

BABERGH DISTRICT COUNCIL

COMMITTEE: Cabinet	REPORT NUMBER: BCa/19/60
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 7 September 2020
OFFICER: Katherine Steel, Assistant Director, Corporate Resources	KEY DECISION REF NO. CAB209

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 surplus position of £62k, 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 Babergh 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 £0.9m but the largest impact has been on the Council's income, with an estimated reduction to the tune of £2.2m excluding council tax and business rates. The Government has provided some financial support, with Babergh receiving a total of £1.2m. This is not enough to cover the £3.1m shortfall. However other budget savings, grant funding, housing benefit income and underspends from 2020/21 totalling £1.3m leave a gap of £640k to be funded from reserves. The Collection Fund loss of approximately £260k 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 £900k

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 £900k 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 £2.2m

5.2 With £5.5m 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 £600k impact on our income budgets during the first quarter of 2020/21 and are estimating that the full year impact will be around £2.2m.

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 £2.2m 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 Babergh. This is forecast to be in the region of £260k 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, (Babergh's share of this is shown in the table below) this falls short of the financial burden local authorities are facing.

Babergh's Financial Support received to date	£,000	£,000
Share of Coronavirus Response Fund		
• 27 th March Share of £1.6bn	37.7	
• 18 th April share of further £1.6bn	914.3	
• 2 nd July share of £500m	132.1	
Total response fund		1,084.1
New Burdens funding 30 th June		170.0
Share of £3.2m Homelessness funding		1.5
Total		1,255.6

- 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 Babergh. 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 Babergh in 2020/21 totals £3.1m, the financial support received from Government as set out above covers only 42%. 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 £1.3m leaving an unfunded gap of £640k
- 5.12 This unprecedented event will therefore require the Council to utilise some of its £1.2m 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 Babergh is an increase in the deficit from the original projected £1.1m across the three years to a deficit of £2.3m (£1.4m will impact in 2021/22). As a result, the Council will need to identify further savings to cover the shortfall with the use of reserves as a last resort.
- 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 (£5.77m): at the end of June, collection rates were 28.7%, compared with 29.8% 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 (£1.4m) and New Homes Bonus (£1.05m) 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 26.43% compared with 29.68% 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 favourable variance of £62k. 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
Cabinet Member for Assets and Investments	
AD Area: Assets and Investment	
CIFCO – An overall adverse variance of £103k 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.	339
• 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 £236k. This favourable variance can help to mitigate the adverse variance mentioned above.	(236)
• Loss of income from the Councils commercial investments including Borehamgate is forecast to result in an adverse variance of £175k.	175
Cabinet Member for Environment	
Environment and Commercial Partnerships	
Building Control income - an adverse variance of £106k is expected due to the loss of income as a result of the COVID19 pandemic.	106
Leisure Contracts – an overall favourable variance of £54k, the majority of which 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 £38k is expected.	(38)
• Business Rates - a favourable variance of £16k for both Kingfisher and Hadleigh Pools as a result of COVID19 business rates relief for leisure and hospitality.	(16)
Any savings identified will help to partially mitigate increased expenditure as a result of COVID19 mentioned in section 5.1 of the report.	
Licensing (net income) - an adverse variance of £70k as a result of COVID19. Licences particularly affected are Alcohol, Entertainments and Late-night Refreshment licences as well as Taxi and Private Hire licences.	70
Car Parks (net income) - 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 £88k.	88
Waste services – both trade and garden waste services have been impacted by COVID19 resulting in an adverse variance of £252k offset by an underspend on the cost of disposal. (Trade waste - £132k and Garden waste - £99k).	231

DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
Cabinet Member for Customers, Digital Transformation & Improvement	
AD Area; Customers, Digital Transformation & Improvement	
ICT costs – a favourable variance of £86k 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.	(86)
Cabinet Member for Economic Growth	
AD Area; Economic Development and Regeneration	
Economy and Business – a favourable variance of £66k.	
This can in part be attributed to spend on tourism being suspended whilst the service have been exploring, as part of a wider Suffolk conversation, how to deliver stronger support and place marketing across the district, especially in light of COVID19. Unspent funds were therefore carried forward from 2019/20, to be spent on two specific areas: a marketing campaign alongside wider Suffolk to promote the area for staycations as part of the COVID19 recovery work and to promote a longer tourism season, and to build stronger resilience and support for visitor economy businesses.	(66)
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.	
Cabinet Member for Planning	
AD Area: Sustainable Communities	
Planning – an overall adverse variance of £230k. The main items that contribute to this adverse variance are:	
• anticipated income shortfall of £251k. 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.	251
• Other items (net) – a favourable variance of £21k.	(21)
• CIL loss of income - 5% admin charge	31
Cabinet Member for Finance	
AD Area: Corporate Resources	
Bank Charges - based on the current level of transactions, an adverse variance of £21k is expected.	21

DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
Other items	
Land Charges income - an adverse variance of £55k 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.	55
Postal Services - 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)
COVID19 expenditure - a further breakdown of COVID19 related expenditure is shown in section 5.1 of the report.	923
Vacancy management factor - 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)
TOTAL ADVERSE VARIANCE FORECAST FOR THE YEAR	1,207
Funding	
Business Rates - an adverse variance of £389k is expected. This is made up of a number of items:	
• An adverse variance of £4,472k 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.	4,472
• The adverse variance mentioned above is almost fully mitigated by an increase in the receipt of S31 grants – a favourable variance of £4,406k.	(4,406)
• It is estimated that as a result of COVID19 Babergh will receive no benefit from the Business Rates Pool resulting in an adverse variance of £323k.	323
Funding / additional support	
Covered by SRP budget	(208)
New burdens funding	(170)
Housing benefit income	(125)
Track and trace funding	(75)
Community grant underspend	(48)
Funding from Central Government	(1,032)
TOTAL FUNDING	(1,269)
TOTAL SURPLUS POSITION FOR THE YEAR	(62)

Any variance relating to business rates will be funded from or transferred to the Business Rates Equalisation reserve.

- 6.8 Despite the significant impact of COVID19, the Council is still anticipating an overall favourable variance of £62k which means that the Council is able to make a small transfer to 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.

	£'000
COVID19 Expenditure	923
COVID19 Loss of income	1,433
Other budget variances	(168)
Vacancy Management Factor	(592)
Other sources of funding	(626)
COVID19 Funding from Central Government	(1,032)
TOTAL SURPLUS POSITION FOR THE YEAR	(62)

Community Infrastructure Levy (CIL)

- 6.9 CIL income received by the Council between April and June 2020 is £201k, compared with £372k 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.

Transformation Fund

- 6.10 The table below provides a high-level summary of the anticipated movement in the Transformation Fund during 2020/21 and does not include the £62k surplus, 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 B.
- 6.11 Commitments in 2020/21 will continue to be reviewed to ensure the key priorities are supported.

BABERGH	£'000
Balance at 31st March 2020	538
New Homes Bonus Allocation *	1,055
Business Rates Grant *	1,577
20/21 Budget Surplus *	711
Total contributions 2020/21	3,343
Revised Balance Available	3,881
LESS;	
New Homes Bonus to balance the budget *	(1,055)
Business Rates Grant to balance the budget *	(1,577)
Contribution to emergency COVID19 earmarked reserve	(140)
Community Capacity Building	(64)
Town Visioning Posts *	(22)
Actual spend - April to June 2020 - Appendix C	(13)
Other commitments - Appendix C	(130)
Balance at 31st March 2021	880
<i>* identified in 2020/21 budget</i>	

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 £11.66m 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 (BCa/19/53). The position has improved by £125k from an adverse variance of £219k to an adverse variance of £94k. The improved position has resulted in a reduction to the transfer from the Business Rates Equalisation reserve of £372k and a decrease in the transfer to the Transformation Fund of £247k. 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 Transformation 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 Joint Local Plan (£72k), Planning – legal costs (£58k), Government Grants - Public Health (£39k), Community Housing Fund (£32k), Homelessness / Temporary Accommodation (£22k), Planning Enforcement (£15k) and Waste (£13k). There is also a number of transfers to reserves for Commuted Maintenance Payments (£83k), Homelessness (£61k) and Neighbourhood Planning Grants (£5k).

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 £0.4m, against a revised programme (including carry forwards) of £20.1m, excluding £20.1m for CIFCO, as set out in Appendix D. The anticipated spend for 2020/21 against the £20.1m is £3.5m resulting in an underspend of £16.6m. The main variances that contribute to the £16.6m 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 £1.332m 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 £305k. 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** – construction delays, impacted by COVID19, in relation to both Hadleigh Pool and Leisure and Kingfisher Leisure Centre, are expected. The result is a forecast underspend of £1.532m which will be carried forward to meet expenditure in 2021/22.

- d) **Belle Vue** – an underspend of £4m. The original scheme is being reviewed and a further update provided at Quarter 2.
- e) **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.
- f) **Other Assets and Investments** – an underspend of £9.361m. 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 £151k.

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

- 7.1 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:

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	3 - Probable	2 - Noticeable	Monitored throughout the year by Finance Teams, Corporate Managers, Assistant Directors and the Senior Leadership Team

Risk Description	Likelihood	Impact	Mitigation Measures
and the strategic priorities			
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

26 February 2020 General Fund Budget 2020/21 and Four-Year Outlook – BC/19/35

BABERGH – BUSINESS RATES PILOT

	Scheme Description	BRR Funding £'000	Other Funding - TF £'000	Total Funding £'000	Actual Spend 2018/19 £'000	Actual Spend 2019/20 £'000	Actual Spend 2020/21	Commitments 2020/21	Cumulative Project spend	Remaining Project spend
1	Belle Vue, Hamilton Road and wider Sudbury Town Centre Development	500	9	509	46	146	9	53	254	254
2	Angel Court Housing Development	200	-	200	-	123	3		126	74
3	Delphi Site / Newton Road (Sudbury) / South Suffolk Business Area	200	25	225	20	65	18	4	106	119
4	St Peters Church Regeneration	100	-	100	-	-	-	100	100	-
5	Establishment of a Central Suffolk Chamber of Commerce	42	-	42	30	-	12		42	-
6	5 Towns Visioning commission		40	40		11	5		15	25
7	Inclusive Growth Engagement Officer	60	-	60	-	-			-	60
8	Sustainable & Connected			-					-	-
	Unallocated	280		280					-	280
	Total	1,382	74	1,456	96	345	47	156	644	812

APPENDIX B

Transformation Fund

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2019/20		Apr 20 - Jun 20		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	M SDC	BDC	M SDC			BDC	M SDC	
CONTINUING PROJECTS												
Business Growth												
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). (BDC - 21%, M SDC - 79%)	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 (M SDC only)	Lee Carvell	Jun-18	350,000	0	18,892	0	1,519	20,211	-329,789		329,789
Community Capacity Building												
3	New engagement post within Communities to support the development of key sites	Vicky Moseley	Apr-18	85,500	28,075	49,138	5,132	5,132	85,477	-23		
Efficient Organisation												
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	54,884	54,728	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	8,821	8,821	3,378	3,378	20,395	-12,405	6,202	6,202
Housing Delivery/Business Growth												
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
General Transformation - other projects												
7	- Other inc Museum of East Anglian Life (MEAL)	Melissa Evans		286,254	16,843	269,611	0	0	286,254	0		0
8	Trees for Life	David Clarke		15,000	2,882	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. (M SDC only)	Tom Barker		50,000	0	0	0	0	0	-50,000		50,000
CONTINUING PROJECTS SUB-TOTAL				3,408,179	461,547	2,515,240	13,435	17,418	926,325	-781,728		
COMPLETED PROJECTS SUB-TOTAL				3,267,638	600,359	2,591,416	0	0				
				6,675,817	1,061,906	5,106,656	13,435	17,418	926,325	-781,728	130,380	651,325

General Fund Earmarked Reserves

BABERGH					
Transfers to / from Earmarked Reserves	Balance 31 March 2020	Transfers between	Forecast transfers to	Forecast transfers from	Balance 31 March 2021
Carry Forwards	(153)			153	-
Transformation Fund	(538)	140	(3,343)	2,861	(880)
Business Rates Retention Pilot	(1,138)			203	(935)
Business Rates Equalisation	(1,216)	140			(1,076)
Government Grants	(204)			39	(165)
Commuted Maintenance Payments	(478)		(83)		(561)
COVID19	-	(280)			(280)
Elections Fund	(20)		(20)		(40)
Elections Equipment	(35)				(35)
Homelessness	(241)		(61)	16	(286)
Temporary Accommodation	(74)			6	(68)
Planning (Legal)	(263)			58	(205)
Neighbourhood Planning Grants	(76)		(5)		(81)
Community Housing Fund	(195)			32	(163)
Strategic Planning	(55)				(55)
Joint Local Plan	(118)			72	(46)
Planning Enforcement	(88)			15	(73)
Well-being	(275)				(275)
Waste	(9)			9	-
Total Earmarked Reserves excluding CIL	(5,176)	-	(3,512)	3,311	(5,224)
Community Infrastructure Levy (CIL)	(6,378)				(6,378)
Total Earmarked Reserves	(11,554)	-	(3,512)	3,311	(11,602)

2020/21 Capital Programme

BABERGH 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
Housing							
Discretionary Housing Grants	100	-	100	7	100	-	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. An underspend of £1,332k 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.
Empty Homes Grant	100	67	167	18	18	(149)	
Grants for Affordable Housing	-	400	400	95	95	(305)	
Mandatory Disabled Facilities Grant	760	696	1,456	30	124	(1,332)	
Total Housing	960	1,163	2,123	150	337	(1,786)	
Environment and Projects							
Planned Maintenance / Enhancements - Car Parks	50	32	82	-	82	-	
Replacement Refuse Freighters - Joint Scheme	298	-	298	-	298	(0)	
Recycling Bins	65	-	65	0	65	-	
Total Environment and Projects	413	32	445	0	445	(0)	
Economic Development and Regeneration							
Belle Vue	-	4,000	4,000	8	-	(4,000)	The original scheme is being reviewed, a further update will be provided at Quarter 2.
Total Economic Development and Regeneration	-	4,000	4,000	8	-	(4,000)	
Sustainable Communities							
Community Development Grants	117	105	222	11	222	-	
Play Equipment	50	27	77	(3)	75	(3)	
Total Sustainable Communities	168	132	300	8	297	(3)	

2020/21 Capital Programme

BABERGH 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
Total Leisure Contracts	979	2,231	3,210	230	1,678	(1,532)	Construction delays, impacted by COVID19, in relation to both Hadleigh Pool and Leisure and Kingfisher Leisure Centre, are expected. The result is a forecast underspend of £1.532m which will be carried forward to meet expenditure in 2021/22.
Assets and Investments							
CIFCO - further investment	8,666	8,452	17,118	-	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.
Former BDC Offices (Hadleigh)	-	194	194	(0)	194	(0)	
Other Corporate Buildings	36	-	36	0	36	-	
Land assembly, property acquisition and regeneration opportunities	64	6,347	6,411	-	50	(6,361)	
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 at Full Council in November where our strategic aims can be agreed and the Strategic Investment Fund utilised to meet our asset management principles.
Total assets and Investments	8,766	17,993	26,759	(0)	12,398	(14,361)	
Customers, Digital Transformation and Improvement							
ICT - Hardware / Software costs	200	248	448	16	448	-	
Total Customers, Digital Transformation and Improvement	200	248	448	16	448	-	
Total General Fund Capital Spend	11,485	25,799	37,284	413	15,603	(21,681)	