

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/20/11
FROM: Councillor John Ward - Cabinet Member for Finance	DATE OF MEETING: 10 December 2020
OFFICER: Katherine Steel - Assistant Director, Corporate Resources	KEY DECISION REF NO. CAB213

GENERAL FUND FINANCIAL MONITORING 2020/21 – QUARTER 2

1. PURPOSE OF REPORT

- 1.1 This report considers the revenue and capital financial performance for the period April to September 2020 as well as the impact of COVID19 on the Council's finances and highlights predicted variances for the financial year 2020/21, as well as the impact over the medium term and the earmarked reserves position.
- 1.2 The total COVID19 financial impact, including Collection Fund losses, for Babergh in 2020/21 totals £2.331m. The anticipated financial support that the Council will receive from Government in 2020/21 represents 84% of these costs and losses. This leaves the Council with a predicted COVID19 impact of £363k to fund.

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 the Council's financial position at the end of quarter 2 be noted.

REASON FOR DECISION

To ensure that Councillors 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 General Fund Budget 2020/21 and Four-Year Outlook. 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 a significant role in responding to COVID19, in supporting businesses and the most vulnerable in our communities as well as running essential services.

Comprehensive Spending Review

- 4.3 The Chancellor launched the 2020 Comprehensive Spending Review (CSR) 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 review 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". A subsequent announcement in October 2020 confirmed that the CSR will now be a one-year only settlement for 2021/22.

Business rates review

- 4.4 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.

Business rates revaluation

- 4.5 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 £1m

- 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 just under £1m. 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 and to enable the provider to re-open but complying with the social distancing requirements;
- **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 £1.2m

- 5.2 £5.5m of the Councils income budget comes from sales, fees and charges. COVID19 is having a significant financial impact on these income streams. The full year impact is estimated to be £1.2m.
- 5.3 As income generation is difficult to predict and the COVID19 situation is changeable the budget assumptions are based upon a scenario of income streams starting to recover as lockdown was relaxed, and with no further lockdown in 2020/21.
- 5.4 If the recovery is not linear, and income levels do not recover as quickly as hoped due to a wider recession or changed habits, the Council's loss of income will be 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 garden waste service was suspended until the middle of May. Invoice processing and recovery is now back to normal.
 - **Car parking machines** were disabled (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 from April to September, compared to the previous year; and
 - A reduction to 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. If this position changes, the income will be accrued in the accounts for 2020/21, so will have an impact on cash flow only. 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 £200k and will be funded from the Business Rates Equalisation Reserve over a three-year period from 2021/22.

Support from Government

- 5.8 The Government has provided support to local authorities through £4.6bn, new burdens funding, and £3.2m towards homelessness. However, Babergh's share of this (shown in the table below) falls short of the costs and losses incurred.

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	
• 22 nd October share of £919m	132.4	
Sub-total Response Fund		1,216.5
Irrecoverable Sales, Fees and Charges income – full year forecast		419.0
New Burdens funding 30 th June		170.0
Test and trace support payments - administration costs		24.6
Compliance and enforcement grant		37.6
Share of £3.2m Homelessness funding (excludes Housing Benefit income of £125k)		1.5
Total		1,869.2

- 5.9 Since the last report, Government has set out further details of financial support packages including:
- The co-payment mechanism for irrecoverable sales, fees and charges income, with the Government covering 75% of losses beyond 5% of planned income. Subject to confirmation.

- The repayment of Collection Fund deficits (£200k) spread equally 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 On 22 October 2020, the Secretary of State announced a further £919 million of unringfenced funding to respond to spending pressures. In addition, £100m will be top-sliced to “support council leisure centres most in need”. The compensation scheme is intended for authorities where leisure is provided through a third party (such as Babergh District Council) and authorities will need to apply for the funding on a bid-based approach.

5.11 The total COVID19 financial impact, including Collection Fund losses, for Babergh in 2020/21 totals £2.331m. The anticipated financial support that the Council will receive from Government in 2020/21 represents 84% of these costs and losses. This leaves the Council with a predicted COVID19 impact of £363k to fund.

Indirect financial impacts of COVID19

5.12 The ability to recruit to vacant staffing posts has been impacted during the lockdown period and has resulted in a predicted additional underspend on salaries of £450k for the year. Other sources of funding including housing benefit income to cover homelessness costs and the Shared Revenues Partnership absorbing the costs of additional hours worked in responding to new burdens has also helped to offset COVID19 costs. These are predicted to have a positive full year financial impact for the Council of £456k. These are included within the detailed table in 6.6.

Summary of COVID19 impact to date

5.13 As a result of the support received from Government, and careful management, at this stage in the financial year, the potentially devastating financial impact of COVID19 on the Council’s finances has been largely mitigated. However, there remains significant risk that this could change as the year progresses. With the Leisure centres working to a restricted operating model, further financial support is likely to be required. Recruitment across the Council has now commenced at some pace, therefore the vacancy management factor saving is unlikely to continue at such a high level. All of this coupled with the continuing uncertainty of the COVID19 situation across the country are all risks that could severely impact on the Council’s financial forecast for the year.

Medium Term Position

5.14 The Council is currently assuming a ‘flat rate’ of Government settlement for 2021/22. In light of the COVID19 situation, the medium-term forecasts have been reviewed and revised, updating assumptions for the pay award, investment income, increase in Local Council Tax Reduction caseload, and the potential impact on tax base growth. This result, over the next three years to 2023/24 for Babergh, in 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). These numbers are currently being reviewed again as part of the budget preparation work for 2021/22. As a result, the Council will need to identify further savings or additional income to cover the shortfall, with the use of reserves as a last resort.

- 5.15 A series of comprehensive budget challenge sessions took place during August and September 2020 to focus 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 as part of Budget Setting.
- 5.16 The impact of COVID19 could be felt for years to come as the Council may 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) and to manage with a potential reduced level of income.

6. Quarter 2 Position

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

General Fund Revenue Account

- 6.2 In relation to funding:
- (a) Council Tax (£5.77m): at the end of September, collection rates were 56.47%, compared with 57.48% 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 financial impact will be in 2021/22.
- (b) Government Grants: baseline business rates of £1.4m and New Homes Bonus (NHB) of £1.05m were forecast in the 2020/21 budget. NHB is fixed but the actual amount of business rates will vary.
- (c) Business Rates: at the end of September, collection rates were 56.58% compared with 57.20% for the same period last year. This source of income is also likely 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 September (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 (see table below). The forecast variances identified within this report will be taken into consideration when setting the budgets for 2021/22.

DETAILED VARIANCES

Explanations	Adverse/ (favourable) £'000
Cabinet Member for Assets and Investments	
AD Area: Assets and Investment	
CIFCO – an overall favourable variance of £164k which can be broken down as follows:	
• 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 £420k.	(420)
• 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 £256k is forecast.	256
• As a result of COVID19, loss of income from the Councils commercial investments including Borehamgate and South Suffolk Business Centre is expected. An adverse variance of £70k is forecast.	70
Cabinet Member for Environment	
Environment and Commercial Partnerships	
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 £65k as a result of COVID19. Licenses particularly affected are Alcohol, Entertainments and Late-night Refreshment licences as well as Taxi and Private Hire licences.	65
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 £110k.	110
Waste services – both trade and garden waste services have been impacted by COVID19 resulting in reduced income of £315k. This is partially offset by an underspend on the cost of disposal. (Trade waste - £67k and Garden waste - £73k).	
• Recycling credits - an adverse variance of £73k again an impact of COVID19.	248

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 £90k 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.	(90)
Cabinet Member for Economic Growth	
AD Area; Economic Development and Regeneration	
Economy and Business – a favourable variance of £39k. 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. 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.	(39)
Cabinet Member for Planning	
AD Area: Sustainable Communities	
Planning – an overall adverse variance of £225k. The main items that contribute to this adverse variance are: • anticipated income shortfall of £278k. The full year income forecast is based on actual income received in the first half of the year, a 15% reduction in quarter 3 and a 25% reduction in the final quarter of the year. • Other items (net) - a favourable variance of £53k	278 (53)

DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
Cabinet Member for Finance AD Area: Corporate Resources	
<ul style="list-style-type: none"> • Bank Charges - based on the current level of transactions, an adverse variance of £30k is expected. • Investment income - based on performance to date, our investments are not performing as expected resulting in an adverse variance of £82k. • Shared Revenues Partnership (SRP) - in 2019/20 each partner within SRP received a dividend, this has impacted the budget this year, resulting in a small favourable variance of £6k. 	106
Other items	
<p>PV Panels - an overall adverse variance of £46k. The main reasons for the adverse variance are as follows;</p> <ul style="list-style-type: none"> • It was anticipated when setting the budget for 2020/21 that a part year saving would be achieved on the Councils data management contract, the impact of COVID19 has resulted in a delay and this is now unlikely to happen until late 2021/22. • the cost of replacement inverters and annual servicing costs is higher than expected resulting in an adverse variance of £17k. • lower than anticipated FiT income of £6k 	46
Land Charges income - an adverse variance of £15k is expected as a result of COVID19. It is anticipated that the market will improve, but not enough to mitigate the loss of income during the first half of the year.	15
Other items (net) - a small adverse variance of £8k.	8
Minimum Revenue Provision (MRP) - the budget for 2020/21 is set before the confirmed capital spend for 2019/20 is known and so the £58k favourable variance can mainly be attributed to lower than expected ICT (£20k), play equipment (£15k) and CIFCO (£10k) costs in 2019/20.	(58)
• Central Printing & 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 £18k.	(18)
COVID19 expenditure - a further breakdown of COVID19 related expenditure is shown in section 5.1 of the report.	969
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 £450k.	(450)
TOTAL ADVERSE VARIANCE FORECAST FOR THE YEAR	988

DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
Funding	
Business Rates - an adverse variance of £356k is expected. This is made up of a number of items:	
• An adverse variance of £4,808k 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.	4,808
• The adverse variance mentioned above is partially mitigated by an increase in the receipt of S31 grants – a favourable variance of £4,559k.	(4,559)
• Based on current projections, a benefit of £217k is expected from the Business Rates Pool, an adverse variance of £106k.	106
Impact on Collection Fund over 3 years from 2021/22	206
Funding / additional support	
Covered by SRP budget	(208)
Housing benefit income	(125)
Track and trace funding	(75)
Community grant underspend	(48)
Funding from Central Government - additional £132k announced 22 October 2020	(1,170)
New burdens funding	(170)
Irrecoverable Sales, Fees and Charges income – full year effect	(419)
Compliance and Enforcement Grant	(38)
Test and trace support payments - administration costs	(25)
TOTAL FUNDING	(1,716)
TOTAL SURPLUS POSITION FOR THE YEAR	(728)

- 6.7 Any variance relating to business rates will be funded from or transferred to the Business Rates Equalisation reserve.
- 6.8 As a result of careful financial management, the Council is currently forecasting an overall surplus for the year despite the significant impact of COVID19. As set out in paragraph 5.13 there are risks associated with the next 6 months forecast and 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	969
COVID19 Loss of income	1,156
COVID19 Impact on Collection Fund over 3 years from 2021/22	206
Financial Impact of COVID19	2,331
COVID19 Funding from Central Government	(1,822)
Unfunded COVID19 impact	510
Vacancy Management Factor	(450)
Other sources of funding incl. Housing benefit income, & SRP funding	(456)
Other in year budget variances as shown in the table above	(332)
TOTAL SURPLUS POSITION FOR THE YEAR	(728)

Community Infrastructure Levy (CIL)

- 6.9 CIL income received by the Council between April and September 2020 is £870k, compared with £1m 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 surplus forecast in this report, 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 Sept 2020 - Appendix C	(25)
Other commitments - Appendix C	(124)
Balance at 31st March 2021	875
<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 September 2020.

Earmarked Reserves

6.13 Earmarked reserve balances total £11.56m at 1 April 2020. Appendix C outlines the specific earmarked reserve movements that are included within the full year forecast for Quarter 2.

6.14 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. Further details of planned transfers to and from reserves are shown in Appendix C.

Capital

6.15 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 impact of COVID19. 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 COVID19 e.g. PPE.

- 6.16 Capital expenditure for the period April to September 2020 totals £1.1m, against a revised programme (including carry forwards) of £20.1m, excluding £17.1m for CIFCO, as set out in Appendix D. The anticipated spend for 2020/21 against the £20.1m is £3.5m resulting in carry forwards of £12.7m and an underspend of £3.9m. The main variances that contribute to the £3.9m underspend are set out below and in Appendix D.
- 6.17 Further explanations are provided below:
- a) **Grants for Empty Homes** – This service is undergoing a restructure and will result in an underspend which will be carried forward. There will be an Empty Homes Policy developed next year.
 - 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 £400k. As agreed previously, the budget for 2020/21 is a carry forward from the previous year and will continue to be so until it has been fully utilised.
 - c) **Disabled Facilities Grant (DFG)** – a carry forward of £1.2m is expected based on level of approved grants to date. 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. The contract is due to expire at the end of November 2020. This service will be provided inhouse from 1 December 2020.
 - d) **Repairs to Bridges** – an overspend of £53k for urgent repairs to bridges in Corks Lane, Hadleigh and railway walks in Sudbury & Hadleigh
 - e) **Belle Vue** - an underspend of £4m. The original scheme is no longer proceeding. Alternative proposals are being considered.
 - f) **Leisure Centres** - construction delays, impacted by COVID19, in relation to both Hadleigh Pool and Leisure and Kingfisher Leisure Centre, have occurred. The result is a forecast underspend of £1.2m which will be carried forward to meet expenditure in 2021/22.
 - g) **CIFCO** - as a consequence of the current market, delays in the investment spend due to slower than anticipated property acquisitions, it is expected to result in an underspend of £4.8m. Two properties have been purchased to date with three more in the pipeline. These budgets will be carried forward for use in 2021/22.
 - h) **Other Assets and Investments** – an underspend of £9.411m. The Council are developing a Joint Asset Management Strategy which will provide the framework for managing the Councils' estate. The Strategy is planned to be brought for approval in January 2021 where strategic aims will be agreed, and the Strategic Investment Fund utilised to meet the Council's asset management principles.
 - i) **Other items (net)** – a favourable variance of £7k.

7. LINKS TO THE CORPORATE PLAN

7.1 Ensuring that the Council makes best use of its 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 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

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

7 September 2020 General Fund Financial Monitoring 2020/21 – BCa/19/60

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	Hamilton Road Quarter, Borehamgate & Belle Vue Site	500	9	509	46	146	86	24	302	206
2	Angel Court Housing Development	200	-	200	-	123	9		132	68
3	Workspace & Grow-on Commercial	200	25	225	20	65	2	5	91	134
4	Inclusive Growth Engagement Officer	60	-	60	-	-			-	60
5	Establishment of a Central Suffolk Chamber of Commerce	42	-	42	30	-	12		42	-
6	St Peters Church Regeneration	100	-	100	-	-	100	-	100	-
7	Unallocated	280		280					-	280
	BRRP Total	1,382	34	1,416	96	334	209	28	667	748

APPENDIX B

Babergh Transformation Fund (Growth and Efficiency Fund – Mid Suffolk)

Project	Responsible Officer	Date of Approval	Budget	Cumulative spend to 2019/20		Apr 20 - Sept 20		Total Spend	Variance - favourable / + adverse	Commitments		
				BDC	MSDC	BDC	MSDC			BDC	MSDC	
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%, MSDC - 79%)	Lee Carvell	Mar-19	208,500	10,568	40,795	10,128	16,641	78,131	-130,369	27,377	102,991
2	Shop front & access improvement grants (MSDC only)	Lee Carvell	Jun-18	350,000	0	18,692	0	35,736	54,427	-295,573		295,573
Community Capacity Building												
3	New engagement post within Communities to support the development of key sites. PROJECT COMPLETE	Vicky Moseley	Apr-18	85,500	26,075	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 (BDC -50%, MSDC - 50%)	Phil Isbell	Oct-16	205,000	54,684	54,726	1,050	1,050	111,511	-93,489	46,745	46,745
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. (BDC -50%, MSDC - 50%)	Samantha Lake	Nov-19	32,800	6,821	6,821	8,586	8,586	30,815	-1,985	993	993
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 (MSDC only)	Robert Hobbs	Jan-15	475,000	194,159	137,000	0	1,260	332,419	-142,581	43,341	99,240
General Transformation - other projects												
7	Other items	Melissa Evans		286,254	16,643	269,611	0	0	286,254	0		0
8	Trees for Life (BDC - 40%, MSDC - 60%)	Will Burchnall		23,000	2,682	7,057	0	0	9,739	-13,261	5,318	7,943
9	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				3,408,179	461,547	2,515,240	24,896	68,404	988,772	-727,281		
COMPLETED PROJECTS SUB-TOTAL				3,267,638	600,359	2,591,416	0	0				
				6,675,817	1,061,906	5,106,656	24,896	68,404	988,772	-727,281	123,773	603,484

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)	2,866	(875)
Business Rates Retention Pilot	(1,138)			237	(901)
Business Rates Equalisation	(1,216)	140			(1,076)
Government Grants	(204)			39	(165)
Commuted Maintenance Payments	(478)		(376)		(854)
COVID19	-	(280)			(280)
Elections Fund	(20)		(20)		(40)
Elections Equipment	(35)				(35)
Homelessness	(241)		(41)	97	(185)
Temporary Accommodation	(74)			9	(65)
Planning (Legal)	(263)			58	(205)
Neighbourhood Planning Grants	(76)		(46)	25	(97)
Community Housing Fund	(195)			27	(168)
Strategic Planning	(55)			40	(15)
Joint Local Plan	(118)			72	(46)
Planning Enforcement	(88)			15	(73)
Well-being	(275)			1	(274)
Waste	(9)			9	-
Total Earmarked Reserves excluding CIL	(5,176)	-	(3,826)	3,649	(5,353)
Community Infrastructure Levy (CIL)	(6,378)				(6,378)
Total Earmarked Reserves	(11,554)	-	(3,826)	3,649	(11,731)

2020/21 Capital Programme

BABERGH CAPITAL PROGRAMME 2020/21	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend	Full Year Forecast	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse	Explanation of major variances
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Housing								
Discretionary Housing Grants	100	-	100	28	100	-	-	
Empty Homes Grant	100	67	167	18	18	149	-	This service is undergoing a restructure and there will be an Empty Homes Policy developed next year
Grants for Affordable Housing	-	400	400	-	-	400	-	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	760	696	1,456	205	231	1,225	-	A carry forward of £1.2m is expected based on level of approved grants to date. Future demand is unknown. 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. This service will be provided inhouse from 1 December 2020.
Total Housing	960	1,163	2,123	251	349	1,774	-	
Environment and Projects								
Planned Maintenance / Enhancements - Car Parks	50	32	82	0	-	82	-	Underspend due to lack of resources to carry out condition surveys at each car park. £82k will be carried forward to complete works in 2021/22
Repairs to Bridges	-	-	-	-	53	-	53	Repairs needed to bridges in Corks Lane, Hadleigh and railway walks in Sudbury & Hadleigh
Replacement Refuse Freighters - Joint Scheme	298	-	298	116	301	-	3	
Recycling Bins	65	-	65	40	70	-	5	
Total Environment and Projects	413	32	445	156	424	82	61	
Economic Development and Regeneration								
Belle Vue	-	4,000	4,000	18	-	-	(4,000)	The original scheme is no longer proceeding. Alternative proposals will be considered
Total Economic Development and Regeneration	-	4,000	4,000	18	-	-	(4,000)	
Sustainable Communities								
Community Development Grants	117	105	222	38	222	-	(0)	
Play Equipment	50	27	77	(3)	77	-	(0)	
Total Sustainable Communities	168	132	300	35	299	-	(1)	

2020/21 Capital Programme

BABERGH CAPITAL PROGRAMME 2020/21	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend	Full Year Forecast	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse	Explanation of major variances
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Total Leisure Contracts	979	2,231	3,210	1,028	2,008	1,202	-	Construction delays, impacted by COVID19, in relation to both Hadleigh Pool and Leisure and Kingfisher Leisure Centre, have occurred. The result is a forecast underspend of £1.2m which will be carried forward to meet expenditure in 2021/22.
Assets and Investments								
CIFCO - further investment	8,666	8,452	17,118	1,461	12,355	4,763	-	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 £4.8m. Two properties have been purchased to date with a further three in the pipeline. We anticipate these budgets to be carried forward for use in 2021/22.
Former BDC Offices (Hadleigh)	-	194	194	(369)	194	0	-	
Other Corporate Buildings	36	-	36	0	-	36	-	Reactive work - this is under review - detailed plans will be brought forward
Land assembly, property acquisition and regeneration opportunities	64	6,347	6,411	-	-	6,411	-	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 January 2021 where our strategic aims can be agreed and the Strategic Investment Fund utilised to meet our asset management principles.
Strategic Investment Fund	-	3,000	3,000	-	-	3,000	-	
Total assets and Investments	8,766	17,993	26,759	1,092	12,549	14,210	-	
Total Customers, Digital Transformation and Improvement	200	248	448	5	200	248	-	
Total General Fund Capital Spend	11,485	25,799	37,284	2,586	15,776	17,515	(3,993)	