

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/20/39
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 11 March 2021
OFFICER: Katherine Steel, Assistant Director, Corporate Resources	KEY DECISION REF NO. CAB225

GENERAL FUND FINANCIAL MONITORING 2020/21 – QUARTER 3

1. PURPOSE OF REPORT

- 1.1 This report considers the revenue and capital financial performance for the period April to December 2020 as well as the impact of COVID19 on the Council's finances and highlights predicted variances for the financial year 2020/21 and 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 £2.644m. The anticipated financial support that the Council will receive from Government in 2020/21 represents 69% of these costs and losses. This leaves the Council with a predicted COVID19 impact of £822k 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 for the General Fund at the end of quarter 3 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 Governments three-year Comprehensive Spending Review (CSR) was planned to conclude in July 2020, however, on 24 March 2020 the Chancellor announced that the CSR would be delayed 'to enable the Government to remain focussed on responding to the public health and economic emergency'. On 21 October 2020, the Chancellor announced the decision to provide a one-year Spending Review in order to prioritise the response to Covid19 and focus on supporting jobs. Details of this SR20 were published on 25 November 2020.

Business rates review and revaluation

- 4.4 Confirmation that the Fair Funding Review, Business Rates Review and business rates reset will be delayed. A fundamental review of the business rates system will be undertaken, and the Government are considering responses to the call for evidence. A final report with conclusions of this review is expected spring 2021.

5. Financial Impact of COVID19

Additional Costs £1.4m

- 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 £1.4m. 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. Babergh submitted a bid-based application to the £100m

compensation scheme and has successfully been awarded additional funding of £170k, this will be passed onto Abbeycroft Leisure;

- **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 £1.1m

- 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 £1.1m.
- 5.3 As income generation is difficult to predict and the COVID19 situation is changeable, as shown by a further National lockdown which began on 4 January 2021, the budget assumptions are based upon a variety of different scenarios.
- 5.4 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 2020. The garden waste service was suspended again from 11 January 2021.
 - **Car parking machines** were disabled (covered) at the start of first lockdown as was the case across the country with the service resuming at the beginning of July. Following the second national lockdown, machines remain uncovered, but a further reduction to income is expected.
 - **Planning income** has been impacted due to a reduction in planning applications from April to December, compared to the previous year.
 - 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 accelerated to ensure that it is fully spent by the end of this financial year.

Business Rates and Council Tax Impact £230k

- 5.5 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.
- 5.6 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 £230k. As part of the finance settlement Government announced an estimated £762m of compensation payments for 75% of irrecoverable loss of council tax and business rates revenues in 2020/21. We are awaiting further details on how this will work in practice.

- 5.7 The Finance Settlement announced on the 10 February 2021 included a New Local Council Tax Support Grant £670m – outside the core settlement to fund authorities for the expected increase in Local Council Tax Support in 2021/22. This grant is to be allocated between Babergh, Suffolk County Council and Suffolk Police and Crime Commissioner.

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	£,000	£,000
Share of Coronavirus Response Fund		
• 27 th March Share of £1.6bn	37.7	
• 18 th April share of further £1.6bn	866.8	
• 2 nd July share of £500m	132.1	
• 22 nd October share of £919m	132.4	
Sub-total Response Fund		1,169
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		1,821.7
National Leisure Relief Fund (NLRFF) – to be passed onto Abbeycroft Leisure		170.0

- 5.9 Further financial support packages during 2021/22 from the Government include:
- The 5th tranche of Covid19 grant funding (£1.55bn) has been confirmed, of which Babergh's share is £414k. This has not been included in the funding

for the budget for 2021/22 at this stage, the grant will be placed in the Covid19 earmarked reserve.

- The co-payment mechanism for irrecoverable sales, fees and charges income, with the Government covering 75% of losses beyond 5% of planned income. The scheme has been extended until the end of June 2021. Babergh has received reimbursement of £295k to date and a further second payment of £53k is expected soon.

5.10 The total COVID19 financial impact, including Collection Fund losses, for Babergh in 2020/21 totals £2.644m. The anticipated financial support that the Council will receive from Government in 2020/21 represents 69% of these costs and losses. This leaves the Council with a predicted COVID19 impact of £822k to fund.

Indirect financial impacts of COVID19

5.11 The ability to recruit to vacant staffing posts has been impacted during the initial 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

5.12 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. Any previous significant risk highlighted is less likely for the final quarter of this year. 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 impact on the Council's financial forecast for the year.

Medium Term Position

5.13 The Council's main strategic financial aim remains to become self-financing i.e., not reliant on Government funding. The Council's parallel aim is to generate more funds than are required purely for core services, in order to enable additional investment into the district. In light of the COVID19 situation, the medium-term forecasts have been reviewed and revised and the final budget for 2021/22 and four-year outlook was presented to Council in February. The result, over the next three years to 2024/25 for Babergh, is a deficit of £1.7m.

5.14 The approach for the 2021/22 budget setting included "budget challenge sessions" which consisted of Corporate Managers taking a group of peers (comprising other Corporate Managers and Assistant Directors) through their budgets line by line. The peer group provided challenge and review to the budgets.

6. Quarter 3 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 December, collection rates were 77.62%, compared with 79.22% for the same period last year. Collection rates have been impacted by COVID19, but due to the way that the Collection Fund operates, the financial impact will be in 2021/22. Any impact in 2021/22 will be mitigated by to some degree by the additional government support as outlined in section 5.6 of this report.
- (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 December, collection rates were 79.37% compared with 83.05% for the same period last year. As with Council Tax, collection rates have been impacted by COVID19, similarly to council tax, in both 2020/21 and beyond. Any impact in 2021/22 will be mitigated by to some degree by the additional government support as outlined in section 5.6 of this report.

6.5 Based upon financial performance and information from April to December (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 have been 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 £221k 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 as mentioned above is expected to result in a favourable variance of £424k. This favourable variance can help to mitigate the adverse variance mentioned below.	(424)
• As a consequence COVID19, investment spend on property acquisitions has been slower than anticipated and so the income generated from those investments has been less resulting in an adverse variance of £204k. The Council is making every effort possible to ensure that CIFCO is fully invested by the end of March 2021.	204
• 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 £85k is forecast.	85
Cabinet Member for Environment	
Environment and Commercial Partnerships	
Leisure Contracts – an overall favourable variance of £21k, 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)
• Repair costs that have arisen as a consequence of refurbishment works at Kingfisher Leisure Centre including pipe repairs, installation of LED emergency lighting and works to the kitchen catering areas are expected to result in an adverse variance of £22k.	22
• Other items (net) - an adverse variance of £11k	11
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 £22k as a result of COVID19. Licenses particularly affected are Alcohol, Entertainments and Late-night Refreshment licences as well as Taxi and Private Hire licences.	22
Car Parks (net income) - car park income has been significantly affected by COVID19, with all ticket machines covered during the initial lockdown in April and May. This combined with the impact of the second national lockdown is expected to result in an adverse variance of £187k.	187
Waste services – an overall adverse variance of £171k which can be broken down as follows;	
• Both trade and garden waste services have been impacted by COVID19 resulting in reduced income of £239k which is partially mitigated by an underspend on the cost of disposal - £43k for Trade waste and £14k for Garden waste.	171
• Other items (net) - a favourable variance of £11k.	

DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
Cabinet Member for Customers, Digital Transformation & Improvement	
AD Area; Customers, Digital Transformation & Improvement	
<p>ICT costs – a favourable variance of £88k which can be attributed to the review of the SCC contract and licensing costs. 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.</p>	(88)
Cabinet Member for Economic Growth	
AD Area; Economic Development and Regeneration	
<p>Economy and Business – a favourable variance of £37k.</p> <p>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 to 2020/21, 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.</p> <p>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.</p>	(37)
Cabinet Member for Planning	
AD Area: Sustainable Communities	
<p>Planning – an overall adverse variance of £92k. The main items that contribute to the adverse variance are:</p> <ul style="list-style-type: none"> • Anticipated income shortfall of £291k. The full year income forecast is based on actual income received for the first 9 months of the year and anticipates a further reduction of 25% for the final quarter of 2020/21. • Professional and legal expenditure relating to appeals, based on expenditure incurred to date, an expected favourable variance of £132k is forecast. This will be transferred to planning (legal) earmarked reserve at year end to support expenditure in future years. • Community Infrastructure Levy (CIL) - 5% administration charge, based on actual income received to date, a favourable variance of £61k is anticipated • Other items (net) - a favourable variance of £6k 	<p>291</p> <p>(132)</p> <p>(61)</p> <p>(6)</p>

DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
Cabinet Member for Finance AD Area: Corporate Resources	
<ul style="list-style-type: none"> • HR & Organisational Development - an underspend of £70k on training including Corporate and Health & Safety training. This includes £40k that was carried forward from 2019/20 to support the management training programme. It is recommended that the full £70k be carried forward to 2021/22. • Bank Charges - based on the current level of transactions, an adverse variance of £31k is expected. • Investment income - based on performance to date and the impact of low interest rates, the Council's short term investments are generating less of a return resulting in a forecast adverse variance of £67k 	28
Other items	
<p>PV Panels - an overall adverse variance of £54k. 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. 	54
<ul style="list-style-type: none"> • 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 over the previous 9 months. 	15
<p>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.</p>	(58)
<ul style="list-style-type: none"> • 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 £15k. 	(15)
<p>COVID19 expenditure - a further breakdown of COVID19 related expenditure is shown in section 5.1 of the report.</p>	1,363
<p>Vacancy management factor - the 2020/21 budget includes a 5% vacancy management factor. This will be exceeded resulting in a favourable variance of £450k.</p>	(450)
TOTAL ADVERSE VARIANCE FORECAST FOR THE YEAR	1,126

DETAILED VARIANCES – continued

Explanations	Adverse/ (favourable) £'000
Funding	
<p>Business Rates - a favourable variance of £237k is expected. This is made up of a number of items:</p> <ul style="list-style-type: none"> • Baseline business rates - a favourable variance of £342k due mainly to an improved levy position and additional income from renewable energy schemes • S31 grants - a small adverse variance of £28k, excluding COVID related grants • Business rates pool - based on current projections, a benefit of £246k is expected from the Business Rates Pool, this will result in an adverse variance of £77k. <p>The overall position for Business Rates has changed significantly (£799k) since the previous quarter. This follows completion of the Councils business rates forecast for 2021/22 and the changes required by Central Government for the treatment of the Retail Hospitality and Leisure reliefs</p> <p>Any variance relating to business rates will be funded from or transferred to the Business Rates Equalisation reserve.</p>	<p>(342)</p> <p>28</p> <p>77</p>
<p>Funding / additional support</p> <ul style="list-style-type: none"> Covered by SRP budget Housing benefit income Track and trace funding Community grant underspend 	<p>(208)</p> <p>(125)</p> <p>(75)</p> <p>(48)</p>
<p>Funding from Central Government - additional £132k announced 22 October 2020</p> <ul style="list-style-type: none"> New burdens funding Irrecoverable Sales, Fees and Charges income – full year effect Compliance and Enforcement Grant Test and trace support payments - administration costs 	<p>(1,170)</p> <p>(170)</p> <p>(419)</p> <p>(38)</p> <p>(25)</p>
TOTAL FUNDING	(2,515)
TOTAL SURPLUS POSITION FOR THE YEAR	(1,388)

- 6.7 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 5.12 there are risks associated with the next 3 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	1,363
COVID19 Loss of income	1,051
COVID19 Impact on Collection Fund over 3 years from 2021/22	230
Financial Impact of COVID19	2,644
COVID19 Funding from Central Government	(1,822)
Unfunded COVID19 impact	822
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	(1,304)
TOTAL SURPLUS POSITION FOR THE YEAR	(1,388)

Community Infrastructure Levy (CIL)

- 6.8 CIL income received by the Council between April and December 2020 is £1,807k, compared with £1,450k 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

- 6.9 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 concludes 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.
- 6.10 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 Dec 2020 - Appendix B	(56)
Other commitments - Appendix B	(131)
Balance at 31st March 2021	837
<i>* identified in 2020/21 budget</i>	

Business Rates Retention Pilot

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

Earmarked Reserves

6.12 Earmarked reserve balances (excluding CIL) are forecast to total £5.492m at 31 March 2021. Appendix C outlines the specific earmarked reserve movements that are included within the full year forecast for Quarter 3. The anticipated surplus for 2020/21 is not included in the earmarked reserve balance.

6.13 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.

Capital

6.14 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.

- 6.15 Capital expenditure for the period April to December 2020 totals £2.2m, against a revised programme (including carry forwards) of £20.2m, excluding £17.1m for CIFCO, as set out in Appendix D. The anticipated spend for 2020/21 against the £20.2m is £4.2m resulting in carry forwards of £15.9m and a net underspend of £0.1m. The main variances that contribute to the £0.1m underspend are set out below and in Appendix D.
- 6.16 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 £696k is expected based on the level of approved grants to date. The Council has a statutory duty to offer and manage Disabled Facilities Grants to eligible residents. This service was previously delivered via a “Home Improvement Agency” (HIA) contract between Suffolk County Council and Orbit Homes but has been provided in-house since 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 and 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 £767k 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 £1.7m. Two property purchase are currently in the pipeline. These budgets will not be carried forward and there will be no new investment beyond 2020/21.
 - h) **Other Assets and Investments** – an underspend of £9.4m. The Council has developed a Joint Asset Management Strategy which provides the framework for managing the Councils' estate. The Strategy was approved in January 2021, strategic aims have been agreed, and the Strategic Investment Fund will be utilised to meet the Council's asset management principles.

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 like COVID19 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 (including a monthly COVID19 return MCHLG), 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

10 December 2020 General Fund Financial Monitoring 2020/21 – BCa/20/11

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	114	61	367	142
2	Angel Court Housing Development	200	-	200	-	123	22		145	55
3	Workspace & Grow-on Commercial	200	25	225	20	65	3	4	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	251	65	745	670

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 - Dec 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	17,107	25,029	93,498	-115,002	24,150	90,852
2	Shop front & access improvement grants (MSDC only)	Lee Carvell	Jun-18	350,000	0	18,692	0	79,464	98,156	-251,844		251,844
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	0	0
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	12,879	12,879	39,401	6,601	-3,300	-3,300
6	To fund the IESE customer focus wheel intervention and Business Process Re-engineering training. The customer focus wheel will provide the Councils with a sound evidence base to help benchmark where we are against customer centric culture, processes, vision and performance to understand if the proposed projects will ensure we deliver the expected outcomes. The project is anticipated to be a minimum of 2/3 years. (BDC -50%, MSDC - 50%)	Samantha Lake	Mar-20	29,000	0	0	14,500	14,500	29,000	0		
Housing Delivery/Business Growth												
7	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	1,260	332,419	-142,581	43,341	99,240
Environment												
8	Solar PV multi-function carport including battery storage & vehicle charging points Funding required for technical feasibility and viability appraisal for installations at two Leisure Centres & Council carparks in Sudbury and Stowmarket. Also, a third flexibly deployable option to be worked up as part of the study. This can support external investment opportunities and delivery against environmental and economic priorities, including transitioning towards carbon neutral districts by 2030.	Lee Carvell	Jul-20	40,000	0	0	5,470	5,470	10,940	-29,060	14,530	14,530
General Transformation - other projects												
9	Other items	Melissa Evans		286,254	16,643	269,611	0	0	286,254	0		0
10	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
11	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	56,138	144,783	1,096,393	-688,660		
COMPLETED PROJECTS SUB-TOTAL				3,267,638	600,359	2,591,416	0	0				
				6,675,817	1,061,906	5,106,656	56,138	144,783	1,096,393	-688,660	130,784	557,853

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)	2,904	(837)
Business Rates Retention Pilot	(1,138)			316	(822)
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)		(124)	100	(265)
Temporary Accommodation	(74)			9	(65)
Planning (Legal)	(263)		(74)		(337)
Neighbourhood Planning Grants	(76)		(24)		(100)
Community Housing Fund	(195)			28	(167)
Strategic Planning	(55)				(55)
Joint Local Plan	(118)			68	(50)
Planning Enforcement	(88)			15	(73)
Well-being	(275)			3	(272)
Waste	(9)			9	-
Total Earmarked Reserves excluding CIL	(5,176)	-	(3,960)	3,645	(5,492)
Community Infrastructure Levy (CIL)	(6,378)				(6,378)
Total Earmarked Reserves	(11,554)	-	(3,960)	3,645	(11,870)

2020/21 Capital Programme

BABERGH DC CAPITAL PROGRAMME 2020/21	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Full Year Forecast at Q3	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse Variance	Explanation of major variances since previous quarter
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund Housing								
Mandatory Disabled Facilities Grant	760	696	1,456	416	760	696	-	A carry forward of £696k is expected based on level of approved grants to date. A Regulatory Reform Order means that grants of up to £7.5k can now be made without means testing. This has reduced substantially the period from grant application to approval and is reflected in the increased level of grant payments. It is anticipated that the current year's grant allocation of £760k will be spent in full in the year. The service to offer and manage Disabled Facilities Grants to eligible residents has been provided in-house since 1 December 2020.
Renovation/Home Repair Grant (formerly Discretionary Housing Grants)	100	-	100	37	100	-	-	
Discretionary Housing Grants	-	-	-	-	-	-	-	
Empty Homes Grant	100	67	167	24	25	142	-	
S106/CIL Affordable Hsg Grants	-	-	-	195	195	-	195	Grants to housing associations to facilitate affordable housing schemes funded by S106/CIL
Grants for Affordable Housing	-	400	400	-	-	400	-	
Total General Fund Housing	960	1,163	2,123	673	1,080	1,238	195	
Environment and Projects								
Replacement Refuse Freighters - Joint Scheme	298	-	298	298	301	-	3	
Recycling Bins	65	-	65	59	70	-	5	
EV Charging Points	-	-	-	-	-	-	-	
Total Environment and Projects	363	-	363	356	371	-	8	
Communities and Public Access								
Planned Maintenance / Enhancements - Car Parks	50	32	82	0	-	82	-	
Bridges - Repairs	-	-	-	-	53	-	53	
Total Community Services	50	32	82	0	53	82	53	
Economic Development and Regeneration								
Belle Vue	-	4,000	4,000	-	-	4,000	-	
Total Economic Development and Regeneration	-	4,000	4,000	-	-	4,000	-	

2020/21 Capital Programme

BABERGH DC	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Full Year Forecast at Q3	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse Variance	Explanation of major variances since previous quarter
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
CAPITAL PROGRAMME 2020/21								
Sustainable Communities								
S108/CIL Play Equipment	-	-	-	21	21	-	21	To be funded from CIL
Play Equipment	50	27	77	(3)	77	0	-	
Community Development Grants	117	105	222	107	222	0	-	
Total Sustainable Communities	168	132	300	126	320	1	21	
Leisure Contracts								
Total Leisure Contracts	979	2,231	3,210	1,395	2,075	767	(367)	
Assets and Investments								
Planned Maintenance / Enhancements - Corporate Buildings	36	-	36	17	75	-	39	Works at Wenham Depot to enable the Building Services team to relocate from Creeping Road Depot
Strategic Investment Fund	-	3,000	3,000	-	-	3,000	-	
Regeneration Fund	64	6,347	6,411	-	-	6,411	-	
Regeneration Fund - HQ Sites	-	194	194	(369)	194	-	-	
CIFCO - further investment	8,666	8,452	17,118	-	18,855	-	1,737	Further investment will be brought forward into 2020/21 from 2021/22
Total assets and Investments	8,766	17,993	26,759	(352)	19,124	9,411	1,776	
Total Customers, Digital Transformation and Improvement	200	248	448	13	71	377	-	Due to ongoing pressures there is little scope to progress new projects. There will be some expenditure on new laptops, tablets, etc.
Total General Fund Capital Spend	11,485	25,799	37,284	2,212	23,094	15,875	1,685	