

## MID SUFFOLK DISTRICT COUNCIL

<b>Cabinet</b>	<b>REPORT NUMBER: MCa/19/69</b>
<b>FROM: Councillor John Whitehead, Cabinet Member for Finance</b>	<b>DATE OF MEETING: 7 September 2020</b>
<b>OFFICER: Katherine Steel, Assistant Director, Corporate Resources</b>	<b>KEY DECISION REF NO. CAB208</b>

### GENERAL FUND FINANCIAL MONITORING 2020/21 – QUARTER 1

#### 1. PURPOSE OF REPORT

- 1.1 This report considers the revenue and capital financial performance for the period April to June as well as the impact of COVID19 on the Councils finances and highlights significant variances expected for the financial year 2020/21 as well as the impact over the medium term and the earmarked reserves position.

#### 2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are;
- a) At this stage in the year, the financial position is for noting only.

#### 3. RECOMMENDATIONS

- 3.1 That, subject to any further budget variations that arise during the rest of the financial year, the deficit position £101k, referred to in section 6.6 and 6.7 of the report, be noted;
- 3.2 The revised 2020/21 Capital Programme referred to in Appendix D and section 6.19 be noted.

#### REASON FOR DECISION

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

## 4. KEY INFORMATION

### Strategic Context

- 4.1 In February 2020 Mid Suffolk District Council approved the Joint Medium-Term Financial Strategy (MTFS). However, one month later the outbreak of COVID19 hit the UK, and this has had a significant impact on the Council's financial position for 2020/21 and over the medium term.
- 4.2 The Council has played its part in responding to COVID19, in supporting businesses and the most vulnerable in our communities as well as running essential services.
- 4.3 The Council has incurred additional costs relating to COVID19 in the region of £0.8m but the largest impact has been on the Council's income, with an estimated reduction to the tune of £2.4m excluding council tax and business rates. The Government has provided some financial support, with Mid Suffolk receiving a total of £1.3m. This is not enough to cover the £3.2m shortfall. However other budget savings, grant funding, housing benefit income and underspends from 2020/21 totalling £1m leave a gap of £970k to be funded from reserves. The Collection Fund loss of approximately £240k will be spread over 3 years and will be funded from the business rates equalisation reserve. Details of the financial impact of COVID19 are covered in section 5 of this report.

### Comprehensive Spending Review

- 4.4 The Chancellor launched the 2020 Comprehensive Spending Review on 21 July 2020, which will report in the Autumn and will set out the Government's revenue spending plans for 2021-22 to 2023-24 (and capital plans to 2024-25). No "spending envelope" has been set by the Chancellor in advance of the spending because of the "unprecedented uncertainty" caused by COVID19. He has, however, "confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period".

### Business rates review

- 4.5 A review of business rates was previously announced in the Spring 2020 Budget. The effect of COVID19 on the economy and on business rates has made fundamental change to business rates, or even replacement with a different business tax much more likely. Responses on proposals for the multiplier and reliefs are required by 18 September (for an interim Autumn report) and on the remaining questions by 31 October 2020 (for the review's conclusions in Spring 2021).

### Business rates revaluation

- 4.6 The next revaluation was scheduled to take effect on 1 April 2022 (based on a valuation date of 1 April 2019). A postponement of revaluation was announced in May 2020. The next revaluation will take place a year later, on 1 April 2023, and it will be based on property values as of 1 April 2021 "so that it better reflects the impact of COVID19".

## 5. Financial Impact of COVID19

### Additional Costs £800k

5.1 The challenges presented by the COVID19 outbreak has resulted in significant unplanned costs for the Council. In the current financial year, we have assumed additional costs relating to COVID19 of £800k based on a combination of actual expenditure to date and further recovery costs. The main areas for additional costs are as follows:

- **Homelessness Prevention costs** following the Government's requirements, which are beyond normal guidelines, for rough sleepers and those at risk of rough sleeping to self-isolate and the associated accommodation (through hotel rooms and food) and staff and security costs (within the hotels) to deliver such provision;
- **Redeployment costs** for staff to priority areas of supporting vulnerable people including the 'Home But Not Alone' initiative and covering the additional work as a result of the business grants and reliefs and council tax hardship funds;
- **Leisure Centre** increased financial support to enable the Council's buildings and equipment (including pools) to be maintained during the lock down period;
- **PPE** for front line staff who are required to work in the community;
- **Community grants** for foodbanks; and
- **Cleaning and material costs** for additional cleaning of public conveniences.

### Income Reduction £2.4m

5.2 With £6.6m of the Councils income budget coming from sales, fees and charges, it was inevitable that the lockdown was going to have a significant financial impact on our income streams. We have seen a £700k impact on our income budgets during the first quarter of 2020/21 and are estimating that the full year impact will be around £2.4m.

5.3 As income generation is difficult to predict and in order to start to understand the budgetary impact, we have based some budget assumptions on a scenario which sees income streams start to recover as lockdown starts to relax, with no further lockdown in the first year.

5.4 We do not know if this will be the case, or that all services will be exposed in the same way to the lifting of lockdown, or if this will be linear. But even such a scenario would see the Council facing a £2.4m income shortfall in 2020/21. If the recovery is not linear and income levels do not recover as quickly as hoped due to a wider recession or changed habits, this situation will be far worse.

5.5 The main reductions in income streams are:

- **Trade and Garden waste**, all invoices and recovery action were put on hold at the start of the financial year due to COVID19. Some trade waste services continued but the gardens waste service was suspended until the middle of May. Invoice processing and recovery has now commenced.

- **Car parking machines** were covered at the start of lockdown as was the case across the country with the service resuming at the beginning of July.
- **Planning income** has been impacted due to a reduction in planning applications during April and May, compared to the previous year, due to market conditions linked to lockdown measures; and
- The removal of the planned in-year benefit (through retaining of business rates) associated with being a member of the **Suffolk business rates pool**
- **Commercial income** from CIFCO and property rental income, at the time of writing this report the Council continues to receive the full loan repayments due from CIFCO. The profiling of further investment in CIFCO has been impacted by COVID19 and will therefore impact on the timing of the income budgeted for 2020/21.

### Business Rates and Council Tax Impact

- 5.6 Business rates and council tax income expectations for 2020/21 are currently unchanged. This is due to the basis on which the budget is currently prepared, with the business rate and council tax demand from the Collection Fund being guaranteed in-year and the provision of section 31 grants to cover business rate retail holidays and reductions announced by Government.
- 5.7 However, there will be financial impacts on the 2021/22 business rates and council tax budgets due to a lower tax-base as a result of reduced in-year housing/business growth; an anticipated drop in collection rates through increases in bad debt provisions and write offs; and an increased call on the Local Council Tax Reduction Scheme and Hardship Fund driven through an increase in unemployment levels which falls as a cost to the precepting authorities including Mid Suffolk. This is forecast to be in the region of £240k and will be funded from the Business Rates Equalisation Reserve over a three-year period from 2021/22.

### Support from Government

- 5.8 Whilst the Government's £3.7bn financial support to local authorities along with new burdens funding and the £3.2m contribution towards homelessness costs was welcomed, (Mid Suffolk's share of this is shown in the table below) this falls short of the financial burden local authorities are facing.

<b>Mid Suffolk's Financial Support received to date</b>	<b>£,000</b>	<b>£,000</b>
Share of Coronavirus Response Fund		
• 27 <sup>th</sup> March Share of £1.6bn	40.1	
• 18 <sup>th</sup> April share of further £1.6bn	1,029.2	
• 2 <sup>nd</sup> July share of £500m	139.6	
Total response fund		1,208.9
New Burdens funding 30 <sup>th</sup> June		130.0
Share of £3.2m Homelessness funding		1.5
<b>Total</b>		<b>1,340.4</b>

- 5.9 Part of the Government announcement on 2 July 2020, set out further support that we are still awaiting details on and have therefore not been able to quantify for Mid Suffolk. The other financial support package at a high level includes:
- A co-payment mechanism for irrecoverable sales, fees and charges income, with the Government covering 75% of losses beyond 5% of planned income
  - Phased repayment of Collection Fund deficits over the next three years
  - A commitment to determine what support is needed to help councils meet the pressures of irrecoverable tax income at the Spending Review
- 5.10 The total COVID19 financial impact for Mid Suffolk in 2020/21 totals £3.2m, the financial support received from Government as set out above covers only 40%. Leaving the Council to cover the remaining £1.9m.
- 5.11 Several budget savings have been identified in year to offset some of this, along with housing benefit income to cover homelessness costs and carry forwards from 2019/20 for Community Grants, totalling in the region of £1m leaving an unfunded gap of £970k.
- 5.12 This unprecedented event will therefore require the Council to utilise some of its £1.05m minimum general fund reserve (contingency fund for unplanned events and budget risk) in-year. The Council will need to plan for savings to replenish this reserve. The Council has assessed the impact on its financial position, liquidity and reserves during 2019/20, 2020/21 and beyond as part of the going concern evaluation which forms part of the Statement of Accounts for both 2018/19 and 2019/20. The Section 151 Officer is currently satisfied that the level of reserves is sufficient to manage the assessed impact in 2020/21.

### Medium Term Position

- 5.13 With all this uncertainty we are currently assuming a flat rate of Government settlement for 2021/22. In light of the COVID19 situation we have reviewed and revised our medium-term forecasts, updating our assumptions for pay award, investment income, increase in Local Council Tax Reduction caseload, and the potential impact on our tax base growth. Over the next three years to 2023/24 the position for Mid Suffolk has reduced the surplus from the original projected £3.4m across the three years to a surplus of £2.5m.
- 5.14 A comprehensive budget challenge commenced in August 2020 and is focusing on driving revenue savings, reviewing capital budgets and earmarked reserves. The outcomes from this piece of work will be presented to the Cabinet in the Autumn.
- 5.15 The impact of COVID19 is likely to be felt for years to come as the Council will need to make provision in its medium term budget plans for the replenishment of its earmarked reserves (given they are earmarked for other purposes) and general fund balances (to manage/cover future budget risks).

## **6. Quarter 1 Position**

- 6.1 The report covers:
- The General Fund Revenue Budget
  - The General Fund Capital Programme.

6.2 Taking each area in turn, the position on key aspects of the 2020/21 budget is summarised below:

### **General Fund Revenue Account**

6.3 In relation to funding:

(a) Council Tax (£6.3m): at the end of June, collection rates were 28.81%, compared with 29.74% for the same period last year. This is a source of income for the Council that could see a significant reduction in 2020/21 following the COVID19 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 (£1.8m) and New Homes Bonus (£1.6m) were allowed for in the budget. NHB is fixed but the actual amount of business rates will vary.

(c) Business Rates: at the end of June, collection rates were 26.3% compared with 31.12% for the same period last year. This source of income is also going to be significantly impacted by the COVID19 emergency, similarly to council tax, in both 2020/21 and beyond.

6.5 Based upon financial performance and information from April to June (with emerging trends extrapolated to the end of the financial year) and discussions with budget managers and the Senior Leadership Team, key variations on expenditure and income compared to budget have been identified.

6.6 A tolerance level of 10% based on full year forecast to budget has been used to identify those variances where further narrative is required. The table below shows the main items that are included in the overall net adverse variance of £101k. The forecast variances identified within this report will be taken into consideration when setting the budgets for 2021/22.

6.7 Further explanations are provided in the table below:

## DETAILED VARIANCES

Explanations	Adverse/ (favourable) £'000
<b>Cabinet Member for Assets and Investments</b>	
<b>AD Area: Assets and Investment</b>	
<b>CIFCO</b> – an overall adverse variance of £259k which can be broken down as follows:	
• As a consequence of the current market, delays in the investment spend due to slower than anticipated property acquisitions compared to budget, is expected to result in less income generated from those investments and so an adverse variance of £339k is forecast.	<b>339</b>
• The 2020/21 budget was based on additional PWLB borrowing, but as short- term borrowing rates are at an historic low (based on an average of 0.35% for the remainder of the year), the Council is continuing with these. Borrowing rates and a change to the profiled spend of CIFCO investments has resulted in a favourable variance of £80k. This favourable variance can help to mitigate the adverse variance mentioned above.	<b>(80)</b>
<b>Former Aldi building (Stowmarket)</b> - the overall adverse variance of £39k can be attributed to the following:	
• higher than expected business rates resulting in an adverse variance of £15k	<b>15</b>
• £13k adverse variance for letting fees and marketing in relation to the new letting to Pure Gyms	<b>13</b>
• £11k anticipated reduction to car park income as a result of COVID19	<b>11</b>
• Loss of income from the Councils commercial investments is forecast to result in an adverse variance of £30k.	<b>30</b>
<b>Cabinet Member for Environment</b>	
<b>Environment and Commercial Partnerships</b>	
<b>Building Control income</b> - an adverse variance of £115k is expected due to the loss of income as a result of the COVID19 pandemic.	<b>115</b>
<b>Leisure Contracts</b> – an overall favourable variance of £40k, this can be attributed to:	
• The 20/21 budget includes provision of free swims for children aged 16 years and under during school holidays. As a result of the COVID19 pandemic, it is anticipated that the budget will not be utilised and so a favourable variance of £25k is expected.	<b>(25)</b>
• Maintenance, tools and equipment - a favourable variance of £15k.	<b>(15)</b>
Any savings identified will help to partially mitigate increased expenditure as a result of COVID19 mentioned in section 5.1 of the report.	
<b>Licensing (net income)</b> - an adverse variance of £45k as a result of COVID19. Licences particularly affected are Alcohol, Entertainments and Late-night Refreshment licences as well as Taxi and Private Hire licences.	<b>45</b>
<b>Car Parks (net income)</b> - car park income has been affected by COVID19, with all ticket machines covered during April and May. This combined with the ongoing impact is expected to result in an adverse variance of £361k.	<b>361</b>
<b>Waste services</b> – both trade and garden waste services have been impacted by COVID19 resulting in an adverse variance of £216k offset by an underspend on the cost of disposal and income from bring sites . (Trade waste - £97k and Garden waste - £75k, Recycling credits - £52k).	<b>224</b>

## DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
<b>Cabinet Member for Customers, Digital Transformation &amp; Improvement</b>	
<b>AD Area; Customers, Digital Transformation &amp; Improvement</b>	
<b>ICT costs</b> – a favourable variance of £89k which can be attributed to the review of the SCC contract and issues identified with licensing budgets. It is expected that there will be additional ICT costs resulting from changes required to ICT services resulting from our response to the COVID19 pandemic.	<b>(89)</b>
<b>Cabinet Member for Economic Growth</b>	
<b>AD Area; Economic Development and Regeneration</b>	
<b>Economy and Business</b> – a favourable variance of £74k. The favourable variance can be attributed to a number of budget areas including the 'Heart of Suffolk' Tourism brand and brochure production which has been repurposed, with the remaining balance likely to be largely spent on visitor economy recovery support especially in light of COVID19. Visitor economy recovery support will form 2 areas: a marketing campaign alongside wider Suffolk to promote the area for staycations as part of the COVID 19 recovery work and to promote a longer less seasonal tourism season, and to build stronger resilience and support for visitor economy businesses.  work is also ongoing in the District to develop new targeted skills programmes, to include in work transferable skills, innovation programmes in schools and specialist training programmes for key sectors.	<b>(74)</b>
<b>Cabinet Member for Planning</b>	
<b>AD Area: Sustainable Communities</b>	
<b>Planning</b> – an overall adverse variance of £380k. The main items that contribute to this adverse variance are:	
• anticipated income shortfall of £369k. The full year income forecast is based on actual income received in the first quarter, a 33% reduction in quarter 2, a 20% reduction in quarter 3 and a 10% reduction in the final quarter of the year.	<b>369</b>
• Other items (net) – a adverse variance of £11k.	<b>11</b>
• <b>CIL loss of income</b> - 5% admin charge	<b>31</b>

## DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
<b>Other items</b>	
• <b>Land Charges income</b> - an adverse variance of £62k is expected as a result of COVID19. It is anticipated that the market will improve, but not enough to mitigate the loss of income in Quarter 1.	62
• <b>Postal Services</b> - as a result of COVID19 and the changes to working practices, the demand on the post function has decreased considerably resulting in an expected favourable variance of £28k.	(28)
<b>COVID19 expenditure</b> - a further breakdown of COVID19 related expenditure is shown in section 5.1 of the report.	834
<b>Vacancy management factor</b> - the 2019/20 budget includes a 5% vacancy management factor. It is currently estimated that this will be exceeded resulting in a favourable variance of £592k.	(592)
<b>TOTAL ADVERSE VARIANCE FORECAST FOR THE YEAR</b>	<b>1,557</b>
<b>Funding</b>	
<b>Business Rates</b> - an adverse variance of £228k is expected. This is made up of a number of items:	
• An adverse variance of £1,756k is anticipated for baseline business rates. This is due to an increase in the numbers of reliefs being given. They include small business rate relief, charitable occupation relief and empty premises relief. The Council will receive reimbursement for these in the form of S31 grants which is mentioned below.	1,756
• The adverse variance mentioned above is fully mitigated by an increase in the receipt of S31 grants – a favourable variance of £1,978k.	(1,978)
• It is estimated that as a result of COVID19 Mid Suffolk will receive no benefit from the Business Rates Pool resulting in an adverse variance of £367k.	367
<b>Funding / additional support</b>	
Covered by SRP budget	(208)
New burdens funding	(130)
Housing benefit income	(90)
Track and trace funding	(75)
Community grant underspend	(58)
<b>Funding from Central Government</b>	<b>(1,040)</b>
<b>TOTAL FUNDING</b>	<b>(1,456)</b>
<b>TOTAL DEFICIT POSITION FOR THE YEAR</b>	<b>101</b>

6.8 Despite the significant impact of COVID19, the overall net adverse variance is just £101k and means that the Council is likely to make a small withdrawal from reserves at year end. The position will be kept under review and final recommendations presented at outturn. The table below provides a summary of the current forecast position.

	<b>£'000</b>
COVID19 Expenditure	834
COVID19 Loss of income	1,863
Other budget variances	(403)
Vacancy Management Factor	(592)
Other sources of funding	(561)
COVID19 Funding from Central Government	(1,040)
<b>TOTAL DEFICIT POSITION FOR THE YEAR</b>	<b>101</b>

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

6.9 CIL income received by the Council between April and June 2020 is £94k, compared with £815k for the same period last year. 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)**

6.10 The table below provides a high-level summary of the anticipated movement in the Growth and Efficiency Fund during 2020/21 and does not include the £101k deficit, as this is likely to change as the year progresses and will comprise a number of other transfers to and from reserves. These will be approved as part of the outturn report. A more detailed breakdown is shown in Appendix C.

6.11 Commitments in 2020/21 will continue to be reviewed to ensure the key priorities are supported.

<b>MID SUFFOLK</b>	<b>£'000</b>
<b>Balance at 31 March 2020</b>	<b>9,395</b>
New Homes Bonus Allocation *	1,613
Business Rates Grant *	1,405
2020/21 Budget Surplus *	3,027
<b>Total contributions 2020/21</b>	<b>6,045</b>
<b>Revised Balance Available</b>	<b>15,440</b>
<b>LESS;</b>	
Contribution to Commercial Investment reserve *	(1,000)
Contribution to Climate Change reserve *	(500)
Community Capacity Building *	(250)
Contribution to emergency COVID19 earmarked reserve	(140)
Contribution to Suffolk Police *	(75)
Town Visioning Posts *	(33)
Actual spend - April to June 2020 - Appendix C	(17)
Other commitments - Appendix C	(651)
<i>* identified in 2020/21 budget</i>	
<b>Balance after full spend on current projects</b>	<b>12,774</b>
<u>Key Projects Allocated</u>	
Strategic Investment Fund	(3,000)
Mid Suffolk leisure centre	(2,200)
Regal Theatre *	(2,575)
Former Council Headquarters	(829)
Needham lake	(300)
Battery storage	(223)
<b>Total Projects Allocated</b>	<b>(9,127)</b>
<b>Remaining unallocated GEF Balance</b>	<b>3,647</b>

### **Business Rates Retention Pilot**

6.12 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 A provides further details of the schemes and spend as at June 2020.

### **Earmarked Reserves**

6.13 Earmarked reserve balances total £34.88m at 1 April 2020. Appendix C outlines the specific earmarked reserve movements that are included within the full year forecast for Quarter 1.

- 6.14 Final reconciliations to produce the Statement of Accounts for 2019/20 has resulted in a change to the outturn position since the report to Cabinet in July 2020 (MCa/19/63). The position has improved by £379k from an adverse variance of £318k to a favourable variance of £62k. The improved position has resulted in a reduction to the transfer from the Business Rates Equalisation reserve of £552k and a decrease in the transfer to the Growth and Efficiency Fund of £173k. Revised balances as at 31 March 2020 are shown in Appendix C.
- 6.15 In May 2020, the decision to approve the transfer of £140k from the Growth and Efficiency Fund and £140k from the Business Rates Equalisation reserve to a new COVID19 earmarked reserve to cover the extraordinary costs being incurred during the emergency, was approved. The decision was in accordance with the general delegation to officers for the use of reserves as set out in section B11 of the Financial Regulations and Procedure Rules within the constitution.
- 6.16 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. For those service areas that are now incurring expenditure in 2020/21 in relation to these grants / funding, it is possible to make a transfer from those reserves. They include Planning appeals (£333k), Joint Local Plan (£56k), Commuted Maintenance Payments (£38k), Community Housing Fund (£31k), Government Grants – Public Health (£26k), Homelessness (£25k) and Waste (£16k). There is also a transfer to reserves for Neighbourhood Planning Grants (£47k).

## Capital

- 6.17 Use of capital and one-off funds is critical and needs to be linked into our future delivery plans. Actual expenditure is even lower than normal for this time of year as a result of the COVID19 impact. A number of projects have fallen behind schedule, there have been supply difficulties and increased costs raised by our suppliers to cover the cost of PPE etc.
- 6.18 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.
- 6.19 Capital expenditure for the period April to June 2020 totals £0.1m, against a revised programme (including carry forwards) of £16.8m, excluding the £17.1m for CIFCO, as set out in Appendix D. The anticipated spend for 2020/21 against the £16.8m is £9m resulting in an underspend of £7.8m. The main variances that contribute to the £7.8m underspend are set out below (section 6.19) and Appendix D.
- 6.20 Further explanations are provided below:
- a) **Disabled Facilities Grant (DFG)** – an underspend of £910k is expected. The Council has a statutory duty to offer and manage Disabled Facilities Grants to eligible residents. This service is currently delivered via a “Home Improvement Agency” (HIA) contract between Suffolk County Council and Orbit Homes. This

contract is due to expire at the end of November 2020. Options are currently being considered on expiry of the current contract arrangement.

- b) **Grants for Affordable Housing** – 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. As agreed previously, the budget for 2020/21 is a carry forward from the previous year and will continue to be until it has been fully utilised.
- c) **Leisure Centres** – an underspend of £1.6m can be attributed to changes to the agreed battery storage project which has since been developed into the solar car ports and storage project. There has also been further, programme slippage with regards to the refurbishment project at Stowmarket Leisure Centre due to COVID19.
- d) **CIFCO** - as a consequence of the current market, delays in the investment spend due to slower than anticipated property acquisitions is expected to result in an underspend of £5m. One property has been purchased to date with a second in the pipeline. We anticipate these budgets to be carried forward for use in 2021/22.
- e) **Gateway14 Ltd** – a total underspend of £1.847m is expected due to the development partner funding the current phase of investment.
- f) **Strategic Investment Fund** - – an underspend of £3m. We are in the process of developing a Joint Asset Management Strategy which is intended to set our course of travel for managing the Councils' estate. The Strategy is expected to be shared at Full Council in November where our strategic aims can be agreed and the Strategic Investment Fund utilised to meet our asset management principles.
- g) **Other items (net)** – a favourable variance of £152k.

## **7. LINKS TO THE CORPORATE PLAN**

- 7.1 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.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 These are detailed in the report.

## **9. LEGAL IMPLICATIONS**

- 9.1 There are no specific legal implications.

## **10. RISK MANAGEMENT**

- 10.1 This report is most closely linked with the Council's Significant Risk No. 11 – 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:

<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, 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

## **11. CONSULTATIONS**

- 11.1 Consultations have taken place with Assistant Directors, Corporate Managers and other Budget Managers as appropriate

## **12. EQUALITY ANALYSIS**

- 12.1 An equality analysis has not been completed because there is no action to be taken on service delivery as a result of this report.

## **13. ENVIRONMENTAL IMPLICATIONS**

- 13.1 There are a number of areas that as a result of COVID19 have had a positive impact on the Council's environmental impact as well as the financial position. They include for example, reduced travel, less printing and reduced utility costs.

## **14. APPENDICES**

Title	Location
APPENDIX A – Business Rates Retention Pilot	Attached
APPENDIX B – Transformation Fund	Attached
APPENDIX C – Earmarked Reserves	Attached
APPENDIX D – Detailed Variances (Capital)	Attached

**15. BACKGROUND DOCUMENTS**

27 February 2020 General Fund Budget 2020/21 and Four-Year Outlook – MC/19/38

APPENDIX A

MID SUFFOLK – BUSINESS RATES PILOT

	<b>Scheme Description</b>	<b>BRR Funding £'000</b>	<b>Other Funding - GEF £'000</b>	<b>Total Funding £'000</b>	<b>Actual Spend 2018/19 £'000</b>	<b>Actual Spend 2019/20 £'000</b>	<b>Actual Spend 2020/21</b>	<b>Commitments 2020/21</b>	<b>Cumulative Project spend</b>	<b>Remaining Project spend</b>
1	Needham Lake Café / Visitor Centre	300	325	625	15	68	0	85	169	456
2	Town Centre Redevelopment - Stowmarket Visioning Project	240	350	590	25	66	22	7	120	470
3	Tech Hub – Stowmarket / A14 Corridor / Enterprise Zone	200	-	200	29	44	-	2	75	125
4	5 Towns Visioning commision		160	160		41	7		48	112
4	Establishment of a Central Suffolk Chamber of Commerce	42	-	42	30	-	12		42	-
5	The Foyer, Stowmarket	150	-	150	150	-			150	-
6	Inclusive Growth Engagement Officer	60	-	60	-	-			-	60
7	Sustainable & Connected								-	-
	Unallocated	276		276					-	276
	<b>Total amount received</b>	<b>1,268</b>	<b>835</b>	<b>2,103</b>	<b>249</b>	<b>219</b>	<b>42</b>	<b>94</b>	<b>604</b>	<b>1,499</b>

APPENDIX B

Growth and Efficiency Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2019/20		Apr 20 - Jun 20		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
<b>CONTINUING PROJECTS</b>												
<b>Business Growth</b>												
1	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). <b>(BDC - 21%, MSDC - 79%)</b>	Lee Carvell	Mar-19	208,500	10,568	40,795	4,927	7,391	63,680	-144,820	30,412	114,408
2	Shop front & access improvement grants <b>(MSDC only)</b>	Lee Carvell	Jun-18	350,000	0	18,692	0	1,519	20,211	-329,789		329,789
<b>Community Capacity Building</b>												
3	New engagement post within Communities to support the development of key sites	Vicky Moseley	Apr-18	85,500	26,075	49,138	5,132	5,132	85,477	-23		
<b>Efficient Organisation</b>												
4	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	54,684	54,726	0	0	109,411	-95,589	47,795	47,795
5	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	6,821	6,821	3,376	3,376	20,395	-12,405	6,202	6,202
<b>Housing Delivery/Business Growth</b>												
6	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	137,000	0	0	331,159	-143,841	43,341	100,500
<b>General Transformation - other projects</b>												
7	- Other inc Museum of East Anglian Life (MEAL)	Melissa Evans		286,254	16,643	269,611	0	0	286,254	0		0
8	Trees for Life	David Clarke		15,000	2,682	7,057	0	0	9,739	-5,261	2,630	2,630
9	Improve disabled access at Needham Market Train Station. Matched funding with SCC. <b>(MSDC only)</b>	Tom Barker		50,000	0	0	0	0	0	-50,000		50,000
<b>CONTINUING PROJECTS SUB-TOTAL</b>				<b>3,408,179</b>	<b>461,547</b>	<b>2,515,240</b>	<b>13,435</b>	<b>17,418</b>	<b>926,325</b>	<b>-781,728</b>		
<b>COMPLETED PROJECTS SUB-TOTAL</b>				<b>3,267,638</b>	<b>600,359</b>	<b>2,591,416</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
				<b>6,675,817</b>	<b>1,061,906</b>	<b>5,106,656</b>	<b>13,435</b>	<b>17,418</b>	<b>926,325</b>	<b>-781,728</b>	<b>130,380</b>	<b>651,325</b>

## General Fund Earmarked Reserves

<b>MID SUFFOLK</b>					
<b>Transfers to / from Earmarked Reserves</b>	<b>Balance 31 March 2020</b>	<b>Transfers between</b>	<b>Forecast transfers to</b>	<b>Forecast transfers from</b>	<b>Balance 31 March 2021</b>
Carry Forwards	(164)			164	-
Growth and Efficiency Fund	(9,395)	1,640	(6,045)	10,152	(3,647)
Commercial Development Risk Management	(1,500)	(1,000)			(2,500)
Business Rates Equalisation	(2,853)	140			(2,713)
Business Rates Retention Pilot	(904)			136	(768)
Climate Change	-	(500)			
Government Grants	(253)			26	(227)
Commuted Maintenance Payments	(665)			39	(626)
COVID19	-	(280)			(280)
Elections Fund	(28)		(20)		(48)
Elections Equipment	(35)				(35)
Homelessness	(381)			32	(349)
Temporary Accommodation	(256)			9	(247)
Planning (Legal)	(439)			333	(107)
Neighbourhood Planning Grants	(74)		(47)		(121)
Community Housing Fund	(243)			31	(212)
Strategic Planning	(64)				(64)
Joint Local Plan	(138)			56	(83)
Planning Enforcement	(45)				(45)
Repairs and Renewals	(292)				(292)
Welfare Benefits Reform	(7)				(7)
Well-being	(275)				(275)
Waste	(38)				(38)
<b>Total Earmarked Reserves excluding CIL</b>	<b>(18,048)</b>	<b>-</b>	<b>(6,112)</b>	<b>10,976</b>	<b>(12,683)</b>
Community Infrastructure Levy (CIL)	(16,833)				(16,833)
<b>Total Earmarked Reserves</b>	<b>(34,881)</b>	<b>-</b>	<b>(6,112)</b>	<b>10,976</b>	<b>(29,516)</b>

## 2020/21 Capital Programme

MID SUFFOLK CAPITAL PROGRAMME 2020/21	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend	Full Year Forecast	Full Year Forecast LESS Budget (favourable)/adverse	Explanation of major variances
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Housing</b>							
Discretionary Housing Grants	100		100	20	100	-	
Empty Homes Grant	100	69	169	-	-	(169)	
Grants for Affordable Housing	-	340	340	-	-	(340)	As reported previously the budget for 2020/21 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.
Mandatory Disabled Facilities Grant	580	462	1,042	31	132	(910)	An underspend of £910k is expected. The Council has a statutory duty to offer and manage Disabled Facilities Grants to eligible residents. This service is currently delivered via a "Home Improvement Agency" (HIA) contract between Suffolk County Council and Orbit Homes. This contract is due to expire at the end of November 2020. Options are currently being considered on expiry of the current contract arrangement.
<b>Total Housing</b>	<b>780</b>	<b>871</b>	<b>1,651</b>	<b>51</b>	<b>232</b>	<b>(1,419)</b>	
<b>Environment and Projects</b>							
Planned Maintenance / Enhancements - Car Parks	150	77	227	1	227	-	
Streetcare - Vehicles and Plant Renewals	162		162	23	185	23	
Replacement Refuse Freighters - Joint Scheme	188		188	-	182	(6)	
Recycling Bins	100		100	0	100	-	
EV Charging Points			-	7	-	-	
<b>Total Environmental Services</b>	<b>599</b>	<b>77</b>	<b>676</b>	<b>31</b>	<b>693</b>	<b>17</b>	
<b>Sustainable Communities</b>							
Community Development Grants	189	131	320	5	320	-	
Play Equipment	50	35	85	-	85	-	
<b>Total Sustainable Communities</b>	<b>239</b>	<b>166</b>	<b>405</b>	<b>5</b>	<b>405</b>	<b>-</b>	
<b>Total Leisure Contracts</b>	<b>2,938</b>	<b>863</b>	<b>3,801</b>	<b>(4)</b>	<b>2,201</b>	<b>(1,600)</b>	An underspend of £1.6m can be attributed to changes to the agreed battery storage project which has since been developed into the solar car ports and storage project. There has also been further, programme slippage with regards to the refurbishment project at Stowmarket Leisure Centre due to COVID19.

## 2020/21 Capital Programme

MID SUFFOLK CAPITAL PROGRAMME 2020/21 GENERAL FUND	Original Budget £'000	Carry Forwards / Budget Adjustments £'000	Current Budget £'000	Actual Spend £'000	Full Year Forecast £'000	Full Year Forecast LESS Budget (favourable)/adverse £'000	Explanation of major variances
<b>Assets and Investments</b>							
CIFCO - further investment	8,666	8,452	17,118	0	12,118	(5,000)	As a consequence of the current market, delays in the investment spend due to slower than anticipated property acquisitions is expected to result in an underspend of £5m. One property has been purchased to date with a second in the pipeline. We anticipate these budgets to be carried forward for use in 2021/22.
Gateway14	-	1,847	1,847	-	-	(1,847)	An underspend of £1.8m due to the development partner funding the current phase of investment
Former MSDC Offices (Needham Market)	727	829	1,556	-	1,556	-	
Land assembly, property acquisition and regeneration opportunities	263	-	263	3	60	(203)	
Needham Lake Visitors Centre	600	-	600	-	814	214	
Other Corporate Buildings	80	-	80	-	80	-	
Strategic Investment Fund	-	3,000	3,000	-	-	(3,000)	We are in the process of developing a Joint Asset Management Strategy which is intended to set our course of travel for managing the Councils' estate. The Strategy is expected to be shared with Full Council in November. Our strategic aims can then be agreed and the Strategic Investment Fund utilised to meet our asset management principles.
Regal Theatre	-	2,575	2,575	-	2,575	-	
<b>Total Assets and Investments</b>	<b>10,336</b>	<b>16,703</b>	<b>27,039</b>	<b>3</b>	<b>17,203</b>	<b>(9,836)</b>	
<b>Customers, Digital Transformation and Improvement</b>							
ICT - Hardware / Software costs	200	196	396	25	396	-	
<b>Total Customers, Digital Transformation and Improvement</b>	<b>200</b>	<b>196</b>	<b>396</b>	<b>25</b>	<b>396</b>	<b>-</b>	
<b>Total General Fund Capital Spend</b>	<b>15,093</b>	<b>18,876</b>	<b>33,969</b>	<b>111</b>	<b>21,130</b>	<b>(12,838)</b>	