also been affected due to an increase in the uptake of direct debits over 12 months rather than 10 months. Recovery Action is varied and continues to be a high priority for the Shared Revenues Partnership (SRP). This is a source of income for the Council that could see a significant reduction in 2020/21 following the Covid-19 emergency, but due to the way that the Collection Fund operates, the impact will be seen in 2021/22.
- (b) Government Grants: baseline business rates (£2.2m) and New Homes Bonus (£1.3m) were allowed for in the Budget. NHB is fixed but the actual amount of business rates will vary as explained further in table 5.10.
- (c) Business Rates: at the end of March, the collection rate was 98.29% compared with 98.62% for the same period last year. This source of income is also going to be significantly impacted by the Covid-19 emergency, similarly to council tax, in both 2020/21 and beyond.

5.5 The unaudited accounts show an adverse variance (reduced expenditure and/or increased income) of **£318k**. This is before the proposed reserve transfers as set out in paragraph 5.15 and Appendix D. The net adverse variance can mainly be attributed to; business rates (£611k), reserve transfers (£724k) offset by favourable variances for planning fee income (£397k), CIL 5% administration charge (£395k) and investment income (£235k). It is worth noting that expenditure on services is generally in line with the budget.

5.6 At the time of writing this report the audit of the 2018/19 accounts has still to be signed off. The audit work however has identified an adjustment that had to be made to the

General Fund balances, resulting from an overstatement of income from the housing benefit subsidy of £204k. This has been amended in the accounts for 2018/19 and the opening reserve balances shown in this report.

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

Service Area	Revised Budget	Original Actual	Other earmarked reserves adjustments	Carry Forwards	Total Reserve Adjustments	Revised Actual	Revised Actual LESS Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Resources	2,701	2,914	32	60	92	3,006	305
Economic Development and Regeneration	236	186	(5)	41	36	222	(14)
Environment and Commercial Partnerships	2,947	3,043	(308)	-	(308)	2,736	(212)
Housing	16	169	134	-	134	303	287
Law and Governance	1,158	1,227	-	-	-	1,227	69
Senior Leadership Team	566	623	-	-	-	623	56
Assets and Investments	711	901	-	-	-	901	190
Sustainable Communities	1,605	298	147	63	209	508	(1,098)
Customers, Digital Transformation and Improvement	1,447	1,375	-	-	-	1,375	(72)
Net expenditure on services ***	11,387	10,737	(1)	164	163	10,900	(487)
Recharge to HRA	(1,062)	(1,223)				(1,223)	(162)
Recharge to Capital	(654)	(860)				(860)	(205)
Capital financing costs	(654)	(860)				(860)	(205)
Transfers to (from) reserves	1,045	1,769	1	(164)	(163)	1,607	562
Total budget requirement ***	10,716	10,423	-	-	-	10,423	(292)
Council Tax	(6,117)	(6,117)				(6,117)	-
Collection fund (Surplus)	(27)	(27)				(27)	-
Business Rates less Tariff	(1,750)	(1,372)				(1,372)	378
Business Rates - Pooling Benefit	(293)	(318)				(318)	(25)
18/19 distribution of deficit	597	934				934	337
Rural Services Delivery Grant	(433)	(433)				(433)	-
S31 Grant	(1,313)	(1,392)				(1,392)	(79)
New Homes Bonus	(1,380)	(1,380)				(1,380)	-
Total funding	(10,716)	(10,105)	-	-	-	(10,105)	611
Total adverse variance	(0)	318	-	-	-	318	318

*** Actual expenditure and budgets from the Business Rates Retention Pilot and the Growth and Efficiency Fund have been excluded from the table above. Full details of spend in 2019/20 are detailed in Appendix B and Appendix C.

5.8 A tolerance level of 10% based on full year actual to budget has been used to identify those variances where further narrative is required. Appendix A shows the main items that are included in the overall net adverse variance of £318k. The majority of variances identified within this report were taken into consideration when setting the budgets for 2020/21.

5.9 Further explanations are provided below:

a) **Strategic Property** – an adverse variance of £98k the main reasons for which can be broken down as follows:

- Repair costs / site improvements - an adverse variance of £22k for various sites including Cedars Park Community Centre, Aldi and the former children's nursery (Chilton Fields).
- Utility costs - an adverse variance of £31k. Sites include the old HQ site at Needham Market & 11 Market Place, Stowmarket.
- Grounds maintenance costs - an adverse variance of £12k for works attributed to the former Council Offices (Needham Market).

- An agreement for a rent-free period for 11 Market Place, Stowmarket, has resulted in an adverse variance of £11k.
- b) **Former Council Offices** - it was originally anticipated that redevelopment of the former council offices would commence mid-way through 2019/20 and so a 6-month budget was allocated for running costs. Work remains ongoing with start on site anticipated in 2020/21, but despite this, security costs were lower than budget and resulted in a favourable variance of £35k.
- c) **CIFCO** - an overall net adverse variance of £56k. Short-term borrowing rates were lower than expected (an average of 0.8% compared to a budget of 1.25%) and £1.5m less borrowed has resulted in a favourable variance of £11k. This is partially offset by an adverse variance of £67k which relates to lower than budgeted income. The budget was based on investment of £24.75m, the actual amount invested is lower, at £23.5m.
- CIFCO 2** - a delay in the timing of investments resulting in an actual spend of £4.05m against a budget of £12.5m has led to a net adverse variance of £144k.
- d) **Gateway 14** – the timing and amount of the final investment (£21.1m compared to a budget of £23.5m) has meant less interest received and so resulted in an adverse variance of £45k.
- e) **ICT** – an adverse variance of £81k, which can in the main be attributed to telephony costs and the SCC contract.
- f) **Building Control** – based on application fees received, due in part to an increase in the market share, a favourable variance of £74k has been achieved.
- g) **Car Park income** – an overall adverse variance of £85k. The main reasons for which are:
- ticket machines at Milton Road, Bury Street and Union Street were out of commission for approximately one month during June and July. The parts required to repair the machines were difficult to source causing a longer than necessary delay. This has resulted in the Council being unable to collect income and so resulted in an adverse variance of £23k.
 - Business rates were higher than expected resulting in an adverse variance of £13k.
 - As reported in section 4.9 of this report, there has also been a loss of income (£12k) as a result of car park ticket machines being covered up from mid-March due to the Covid-19 emergency.
 - A further consequence to this is reduced income from Excess Charge Notices (ECNs) of £9k.
- h) **Open Spaces** – an adverse variance of £18k, this follows notification from Suffolk County Council regarding a reduction to the contribution received for grass cutting (from 3 cuts to 1).

- i) **PV Panels / Feed in Tariff (FiT) income** – an overall adverse variance of £165k.
- Additional expertise has been procured to resolve a number of outstanding issues relating to PV panels costing £20k.
 - The cost of associated repairs, replacement inverters and servicing has resulted in an adverse variance of £85k. This expenditure was required in order to maximise the systems income potential.
 - Income received from the Feed in Tariff (FiT) was lower than budgeted resulting in an adverse variance of £60k.
- j) **Planning** – a favourable variance of £339k, the main reasons for which can be broken down as follows:
- An adverse variance of £58k as a result of appeal costs and judicial reviews. It is recommended that the adverse variance be met from the Planning (legal costs) earmarked reserve.
 - Income achieved from both planning fees and planning performance agreements (PPA) is higher than anticipated resulting in an overall favourable variance of £397k.
- k) **Community Infrastructure Levy (CIL)** - based on income received for 2019/20, the 5% administration charge to help support the running costs of CIL has resulted in a favourable variance of £395k.
- l) **Policy Strategy, Health and Well-being** – income received from the Clinical Commissioning Group (£275k) to support the creation of community capacity and to enable communities to do more for themselves. This will be transferred to a new earmarked reserve to support expenditure in 2020/21 and beyond.
- m) **Corporate Resources** – a favourable variance of £263k, the main reasons for which can be broken down as follows:
- **Investment income** - our investments have performed better than expected resulting in a favourable variance of £235k.
 - **Bank Charges** - costs associated with increased activity through our banking merchants has resulted in an adverse variance of £16k.
 - **Finance** - an adverse variance of £94k which can be mainly be attributed to professional fees including valuation costs associated with the Councils assets (£55k), G4S collection costs (£17k), treasury advice (£12k) and additional costs incurred for the Integra Finance System (£8k).
 - **SRP Contract** - each partner within the Shared Revenues Partnership has received a dividend for 2019/20, this has resulted in a favourable variance of £88k. There is also a reduction to the contract cost for 2020/21 which has been reflected in the budget going forward.
 - **Grant income** - a favourable variance of £31k for grant income received in relation to Council Tax.
 - **Minimum Revenue Provision (MRP)** - the budget for 2019/20 is set before the confirmed capital spend for 2018/19 is known which has resulted in a favourable variance of £13k.

- n) **Charge to HRA and Capital** – a favourable variance of £162k which can be attributed to increased costs associated with a number of support functions and corporate services. These include some of items mentioned above i.e. ICT, bank charges and finance.

5.10 Funding variances:

Business Rates – an adverse variance of £611k is expected, this is made up of a number of items:

- £337k of this is due to the Collection Fund deficit which was not known at the time of setting the 2019/20 budget.
- An adverse variance of £378k due to a reduction in the amount of business rates retained by the Council for renewable energy schemes (£151k) as well as baseline business rates. This can be partially mitigated by additional income of £52k for the retention of 100% business rates growth in 2018/19. This will be transferred to the Business Rates Retention Pilot earmarked reserve.
- Partially offsetting those adverse variances mentioned above is a favourable variance of £79k for additional S31 grants in relation to new retail discount relief for 2019/20.
- The final Business Rates Pool position is £318k. A favourable variance of £25k.

Any variance relating to business rates will be funded from the Business Rates Equalisation reserve as recommended in section 3.2(b) of this report.

Business Rates Retention Pilot

- 5.11 Following the successful bid by the 8 local authorities in Suffolk to become a pilot area for the retention of 100% business rates growth in 2018/19, Appendix B provides further details of the schemes and spend as at March 2020.

Community Infrastructure Levy (CIL)

- 5.12 CIL income received by the Council in the year 2019/20 is £6,007k. Following any necessary expenditure and adjustments for the 5% administration charge, 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 2020/21 and beyond.

Growth and Efficiency Fund (GEF)

- 5.13 The table below provides a high-level summary of the movement in the Growth and Efficiency Fund during 2019/20. A more detailed breakdown is shown in Appendix C.

MID SUFFOLK	£'000
Balance at 31 March 2019	9,006
New Homes Bonus Allocation *	910
Business Rates Grant *	783
2019/20 surplus *	294
Total contributions 2019/20	1,987
Revised Balance Available	10,993
LESS;	
Business Rates Grant to balance the budget *	(783)
Community Capacity Building *	(217)
Contribution to Suffolk Police *	(75)
Other - property costs (All Together programme) *	(11)
Actual spend - April to March 2020 - Appendix C	(218)
<i>* identified in 2019/20 budget</i>	
Balance after full spend on current projects	9,690
<u>Key Projects Allocated</u>	
Strategic Investment Fund	(3,000)
Regal Theatre *	(2,575)
Battery storage	(223)
Total Projects Allocated	(5,798)
Remaining unallocated GEF Balance	3,892

Earmarked Reserves

- 5.14 Earmarked reserve balances total £25.4m at 1 April 2019. Appendix D outlines the specific earmarked reserve movements detailed in section 5.9 of this report as well as the Growth and Efficiency Fund movements detailed in section 5.13.
- 5.15 Earmarked reserves are for a particular purpose or known requirements that affect more than one financial year. The Council is able to increase its earmarked reserves when underspends occur, income has exceeded costs or where grant monies or other sources of funding are received for specific purposes. The overall net adverse variance of £318k means that the Council has been able to supplement the GEF reserve by £294k and has made the following contributions both to and from earmarked reserves as set out in Tables 1 and 2 below.

Table 1 – transfers to reserves

	Budget	Actual	Variance (favourable) / adverse
Not service specific			
Elections	20	20	-
GF Surplus	1,910	1,910	-
Sub-total	1,930	1,930	-
Service specific			
Neighbourhood Planning Grants (NPGs)	121	46	74
Temporary Accommodation	35	146	(111)
Homelessness	98	55	42
Wellbeing		275	(275)
Joint Local Plan		17	(17)
Government Grants		32	(32)
Sub-total	254	571	(318)
Carry Forwards (2019/20)	-	164	(164)
TOTAL exc CIL / GEF and BRRP	2,183	2,665	(482)

Table 2 – transfers from reserves

	Budget	Actual	Variance (favourable) / adverse
Not service specific			
Business Rates equalisation	(597)	-	(597)
Carry Forwards (2018/19)	(85)	(85)	-
Elections	(75)	(75)	-
Sub-total	(757)	(160)	(597)
Service specific			
Strategic Planning inc Community Housing Grant, Brownfield Sites etc	(112)	(22)	(90)
Temporary Accommodation		(8)	8
Waste (MRF)	(146)	(168)	22
Homelessness	(20)	(37)	17
Government Grants		(5)	5
Government Grants - Pocket Parks		(14)	14
Government Grants - Public Health		(35)	35
Government Grants - County Lines		(4)	4
Government Grants - Better Business for All	(8)	(23)	15
Government Grants - Healthier Catering Award		(12)	12
Commuted Maintenance Payments	(30)	(91)	61
Planning (Legal Costs)	(65)	(67)	2
Joint Local Plan		(86)	86
Sub-total	(381)	(572)	192
TOTAL exc CIL / GEF and BRRP	(1,138)	(732)	(405)

Note: Tables 1 and 2 exclude transfers to and from the Business Rates Retention Pilot, GEF and CIL as these are shown sections 5.11 to 5.13 and Appendix D respectively.

- 5.16 Members should note that the overall outturn position includes a small number of carry forwards totalling £164k and are asked to approve these as per the recommendation in section 3.3 of this report.

<u>Carry Forwards</u>	(£'000)
Community Development – support for Covid-19 (£58k) and grant aid committed, to be spent in 2020/21.	63
Corporate training – to support employee development through post-entry training and the commissioning of a leadership and management development framework.	60
Economy and Business – to support ongoing visitor economy work	15
Other carry forward items (less than £10k)	26
Total	164

Capital

- 5.17 Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.
- 5.18 With complex capital schemes it is difficult to accurately assess the level of payments that will be made during the financial year. The Council continues to embark on new projects relating to investments and commercial delivery where it is difficult to accurately predict how payments will fall. Members should therefore focus on whether overall outcomes are being achieved as a result of the capital investment rather than variances against the plan for a particular year.
- 5.19 Capital expenditure for 2019/20 totals £10.305m, against a revised programme (including carry forwards) of £32.873m, as set out in Appendix E.

	£'000
Revised Capital Programme	32,873
Actual expenditure	10,305
Contractual commitments as at 31 March 2020 (paragraph 5.21)	3,168
Carry forward requests (paragraph 5.22)	15,788
Total expenditure and carry forward requests	29,261
Net capital programme favourable variance	3,612

5.20 The main variances that contribute to the £3.612m favourable position are set out below:

- a) **Stowmarket Middle School** – a favourable variance of £3.463m. This asset will be transferred to the HRA where a budget has been earmarked from 2020/21 onwards. Development is expected to commence from September 2020.
- b) **Community Development Grants** - a favourable variance of £116k.
- c) **Other items (net)** – a favourable variance of £33k

5.21 Contractual commitments are detailed in the table below. These funds were committed in 2019/20 and will be spent in 2020/21. The resources to fund these commitments will also be transferred to 2020/21.

Contractual Commitments as at 31 March 2020	(£'000)
Regal Theatre Regeneration	2,575
Mandatory Disabled Facilities Grants	462
Community Development Grants	131
Total	3,168

5.22 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 2020/21 capital programme is requested, again with the requisite capital resources to fund this. It is proposed that these capital resources are carried forward into 2020/21 and reviewed as part of the Corporate 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.

Carry Forward Requests as at 31 March 2020	(£'000)
CIFCO – further investment	8,452
Strategic Investment Fund	3,000
Gateway 14	1,847
Former Council Offices (Needham Market)	909
Leisure Contracts	863
Grants - Affordable Housing	340
ICT	196
Planned Maintenance – Car Parks	77
Empty Homes Grant	69
Play Equipment	35
Total	15,788

6. LINKS TO THE CORPORATE 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 Corporate Plan. Specific links are to

financially sustainable Councils, managing our corporate and housing 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 most closely linked with the Council's Significant Risk No. 13 – We may be unable to respond in a timely and effective way to financial demands and also Corporate Risk No. 5E05 – if the Finance Strategy is not in place with a balanced position over the medium term the Councils will not be able to deliver the core objectives and service delivery may be at risk of not being delivered. Other key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the forecast savings and efficiencies are not delivered, then it will have a detrimental impact on the resources available to deliver services and the strategic priorities	3 - Probable	2 - Noticeable	Monitored throughout the year by Finance Teams, Corporate Managers, Assistant Directors and the Senior Leadership Team
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

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 With the Council's ambition to become carbon neutral by 2030, all budget holders will need to consider the environmental implications of how their revenue and capital budgets are spent.

13. APPENDICES

Title	Location
APPENDIX A – Detailed Variances (Revenue)	Attached
APPENDIX B – Business Rates Retention Pilot	Attached
APPENDIX C – Growth and Efficiency Fund	Attached
APPENDIX D – Earmarked Reserves	Attached
APPENDIX E – Detailed Variances (Capital)	Attached

14. BACKGROUND DOCUMENTS

21 February 2019 Budget Report 2019/20 – MC/18/39

28 August 2019 Quarter 1 General Fund Financial Monitoring 2019/20 – MCa/19/14

12 December 2019 Quarter 2 General Fund Financial Monitoring 2019/20 (sent electronically)

9 March 2020 Quarter 3 General Fund Financial Monitoring 2019/20 – MCa/19/52

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Assets and Investments				
AD Area: Assets and Investment				
Strategic Property	191	289	98	51%
Former Council Offices (Needham Market)	57	22	(35)	-61%
CIFCO	(894)	(694)	200	-22%
Gateway 14	(748)	(703)	45	-6%
TOTAL	(1,394)	(1,086)	308	-22%

Explanation of major variances
<ul style="list-style-type: none"> • Repair costs / site improvements- an adverse variance of £22k for various sites including Cedars Park Community Centre, Aldi and the former childrens nursery (Chilton Fields) • Utility costs - an adverse variance of £31k. Sites include the old HQ site at Needham Market & 11 Market Place, Stowmarket. • Grounds maintenance costs - an adverse variance of £12k for works attributed to the former Council Offices (Needham Market) • Following agreement of a rent free period for 11 Market Place, Stowmarket, an adverse variance of £11k is expected
<p>It was originally anticipated that redevelopment of the former council offices would commence mid-way through 2019/20 and so a 6 month budget was allocated for running costs. Work remains ongoing with start on site anticipated in 2020/21, this has meant that a full years' costs, but despite this security costs were lower and resulted in a favourable variance of £35k.</p>
<ul style="list-style-type: none"> • CIFCO - an overall net adverse variance of £56k. Short-term borrowing rates were lower than expected (an average of 0.80% compared to a budget of 1.25%) and £1.5m less borrowed has resulted in a favourable variance of £11k. This has been offset by an adverse variance of £67k - CIFCO has loaned £1.25m less than budgeted for (£24.75m vs £23.5m). • CIFCO 2 - a delay in the timing of investments resulting in an actual spend of £4.05m against a budget of £12.5m has led to a net adverse variance of £144k.
<p>The timing and amount of the final investment (£21.1m compared to a budget of £23.5m) has meant less interest received and so resulted in an adverse variance of £45k.</p>

APPENDIX A

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Environment				
Environment and Commercial Partnerships				
Building Control	(293)	(367)	(74)	25%
Car Parks (net income)	(425)	(340)	85	-20%
Open Spaces	(46)	(21)	25	-55%
TOTAL	(764)	(728)	36	-5%

Cabinet Member for Housing				
AD area: Housing				
PV Panel Expenditure	63	168	105	166%
PV Panel Income	(359)	(298)	60	-17%
TOTAL	(295)	(130)	165	-56%

Explanation of major variances
Based on application fees received, due in part to an increase in the market share, a favourable variance of £74k has been achieved.
An overall adverse variance of £85k. The main reasons for which are: <ul style="list-style-type: none"> • ticket machines at Milton Road, Bury Street and Union Street were out of commission for approximately one month during June and July. The parts required to repair the machines were difficult to source causing a longer than necessary delay. This has resulted in the Council being unable to collect income and so resulted in an adverse variance of £23k. • Business rates were higher than expected resulting in an adverse variance of £13k. • As reported in section 4.9 of this report, there has also been a loss of income (£12k) as a result of car park ticket machines being covered up from mid-March due to the Covid-19 emergency. • A further consequence to this is reduced income from Excess Charge Notices (ECNs) of £9k.
An adverse variance of £18k, this follows notification from Suffolk County Council regarding a reduction to the contribution received for grass cutting (from 3 cuts to 1).

• Additional expertise has been procured to resolve a number of outstanding issues relating to PV panels (£20k). The cost of associated repairs, replacement inverters and servicing has resulted in an adverse variance of £85k. This expenditure was required in order to maximise the systems income potential.
• Income received from the Feed in Tariff (FiT) was lower than budgeted resulting in an adverse variance of £60k.

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Planning				
AD Area: Sustainable Communities				
Planning fee income including pre-app charges and planning performance agreements (PPAs)	(1,337)	(1,734)	(397)	30%
Professional and Consultancy fees (Planning) - including appeal costs	412	470	58	14%
CIL (5% Admin Charge)	(100)	(495)	(395)	395%
TOTAL	(1,026)	(1,759)	(734)	72%
Cabinet Member for Communities				
AD Area: Sustainable Communities				
Policy Strategy Health and Well-being	-	(275)	(275)	

Explanation of major variances
Income achieved from both planning fees and planning performance agreements (PPA) is higher than anticipated resulting in an overall favourable variance of £397k.
*An adverse variance of £58k as a result of appeal costs and judicial reviews. It is recommended that the adverse variance be met from the Planning (legal costs) earmarked reserve.
Based on income received for 2019/20, the 5% administration charge to help support the running costs of CIL has resulted in a favourable variance of £395k.
Monies received from the Clinical Commissioning Group (CCG) to support the creation of community capacity and to enable communities to do more for themselves. This will be transferred to a new earmarked reserve to support expenditure in 2020/21 and beyond.

APPENDIX A

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Cabinet Member for Finance				
AD Area: Corporate Resources				
Corporate Resources	1,808	1,544	(263)	-15%
TOTAL	1,808	1,544	(263)	-15%
Other items (net)	11,865	11,691	(174)	-1%
Recharge to HRA and Capital	(1,062)	(1,223)	(162)	15%
Transfers to (from) Reserves	1,045	1,769	724	69%
NET SERVICE COST	10,716	10,424	(292)	-3%

Explanation of major variances
<p>A favourable variance of £263k, the main reasons for which can be broken down as follows;</p> <ul style="list-style-type: none"> • Investment income - our investments have performed better than expected resulting in a favourable variance of £235k. • Bank Charges - costs associated with increased activity through our banking merchants has resulted in an adverse variance of £16k. • Finance - an adverse variance of £94k which can be attributed professional fees including valuation costs associated with the Councils assets (£55k), additional secure cash collections (G4S) £17k, treasury advice (£12k) and additional costs incurred for the Integra Finance System (£8k). • SRP Contract - each partner within the Shared Revenues Partnership has received a dividend for 2019/20, this has resulted in a favourable variance of £88k. There is also a reduction to the contract cost for 2020/21 which has been reflected in the budget going forward. • Grant income - a favourable variance of £31k for grant income received in relation to Council Tax • Minimum Revenue Provision (MRP) - the budget for 2019/20 is set before the confirmed capital spend for 2018/19 is known which has resulted in a favourable variance of £13k.
<p>A favourable variance of £162k which can be attributed to increased costs associated with a number of support functions and corporate services. These include some of items mentioned above ie , ICT, bank charges and finance.</p> <p>See section 5.14 Tables 1 and 2 for a detailed breakdown</p>

APPENDIX A

REVENUE DETAILED VARIANCES

	Full Year Budget	Actual Spend	Variance (favourable) / adverse	% Variance
	£'000	£'000	£'000	
Funding				
Collection Fund Distribution of (surplus)/deficit 2018/19	597	934	337	56%
Baseline, less tariff, less levy	(1,750)	(1,372)	378	-22%
Business Rates - Pooling Benefit	(293)	(318)	(25)	9%
S31 grants	(1,313)	(1,392)	(79)	6%
Other funding ie New Homes Bonus, Council Tax etc	(7,957)	(7,957)	(0)	0%
TOTAL FUNDING	(10,716)	(10,105)	611	-6%
TOTAL ADVERSE VARIANCE	(0)	318	318	

Explanation of major variances
An adverse variance of £337k which is due to the Collection Fund deficit, this was not known at the time of setting the 2019/20 budget.
An adverse variance of £393k for baseline business rates. This includes £49k additional income for the retention of 100% business rates growth in 2018/19. This will be transferred to the Business Rates Retention Pilot earmarked reserve.
Additional S31 grants in relation to new retail discount relief for 2019/20.

MID SUFFOLK – BUSINESS RATES PILOT

Scheme Description	BRR Funding £'000	Other Funding - GEF £'000	Total Funding £'000	Actual Spend 2018/19 £'000	Actual Spend 2019/20 £'000	Cumulative spend to 2019/20
Needham Lake Café / Visitor Centre	300	325	625	15	68	84
Town Centre Redevelopment - Stowmarket Visioning Project	240	259	499	18	54	72
Tech Hub – Stowmarket / A14 Corridor / Enterprise Zone	200	-	200	29	44	73
4 Towns Visioning commision		180	180		41	41
Establishment of a Central Suffolk Chamber of Commerce	42	-	42	30	-	30
The Foyer, Stowmarket	150	-	150	150	-	150
Inclusive Growth Engagement Officer	60	-	60	-	-	-
Unallocated	276		276			-
Total amount received	1,268	764	2,032	242	207	449

Growth and Efficiency Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2018/19		Apr 19 - Mar 20		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
CONTINUING PROJECTS												
Assets & Investments												
1	Strategic Leisure Review - comprehensive condition survey of all 4 leisure facilities to understand future costs requirements. Additional Resources 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 Abbeycroft) 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)	Cassandra Clements	May-16	186,100	91,606	91,016	12,138	22,508	217,267	31,167		
Business Growth												
2	Hadleigh Market - consultancy costs to test whether it is possible to develop and grow Hadleigh Market into a successful town market. BDC Only	Lee Carvell	Apr-16	22,000	17,782	0	4,168	0	21,949	-51	51	
3	4 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). (BDC - 21%, MSDC - 79%)	Lee Carvell	Mar-19	208,500	0	0	10,568	40,795	51,362	-157,138	32,999	124,139
4	Shop front & access improvement grants (MSDC only)	Lee Carvell	Jun-18	350,000	0	6,937	0	11,755	18,692	-331,308		331,308

APPENDIX C

Growth and Efficiency Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2018/19		Apr 19 - Mar 20		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
CONTINUING PROJECTS												
Community Capacity Building												
5	New engagement post within Communities to support the development of key sites	Vicky Moseley	Apr-18	35,000	0	23,063	26,075	26,075	75,213	40,213		
6	Free casual swimming for children for the summer holidays from 25th July to 5th September inclusive.	Cassandra Clements	Jul-19	33,525	0	0	24,222	18,868	43,090	9,565		
7	To support the 2nd year delivery of the partnership programme being delivered by the Mix in Stowmarket	Fiona Duhamel	Feb-20	40,000	0	0	0	40,000	40,000	0	0	0
Efficient Organisation												
8	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	7,175	7,175	109,411	-95,589	47,795	47,795
9	To provide resource to support the management and delivery of the Customer Transformation Programme - work designed to accelerate a number of customer and digital focused projects.	Samantha Lake	Nov-19	32,800	0	0	6,821	6,821	13,643	-19,157	9,579	9,579
Housing Delivery/Business Growth												
10	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	4,950	331,159	-143,841	43,341	100,500
General Transformation - other projects												
11	- Other inc Museum of East Anglian Life (MEAL)	Melissa Evans		286,254	16,643	234,611	0	35,000	286,254	0		0
12	Trees for Life	David Clarke		15,000	0	3,350	2,682	3,707	9,739	-5,261	2,630	2,630
13	FISONs Building - dangerous structure. Cost of survey (MSDC only)	Paul Hughes		10,000	0	6,190	0	0	6,190	-3,810		3,810
14	Strategic Purchase - Aldi, Stowmarket (MSDC only)	Emily Atack		1,484,000	0	1,759,008	0	0	1,759,008	275,008		
15	Improve disabled access at Needham Market Train Station. Matched funding with SCC. (MSDC only)	Tom Barker		50,000	0	0	0	0	0	-50,000		50,000
CONTINUING PROJECTS SUB-TOTAL				3,383,179	367,699	2,303,776	93,848	217,654	2,982,977	-400,202		
COMPLETED PROJECTS SUB-TOTAL				3,267,638	600,359	2,591,416	0	0	2,982,977	-400,202	136,394	669,761
				6,650,817	968,058	4,895,192	93,848	217,654	2,982,977	-400,202	136,394	669,761

General Fund Earmarked Reserves

MID SUFFOLK					
Transfers to / from Earmarked Reserves	Balance 31 March 2019	Transfers between	Transfers to	Transfers from	Balance 31 March 2020
Carry Forwards	(85)		(164)	85	(164)
Growth and Efficiency Fund	(9,006)	1,000	(2,204)	519	(9,690)
Commercial Development Risk Management	(500)	(1,000)			(1,500)
Welfare Benefits Reform	(7)				(7)
Business Rates Retention	(1,014)	(52)		162	(904)
Business Rates Equalisation	(2,962)	52		559	(2,351)
Government Grants	(214)		(32)	93	(153)
Commuted Maintenance Payments	(775)			110	(665)
Elections Fund	(84)		(20)	75	(29)
Planning Enforcement (Legal Costs)	(35)			67	32
Planning Enforcement	(45)				(45)
Revocation of personal search fees	(51)				(51)
Homelessness	(363)		(55)	37	(381)
Temporary Accommodation	(118)		(146)	8	(256)
Planning (Legal Costs)	(506)				(506)
Neighbourhood Planning Grants (NPGs)	(27)		(46)		(74)
Strategic Planning inc Community Housing Grant, Brownfield Sites etc	(313)			22	(291)
Strategic Planning - Joint Local Plan	(224)		(17)	86	(156)
Well-being	-		(275)		(275)
Repairs and Renewals	(293)				(293)
Waste	(205)			168	(37)
Total Earmarked Reserves excluding CIL	(16,826)	-	(2,959)	1,992	(17,793)
Community Infrastructure Levy (CIL)	(8,532)		(9,458)	1,152	(16,839)
Total Earmarked Reserves	(25,359)	-	(12,417)	3,144	(34,632)

Note: includes the transfer to GEF (£294k) and the transfer from the Business Rates Equalisation Reserve (£611k) as shown in section 3.2 (b).

APPENDIX E

2019/20 Capital Programme

MID SUFFOLK CAPITAL PROGRAMME 2019/20 GENERAL FUND	Original Budget £'000	Carry Forwards/ Budget Adjustments £'000	Current Budget £'000	Actual Spend £'000	Contractual Commitments £'000	Uncommitted Carry Forwards	Variance after Carry Forwards (favourable) /adverse £'000	Explanation of major variances
Housing								
Mandatory Disabled Facilities Grant	376	418	794	332	462		-	It is believed that by increasing Disabled Facility Grants to £7,500 (non means tested) will increase the number of grants that are awarded in future.
Discretionary Housing Grants	100		100	29			(71)	
Empty Homes Grant	100		100	31		69	-	
Grants for Affordable Housing		400	400	60		340	-	As self-financing for the Housing Revenue Account has enabled the Council to build new homes, grant funding for housing associations has reduced resulting in an underspend of £340k. The budget for 2019/20 is a carry forward from the previous year, it was agreed as part of the budget setting process that the budget continue to be carried forward year on year until it is fully utilised.
Total Housing	576	818	1,394	451	462	409	(71)	
Environment and Projects								
Electric Vehicle Charging Points		236	236	237			1	
Planned Maintenance / Enhancements - Car Parks	162		162	85		77	(0)	
Recycling Bins	80	20	100	110			10	
Replacement Refuse Freighters - Joint Scheme	376		376	366			(10)	
Streetcare - Vehicles and Plant Renewals	173		173	276			103	The majority of the adverse variance (£75k) can be attributed to the early purchase of a road sweeping vehicle, the purchase of which was brought forward from the 2020/21 capital programme.
Total Environmental Services	791	256	1,047	1,074	-	77	104	
Sustainable Communities								
Community Development Grants	189	150	339	92	131		(116)	
Play Equipment	25	10	35	-		35	-	
Total Sustainable Communities	214	160	374	92	131	35	(116)	

APPENDIX E

2019/20 Capital Programme

MID SUFFOLK CAPITAL PROGRAMME 2019/20 GENERAL FUND	Original Budget £'000	Carry Forwards / Budget Adjustments £'000	Current Budget £'000	Actual Spend £'000	Contractual Commitments £'000	Uncommitted Carry Forwards	Variance after Carry Forwards (favourable) /adverse £'000	Explanation of major variances
Total Leisure Contracts	737	131	868	5	-	863	-	The favourable variance of £863k will be carried forward for use in 2020/21 to support both the Leisure Centre refurbishment as well as the concrete erosion and the installation of battery storage facilities at Stradbroke and Mid Suffolk Leisure Centres.
Investment and Commercial Delivery								
CIFCO - further investment	12,500		12,500	4,048		8,452	-	The opportunities for land assembly, property acquisition and regeneration have been limited. HQ and Stowmarket Middle School works are due to commence in 2020/21. CIFCO acquisitions have been slower than anticipated due to competitive market conditions and limited stock. GW14 partner to be appointed to progress scheme further in next financial year.
Gateway14	6,000		6,000	4,153		1,847	-	
Land assembly, property acquisition and regeneration opportunities		203	203	204			1	
Corporate Buildings	80	60	140	17			(123)	
Regal Theatre Rgeneration		2,575	2,575	0	2,575		0	
Property Investment Fund	3,000		3,000	29		3,000	29	
Wingfield Barns				67			67	
Stowmarket Middle School	3,463		3,463				(3,463)	
Former Council Offices (Needham Market)	949		949			909	(40)	
Total Investment and Commercial Delivery	25,992	2,838	28,830	8,519	2,575	14,208	(3,528)	
Customers, Digital Transformation and Improvement								
ICT - Hardware / Software costs	200	160	360	164		196	-	The favourable variance of £196k is recommended to be carried forward for use in 2020/21, to support the delivery of new capabilities such as Business Intelligence and Automation, increasing adoption and awareness of collaboration tools, supporting the replacement of ERP tools and supporting delivery of technologies that enable distributed working.
Total Corporate resources	200	160	360	164	-	196	-	
Total General Fund Capital Spend	28,510	4,363	32,873	10,305	3,168	15,788	(3,612)	