

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/21/14
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 2 August 2021
OFFICER: Katherine Steel, Assistant Director, Corporate Resources	KEY DECISION REF NO. CAB267

GENERAL FUND FINANCIAL OUTTURN 2020/21

1. PURPOSE OF REPORT

- 1.1 This report summarises the 2020/21 financial outturn for the General Fund Revenue and Capital Programme. The Revenue outturn position is an overall surplus of £736k and the Capital Programme for the year is overspent by £223k.
- 1.2 The report contains details of the impact COVID19 has had on the Council's finances during the year. The overall cost to the General Fund, before Government support is £1.628m, this includes a shortfall in income of £641k.
- 1.3 This is subject to the external auditors' report on the Statement of Accounts for the year, which will be presented to the Joint Audit and Standards Committee later in the year once the audit is complete.

2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are;
 - a) Transfer the entire surplus of £736k to the Transformation Fund and support the revenue carry forward requests of £571k and the capital carry forward requests of £13.802m. This does not enable other revenue reserves to be supplemented, so is not the recommended option.
 - b) Support the revenue carry forward requests of £571k and the capital carry forward requests of £13.802m, make transfers of £363k to specific earmarked reserves and transfer the remaining revenue surplus of £373k to the Transformation Fund. This is the recommended option.

3. RECOMMENDATIONS

- 3.1 That the 2020/21 General Fund financial outturn of £736k surplus as set out in this report be noted.
- 3.2 That, the following transfers be approved;
 - a) Transfer to reserves of £363k being the net amount, for specific earmarked reserves, referred to in section 6.5 of this report;
 - b) Surplus of £373k be transferred to the Transformation Fund

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| 3.3 | That the revenue carry-forward requests totalling £571k referred to in paragraph 6.12 and Appendix E of this report be approved. |
| 3.4 | That the total capital carry-forward requests referred to in paragraph 6.18 of this report totalling £13.802m be approved. |

REASON FOR DECISION

To ensure that Members are kept informed of the outturn position for both General Fund Revenue and Capital and to approve earmarked reserve transfers and carry forward requests.

4. KEY INFORMATION

Executive Summary

- 4.1 The finances of the Council were severely impacted during 2020/21 by the COVID19 pandemic but providing the Government with regular monitoring information during the year, enabled the provision of much needed financial support to all local authorities. Section 5 below provides further detail, but due to an improving position and additional administration funding being provided by the Government at the end of the year, the Council was able to place £891k into a COVID19 earmarked reserve to finance further response and recovery activity in 2021/22.
- 4.2 Local authorities across the country were at the forefront of managing a range of initiatives instigated by the Government, aimed at helping businesses and individuals through the pandemic. This was in key areas such as housing, communities, economic development, and the Shared Revenues Partnership, supported by back-office services such as finance, commissioning and procurement and impacted the Councils capacity to drive forward other planned initiatives within the Strategic Priorities.
- 4.3 At the start of the pandemic, it was anticipated that there would be a significant impact on the level of council tax and business rates that could be collected in year, so this was monitored on a weekly basis throughout the year. The furlough scheme and Hardship Fund supported council tax collection and 100% relief for the retail, hospitality and leisure sectors and business grants supported business rates collection. The Government also offered a Tax Income Guarantee scheme to local authorities to fund 75% of irrecoverable tax losses across council tax and business rates. The result of all of this, along with other factors within business rates, meant that the income received was £284k higher than budget.
- 4.4 The pandemic also impacted the general running of the Council's services and its ability to recruit staff during the lockdown periods, so expenditure levels were lower than anticipated, as reported to Cabinet in the third quarter monitoring report. The final position was a surplus of £736k. Detail about the key variances across all service areas is shown in Appendix A, but the main areas that contributed to the overall favourable position were staffing, capital financing charges, development management and business rates.

- 4.5 Because of the effect that the pandemic had during the year, several service areas have requested funds to be carried forward into 2021/22 to enable recovery / transformation work to take place. These total £571k as detailed in Appendix E.
- 4.6 The final position means that the Council can make allocations to four key earmarked reserves (Waste, Planning Legal, Planning Enforcement and Joint Local Plan and Climate Change and Biodiversity) totalling £363k and a further contribution to the Transformation Fund of £373k to provide additional resources to deliver the ambition within the Strategic Priorities.
- 4.7 The capital programme was also impacted by the pandemic, with schemes being suspended for a period during the initial lockdown, influencing the level of expenditure for the year. The final position was spending of £22.9m against a programme of £37.3m. With contractual commitments and carry forward requests of £14.6m, an overall adverse variance of £223k is reported, which primarily relates to CIFCO being fully invested earlier than anticipated offset by a reduced requirement for the Belle Vue site in Sudbury.

Strategic Context

- 4.8 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.
- 4.9 The Council has played a significant role locally in responding to COVID19, in supporting businesses and the most vulnerable in our communities as well as running essential services.

Comprehensive Spending Review

- 4.10 The Government's 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 (SR) 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

- 4.11 The Fair Funding Review, Business Rates Review and business rates reset have been delayed. A fundamental review of the business rates system may be undertaken, and the Government is considering responses to the call for evidence. A final report with conclusions of this review is expected during 2021.

5. IMPACT OF COVID19

Government support schemes

- 5.1 Throughout the year the Government announced several grant schemes and business rate reliefs to support businesses affected by COVID19. There was a combination of mandatory and discretionary schemes that were administered by officers in the Economic Development Team, Finance, Commissioning and

Procurement Team, Shared Revenues Partnership (SRP) and supported by colleagues from Internal Audit and a number of staff either seconded in from other areas within the Council or from recruitment agencies.

- 5.2 The Government also introduced the self-isolation scheme to support those on low income, who are unable to work as a result of having to self-isolate. This scheme was administered by SRP and the Finance, Commissioning and Procurement Team.
- 5.3 The table below shows the amount of grants and reliefs that were paid out during 2020/21. Many of the schemes remained open at the 31 March 2021, therefore the unallocated amount of £3.6m received from Government has been carried forward into 2021/22.

COVID SUPPORT ADMINISTERED BY	£'000	£'000	£'000
	Received from Government	Paid out	Carried forward
Business Grants			
Small Business, Retail, Hospitality & Leisure Funding	(22,815)	22,815	-
Local Authority Discretionary Grant Fund for Small Businesses	(1,198)	1,198	-
Local Restrictions Support Grant Funding (LRSG)	(11,817)	9,434	2,382
Additional Restrictions Funding (ARG)	(2,658)	1,426	1,232
	(38,488)	34,873	3,615
Self isolation payments			
MHCLG Self Isolation Funding payments	(73)	36	37
	(73)	36	37

Financial Impact for the Council

- 5.4 The challenges presented by the COVID19 outbreak has resulted in significant unplanned costs and a loss of revenue income to the Council. In 2020/21 additional costs relating to COVID19 of £988k have been incurred and a loss of income of £641k.
- 5.5 The Government has provided support to local authorities through general funds of £4.6bn, new burdens funding, £3.2m towards homelessness and sales, fees and charges compensation. In total these various sources of financial support for Babergh amount to £2.6m.
- 5.6 As the Council did not use all of the Government funding during the year, it is able to top up the existing COVID19 reserve by £891k at the end of the year, giving a total reserve balance of £1.171m to mitigate the financial impacts and support recovery in 2021/22 along with a further £414k of COVID funding received in 2021/22. The main areas where support is currently anticipated during 2021/22 are additional costs for homelessness, leisure and business support and loss of rental income at Borehamgate and South Suffolk Business Centre, but this will be kept under review.
- 5.7 The funding to be carried forward includes £167k of New Burdens funding received at the end of 2020/21.

- 5.8 There have been several savings achieved during the year because most of the workforce was working from home, and committee meetings were being conducted virtually. Savings have been achieved in car mileage and transport, as well as printing and stationery costs as the Council moves to a digital way of working, some of which will continue to be a benefit and will be considered as part of the accommodation review. The non-financial benefit is the reduction in the Council's carbon emissions.
- 5.9 The ability to recruit to vacant staffing posts was impacted during the initial lockdown period and resulted in an underspend on salaries, above the vacancy management factor, of £458k for the year. This is unlikely to continue into 2021/22 as recruitment resumed to the normal level during the latter half of the financial year.
- 5.10 The table below provides details of the financial impact for Babergh.

COVID FINANCIAL IMPACT ON BABERGH	£'000
LOSS OF INCOME	
Sales, fees & charges income losses	
Planning	114
Garden waste	54
Trade waste	120
Land charges	1
Building control	8
Licensing	3
Car park income	161
Total sales, fees & charges loss	460
Other income losses	
Borehamgate & South Suffolk Business Centre losses	75
Council tax - income from court fees	106
Total loss of Income	641
COVID COSTS	
Housing - rough sleeping accomodation and support	250
Public Health - Testing, contact tracing and outbreak management	31
Compliance and Enforcement	4
Insurance of empty buildings	18
Leisure centres - support	428
Cultural & related - Community grants	69
ICT & remote working	4
Additional staff costs - Home But Not Alone and Business grants	26
Supplies and materials including Personal Protective Equipment	158
Total COVID costs	988
GENERAL FUND IMPACT BEFORE FUNDING	1,628
FUNDING	
Sales, fees and charges grant income	(408)
New Burdens Funding	
Small Business Grants Administration	(170)
MHCLG Self Isolation Funding Programme	(53)
Local Restrictions Support Grant Administration	(243)
Other Funding	
COVID-19 Local Authority Support Grant	(1,179)
Suffolk County Council COVID response	(126)
Suffolk County Council COVID shielding	(51)
Test and Trace funding	(75)
Compliance & Enforcement Grant income	(38)
National Leisure Relief Fund	(172)
Next Steps accomodation grant	(50)
Housing benefit income	(63)
TOTAL FUNDING	(2,626)
FUNDING CARRIED FORWARD TO 2021/22	(998)
Amounts carried forward as creditors	(107)
CARRIED FORWARD TO COVID RESERVE	(891)

- 5.11 The impacts of COVID19 for 2021/22 continue to remain a risk for the Council's finances as the pandemic continues to have an impact nationally and locally. The long-term effects and speed of recovery is still unknown at this stage, but the Council has the reassurance of being able to call upon the money being carried forward from 2020/21 as required.
- 5.12 In light of the COVID19 situation, the medium-term forecasts were reviewed and revised with the final budget for 2021/22 and four-year outlook being presented to Council in February 2021. The result, over the next three years to 2024/25 for Babergh is a deficit of £1.7m.

Business Rates and Council Tax Impact

- 5.13 Despite the COVID19 situation, business rates and council tax income for 2020/21 was £284k higher than the budget. 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.
- 5.14 Section 31 grants for retail discounts totalling £4.9m were received in 2020/21 and £4.7m will be carried forward in the Business Rates and Council Tax reserve to match the corresponding losses on the Collection Fund that will be realised over the next 3 years.
- 5.15 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. Babergh received £133k from this.
- 5.16 The Council received £467k from the Government's Council Tax Hardship Fund to provide further support to people on the Council Tax Reduction Scheme. During 2020/21 £459k of relief was provided to households with the remaining £8k of funding being carried forward to 2021/22 to provide further support.
- 5.17 Due to court actions being suspended during the COVID19 pandemic, income from the recovery of legal costs was lower than budgeted for, with an adverse variance of £106k as shown in the table in section 5.10 above.

6. 2020/21 OUTTURN POSITION

- 6.1 The report covers:
- The General Fund Revenue Budget
 - The General Fund Capital Programme.
- 6.2 Budget monitoring is a key tool and indicator on the delivery of the Council's plans and priorities for the year. There will, of course, always be reasons why there are variances such as:
- Economic conditions and those services that are affected by demand
 - Uncertainties relating to funding or other changes that were not known at the time the budget was approved.
- 6.3 Taking each area in turn, the position on key aspects of the 2020/21 budget is summarised below:

General Fund Revenue Account

6.4 In relation to funding:

- (a) Council Tax (£5.7m): at the end of March, the collection rate was 97.65%, compared with 98.46% for the same period the previous 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 to some degree by the additional government support as outlined in section 5.13 of this report.
- (b) Government Grants: baseline business rates of £1.6m 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 varies, with an outturn favourable variance of £284k. This resulted from an improved levy position and additional income from renewable energy schemes offset by an adverse variance on the Suffolk pooling income and a reduction in the S31 grants received.
- (c) Business Rates: at the end of March, the collection rate was 96.86% compared with 98.60% for the same period the previous year. As with council tax, collection rates have been impacted by COVID19, in both 2020/21 and beyond. Any impact in 2021/22 will be mitigated to some degree by the additional government support as outlined in section 5.13 of this report.

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

Service Area	Budget	Outturn	Variance to	Variance
		2020/21	Budget	%
	£'000	£'000	(favourable)/ adverse	
Corporate Resources	2,206	1,099	(1,107)	-50%
Economic Development and Regeneration	329	287	(42)	-13%
Environment and Commercial Partnerships	3,420	3,323	(97)	-3%
Housing	224	213	(11)	-5%
Law and Governance	1,022	881	(141)	-14%
Senior Leadership Team	623	603	(20)	-3%
Assets and Investments	269	236	(33)	-12%
Sustainable Communities	1,802	1,434	(367)	-20%
Customers, Digital Transformation and Improvement	1,855	1,451	(404)	-22%
Net expenditure on services ***	11,751	9,528	(2,223)	-19%
Recharge to HRA	(1,200)	(1,182)	18	-2%
Recharge to Capital	(4)	(4)	0	-2%
Capital financing costs	(472)	(675)	(203)	43%
Transfers to (from) reserves	327	1,713	1,385	423%
Carry forwards	-	571	571	
Total budget requirement ***	10,402	9,950	(452)	-4%
Council Tax	(5,774)	(5,774)	(0)	0%
Collection fund (Surplus)	(9)	(22)	(13)	143%
Business Rates less Tariff	(1,352)	(1,721)	(369)	27%
Business Rates - Pooling Benefit	(323)	(246)	77	-24%
19/20 distribution of deficit	(85)	(85)	0	0%
Rural Services Delivery Grant	(227)	(227)	(0)	0%
S31 Grant	(1,577)	(1,556)	21	-1%
New Homes Bonus	(1,055)	(1,055)	-	0%
Total funding	(10,402)	(10,686)	(284)	3%
Total variance	-	(736)	(736)	
Proposed movements to reserves:				
Waste			78	
Planning			64	
Joint Local Plan			21	
Climate Change and Biodiversity			200	
Transformation Fund			373	
			736	

*** Actual expenditure and budgets from the Business Rates Retention Pilot and the Transformation Fund have been excluded from the table above. Full details of spend in 2020/21 are detailed in Appendix B and Appendix C respectively.

- 6.6 A tolerance level of 10% based on full year actual to budget has been used to identify those variances where further narrative is provided. Appendix A shows the main items that are included in the overall variance of £736k.

Business Rates Retention Pilot

- 6.7 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, for one year only, Appendix B provides further details of the schemes and spend as at March 2021. A separate report will be prepared for Cabinet setting out proposals for use of the unallocated balance for feasibility work under the three themes of the Economic Strategy and Recovery Plan.

Community Infrastructure Levy (CIL)

- 6.8 CIL income received by the Council in the year 2020/21 is £4.634m. Following any necessary expenditure and adjustments for the 5% administration charge, there is a requirement to transfer any surplus to the Capital Grants Unapplied Account for spend on infrastructure in accordance with the Regulation 123 list in 2021/22 and beyond.

Transformation Fund

- 6.9 The table below provides a high-level summary of the movement in the Transformation Fund during 2020/21 and assumes that recommendation 3.2 b) will be approved. A more detailed breakdown of the expenditure from the Fund is shown in Appendix C.

Transformation Fund	£'000
Balance at 31 March 2020	538
2020/21 Budgeted Surplus *	711
2020/21 Surplus (actual less budgeted)	373
Revised Balance Available	1,622
<u>Less:</u>	
Contribution to COVID19 earmarked reserve	(140)
Actual spend 2020/21 - Appendix C	(130)
Balance at 31st March 2021	1,353
Commitments on current projects - Appendix C	(202)
Remaining unallocated TF Balance	1,151

* identified in 2020/21 budget

Earmarked Reserves

- 6.10 Earmarked reserve balances were £5.176m as at 1 April 2020. Appendix D outlines the specific earmarked reserve movements detailed in section 6.11 of this report as well as the Transformation Fund movements detailed in section 6.9.
- 6.11 Earmarked reserves are for a particular purpose or known requirements that affect more than one financial year. The Council can increase its earmarked reserves when underspends occur, income has exceeded costs or where grant monies or other sources of funding are received for specific purposes. The overall net favourable variance of £736k means that the Council can supplement the Transformation Fund reserve by £373k. A total transfer of £163k is proposed to planning, local plan and waste reserves to smooth year-on-year changes and ensure that the core budget for these areas is stable, as well as £200k to the climate change and biodiversity reserve. The Council has also made contributions both to and from other earmarked reserves as set out in the table below.

Transfers to/from reserves

Net movement to / (from) reserves	Budget £'000	Actual £'000	Variance (favourable) / adverse £'000
Not service specific			
2019/20 carry forwards	(153)	(153)	-
Elections	20	20	-
Budgeted surplus 2020/21	711	711	
Business Rates & Council Tax		43	(43)
Sub-total	578	621	(43)
Service specific			
Community Housing Fund	-	(31)	31
Temporary Accommodation	(21)	74	(95)
Well-being	-	(22)	22
Waste (Materials Recycling Facility)	(13)		(13)
Homelessness	(24)	(82)	58
Rough Sleepers	-	22	(22)
COVID-19	-	891	(891)
Government Grants - Public Health	(39)	(39)	0
Commuted Maintenance Payments	-	345	(345)
Neighbourhood Planning Grants	5	(28)	33
Planning Enforcement	(15)		(15)
Planning (Legal Costs)	(58)		(58)
Joint Local Plan	(86)	(38)	(48)
Sub-total	(251)	1,091	(1,342)
TOTAL exc TF and BRRP	327	1,713	(1,385)

Note: This table excludes transfers from the Business Rates Retention Pilot and Transformation Fund to fund expenditure from these reserves. These are shown in Appendix B and Appendix C respectively of this report.

- 6.12 Members should note that there are several carry forward requests totalling £571k which are summarised in the table below and detailed in Appendix E and are asked to approve these as per the recommendation in section 3.3 of the report. The carry forwards are assumed to have been approved in the overall outturn position of £736k.

Area	£'000
Corporate Resources	98
Customers, Digital Transformation & Improvement	215
Economic Development & Regeneration	48
Environment & Commercial Partnerships	14
Law & Governance	3
Sustainable Communities	194
Grand Total	571

Capital

- 6.13 Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.
- 6.14 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 because of the capital investment rather than variances against the plan for a particular year.
- 6.15 Capital expenditure for 2020/21 totals £22.879m, against a revised programme (including carry forwards) of £37.284m, as set out in Appendix F.

CAPITAL PROGRAMME 2020/21 - Position at 31 March 2021	£'000
Revised Capital Programme	37,284
Actual Expenditure	22,879
Contractual Commitments (Paragraph 6.17)	826
Carry forward requests (Paragraph 6.18)	13,802
Total Expenditure and carry forward requests	37,507
Net capital programme (favourable) / adverse variance	223

- 6.16 The main variances that contribute to the £223k adverse position are set out below:
- CIFCO – an adverse variance of £2.182m. Completion of the second tranche of investment was brought forward from 2021/22.

- Belle Vue – a favourable variance of £2m. Only £2m of the £4m allocation for Belle Vue is requested to be carried forward into 2021/22 due to the changing nature of the scheme as reported to Cabinet on 5th July 2021.
- Other items (net) - £41k adverse variance.

6.17 Contractual commitments are detailed in the table below. These funds were committed in 2020/21 and will be spent in 2021/22. The resources to fund these commitments will also be transferred to 2021/22.

Contractual Commitments	£'000
Mandatory Disabled Facilities Grant	747
Community Development Grants	79
Total Contractual Commitments	826

6.18 The following items are schemes where no contractual commitment yet exists, but they represent either plans or aspirations for investment, for which carry forward to the 2021/22 capital programme is requested, again with the requisite capital resources to fund this. It is proposed that these capital resources are carried forward into 2021/22 and reviewed as part of the Corporate Plan to assess whether the original requirement still exists, how it contributes to the strategic priorities and hence whether the resource can be redirected or removed.

Capital Carry Forward Requests	£'000
Regeneration Fund	6,411
Strategic Investment Fund	3,000
Kingfisher Leisure Centre Improvements	627
Grants for Affordable Housing	400
Hadleigh Pool and Leisure Improvements	353
Hadleigh Pool and Leisure Refurbishment	346
Regeneration Fund - HQ Sites	181
ICT - Hardware / Software costs	150
Empty Homes Grant	142
Planned Maintenance / Enhancements - Car Parks	79
Belle Vue	2,000
Play Equipment	77
Renovation/Home Repair Grant(formerly Discretionary Housing Grants)	37
Total	13,802

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

8.1 These are detailed in the report.

9. LEGAL IMPLICATIONS

9.1 There are no specific legal implications.

10. RISK MANAGEMENT

10.1 This report is most closely linked with the Council's Significant Risk No. 13 – We may be unable to respond in a timely and effective way to financial demands and 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 are worse than budgeted for it could have an adverse effect on the Councils 2021/22 and medium-term 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. Announcement about additional Covid19 funding from the Government into 2021/22. Maintain sufficient minimum reserve level to withstand the impact.

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 as discussed in section 5.8 above.

14. APPENDICES

Title	Location
Detailed Variances (Revenue)	APPENDIX A
Business Rates Retention Pilot	APPENDIX B
Transformation Fund	APPENDIX C
Earmarked Reserves	APPENDIX D
Carry-Forward Requests	APPENDIX E
Detailed Variances (Capital)	APPENDIX F

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

11 March 2021 Quarter 3 General Fund Financial Monitoring 2020/21 – BCa/20/39

REVENUE DETAILED VARIANCES

Explanations of Major Variances	Sum of Full Year Budget £'000	Sum of Actuals £'000	Variance Over/(under) £'000	Carry Forward £'000	
Corporate Resources					
HR and Organisational Development	433	361	(72)	40	Savings on Subscriptions and Training budgets due to Covid of £96k, £40k of which it is proposed be carried forward to 2021/22 when more training can be undertaken. This has been offset by £24k additional recruitment costs and associated advertising for vacant roles due to the difficulty in recruiting over the financial year. 2021/22 budgets have been uplifted to reflect this.
Business Continuity/Emergency Plan/COVID	71	(1,581)	(1,652)	-	Sales fees and charges grant and COVID grant to cover other lost income
Financial Resources	500	455	(45)	45	£45k savings on salaries to be carried forward to support the planning and implementation of a new finance system
Treasury Management	22	45	24	-	Increased investment fees as a result of the volume of transactions due to additional money from the Government
Bank Charges	65	90	25	-	Increased volumes of payments as a result of additional Business Grants and Self Isolation payments
External Audit	65	92	27	-	Additional fees as a result of increased audit requirements and work undertaken to complete the 2019/20 audit
Insurance Premiums	200	221	21	-	£18k Additional cover for theft from unoccupied council owned buildings - covered by COVID grant
Vacancy management budget	(385)	-	385	-	Adverse variance covered by salary underspends across service areas
Council Tax Collection	(181)	(64)	117	-	Budgeted income from recovery of legal costs was not achieved due to all court actions being suspended during Covid - covered by the COVID grant
Shared Revenues Partnership (SRP)	1,026	964	(62)	-	£20k savings from the SRP contract plus £40k net surplus of grant income for New Burdens compared to the costs incurred for welfare reform and data sharing requirements.
Unapportionable Central OHs	509	622	113	-	Centrally held budgets were higher than expected due to £57k security costs for the former council offices in Hadleigh and £54k additional pension fund contribution.
GF Non-Specific Grant Income	-	(80)	(80)	-	Council Tax section 31 grants - Tax Income Guarantee (TIG), unallocated - Council Tax hardship grant and family annex grant. £43k unallocated grant will be moved to reserves to provide support in 2021/22.
Other smaller variances	(119)	(26)	92	13	
	2,206	1,099	(1,107)	98	

REVENUE DETAILED VARIANCES

Explanations of Major Variances	Sum of Full Year Budget £'000	Sum of Actuals £'000	Variance Over/(under) £'000	Carry Forward £'000	
Environment & Commercial Partnerships					
Hadleigh Pool	128	92	(36)	-	The 20/21 budget included the provision for free swims for children aged 16 years and under during school holidays at a cost of £36k. As a result of the COVID19 pandemic this service could not be provided.
Kingfisher Leisure Centre	175	206	31	-	Unplanned revenue repair costs have arisen as a consequence of the refurbishment works at Kingfisher Leisure Centre including pipe repairs, installation of LED emergency lighting and works to the kitchen catering areas.
Building Regs Chargeable Services	(22)	(68)	(45)	-	Savings on staffing, travel costs during Covid and an increase in applications for building alterations have resulted in a favourable variance to budget.
Street Naming & Numbering	6	(13)	(19)	-	Ongoing development of new properties has been at a higher level than expected, leading to a surplus over budgeted income levels.
Environmental Protection	336	319	(17)	14	Staffing underspend to be carried forward to fund additional environmental management time for various carbon reduction initiatives
Street & Major Road Cleansing	447	499	52	-	The planned renegotiation of the maintenance contract did not happen in the year due to Covid, resulting in an adverse variance to budget.
Civil Parking Enforcement	-	64	64	-	The net cost of introducing Civil Parking Enforcement charges
Car Parking	111	318	207	-	Covid lockdowns and restrictions resulted in lost income from the council's car parks.
Domestic Waste	1,633	1,602	(32)	-	An increase in the sale of bins has resulted in additional income of £33k.
Bring Sites	(52)	(40)	11	-	Fluctuation in glass disposal costs and the reduction in paper collections have increased disposal costs above budget.
Trade Waste	(195)	(118)	77	-	Income impacted by COVID19 resulting in reduced income of £130k which is partially mitigated by an underspend on the cost of disposal.
Garden Waste	(352)	(308)	44	-	Income impacted by COVID19 resulting in reduced income of £70k which is partially mitigated by an underspend on the cost of disposal
Other smaller variances	1,207	1,147	(60)	-	
Total	3,420	3,323	(97)	14	

REVENUE DETAILED VARIANCES

Explanations of Major Variances	Sum of Full Year Budget £'000	Sum of Actuals £'000	Variance Over/(under) £'000	Carry Forward £'000	
Economic Development & Regeneration					
Economy & Business	268	167	(101)	28	The majority of the underspend has resulted from vacancies that were filled part way through the year
Visitor Economy	40	21	(19)	20	The visitor programme was not started due to Covid. It is requested that £20k is carried forward to enable this to commence in 2021/22.
Enterprise Zones	-	16	16	-	Payment to the Local Enterprise Partnership for 2018/19 as set out in the legal agreement for the enterprise zone
Regeneration	-	58	58	-	Salaries covered by the underspend in Economy & Business
Other smaller variances	20	25	5	-	
Total	329	287	(42)	48	-
Housing					
PV Panels	(201)	(149)	53	-	An overall adverse variance of £53k, relating to delayed transfer of the data management contract & cost of replacement inverters.
Other smaller variances	425	362	(64)	-	
Total	224	213	(11)	-	
Law & Governance					
Internal Audit	110	95	(15)	-	Savings achieved as a result of engaging an external company for some internal audit services
Shared Legal Service	355	315	(40)	-	Salaries underspend and savings on court fees
Governance	274	234	(40)	-	Salaries underspend
Other smaller variances	282	236	(46)	3	
Total	1,022	881	(141)	3	
Senior Leadership Team					
Corporate Management	46	21	(26)	-	Savings on travel allowances of £18k and £8k correction of a prior year adjustment regarding collection of tax.
Other smaller variances	577	583	5	-	
Total	623	603	(20)	-	

REVENUE DETAILED VARIANCES

Explanations of Major Variances	Sum of Full Year Budget £'000	Sum of Actuals £'000	Variance Over/(under) £'000	Carry Forward £'000	
Assets & Investments					
Strategic Property	142	95	(47)	-	Savings on salaries, consultancy fees and professional subscriptions over the year have resulted in a favourable variance to budget.
Borehamgate Shopping Centre	(171)	(128)	43	-	Businesses vacating and the Council being liable for service charges to the agent have compounded cost of rent payment holidays to tenants during Covid resulting in an adverse variance to budget.
Endeavour House - HQ	210	191	(19)	-	Savings compared to budget achieved due to the majority of office based staff continuing to work from home. Savings occurred over postage, food & drink savings, external room hire coded to Endeavour House as well as savings on the contract for the Members Area
South Suffolk Business Centre	(35)	(3)	32	-	Covid has resulted in a loss of rental income resulting in an adverse variance to budget.
BMS Invest	62	4	(58)	-	Salaries underspend
Other smaller variances	61	77	16	-	
Total	269	236	(33)	-	
Customers, Digital Transformation & Improvement					
Business Improvement	142	86	(56)	-	Salaries underspends
Communications	159	138	(21)	-	Salaries underspends
ICT	980	774	(206)	215	Savings of £50k from a comprehensive review of software and licencing costs were supplemented by lower use of a ringfenced budget for Covid Costs of £66k. Further savings on software and licencing costs were achieved due to home working as well as £47k on staffing. It is proposed to carry forward £215k to progress the digital and customer transformation programme.
Customer Services	574	454	(120)	-	Salaries underspends
Total	1,855	1,451	(404)	215	

REVENUE DETAILED VARIANCES

Explanations of Major Variances	Sum of Full Year Budget £'000	Sum of Actuals £'000	Variance Over/(under) £'000	Carry Forward £'000	
Sustainable Communities					
Community Infrastructure Levy (CIL)	(24)	0	24	-	Changes in accounting for CIL means the Council can only retain a 5% Admin fee up to the level of actual costs resulting in a £24k adverse variance against the budget.
Community Development	67	53	(14)	49	Salaries underspends
Grants & Contributions	227	197	(29)	7	Salaries underspends
Policy & Strategy Health & Wellbeing	187	124	(63)	30	£22k savings on salaries from maternity leave and part year vacancy for Health & Wellbeing post. Grant for Active Wellbeing £40k over expenditure. It is proposed to carry forward £30k of those savings for Active Wellbeing expenditure in 2021/22.
Community Safety-General	79	65	(14)	14	£14k underspend on domestic homicide reviews and local crime prevention measures. Will be carried forward to 2021/22.
Community Safety-CCTV	29	7	(23)	-	New Budget for 2020/21 but expenditure will predominantly start in 2021/22.
Development Management	176	91	(85)	50	Net underspend of £85k made up of; <ul style="list-style-type: none"> •£132k underspend on salaries (various roles, posts paid lower than budget, spare hours & secondment vacancies) •£86k underspend for East Bergholt Parish Council Judicial Review which was not needed. •£113k adverse variance due to loss of income with some Neighbourhood plans slipping into 2021/22 •£25k unbudgeted consultancy spend. £50k of Employee cost savings to be carried forward to 2021/22 for additional strategic project resources.
Development Management- Appeals	275	157	(117)	-	Legal costs associated with appeals were £17k higher than budget, offset by a favourable variance on consultancy fees of £134k giving an overall favourable variance of £117k. It is proposed to transfer £59k of the saving to reserves.
Development Policy & Local Plans	357	414	57	-	Salaries underspends
Local Plans	118	12	(105)	-	Savings on consultancy fees. Underspend to be transferred to reserve.
Planning Enforcement	194	163	(31)	27	Budget on enforcement expenditure under utilised due to Covid
Other smaller variances	118	151	33	17	
Total	1,802	1,434	(367)	194	
Net Expenditure on services	11,751	9,528	(2,223)	571	

REVENUE DETAILED VARIANCES

Explanations of Major Variances	Sum of Full Year Budget £'000	Sum of Actuals £'000	Variance Over/(under) £'000	Carry Forward £'000	
Recharge to HRA & Capital	(1,204)	(1,186)	18		
Capital financing costs					
Minimum Revenue Provision	1,136	1,078	(58)		The budget for 2020/21 was set before the confirmed capital spend for 2019/20 was known. The £58k favourable variance can mainly be attributed to lower than expected spend on ICT (£20k), play equipment (£15k) and CIFCO (£10k) in 2019/20.
CIFCO	(1,054)	(1,280)	(226)		An overall favourable variance of £226k: <ul style="list-style-type: none"> •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 0.32% for the year) the Council has continued with these throughout the year. A favourable variance of £426k was realised during the year. •Market uncertainties resulting from COVID19 meant that the remaining investment in CIFCO was delayed to Q3 and Q4. This has resulted in less income received compared to budget resulting in an adverse variance of £200k.
Investment Income	(554)	(473)	81		The continuing impact of COVID9 and low rates means that the Council's investments generated a lower return, resulting in an adverse variance of £81k.
Total Capital financing costs	(472)	(675)	(203)		
Transfers to (from) reserves	327	1,713	1,385		
Carry forwards to 2021/22	-	571	571		
TOTAL BUDGET REQUIREMENT	10,402	9,950	(452)		

Funding			
Council Tax	(5,774)	(5,774)	-
Council Tax 19/20 (Surplus)/deficit	(9)	(22)	(13)
Baseline, less tariff, less levy	(1,352)	(1,721)	(369)
Business Rates - Pooling Benefit	(323)	(246)	77
S31 grants	(1,577)	(1,556)	21
Business Rates 19/20 (Surplus)/deficit	(85)	(85)	0
Rural Services Delivery Grant	(227)	(227)	(0)
New Homes Bonus	(1,055)	(1,055)	-
TOTAL FUNDING	(10,402)	(10,686)	(284)

TOTAL VARIANCE FOR THE YEAR**(736)**

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 £'000	Cumulative Spend to 2020/21 £'000
Hamilton Road Quarter, Borehamgate & Belle Vue Site	500	9	509	46	146	131	323
Angel Court Housing Development	200	-	200	-	121	30	151
Workspace & Grow-on Commercial	200	25	225	20	65	3	87
Inclusive Growth Engagement Officer	60	-	60	-	-	-	-
Establishment of a Suffolk Chamber of Commerce	42	-	42	30	-	12	42
St Peters Church Regeneration	100	-	100	-	-	100	100
Business Innovation Grants	158	-	158	-	-	-	-
Unallocated	122	-	122	-	-	-	-
BRRP Total	1,260	34	1,293	96	332	275	703

Transformation Fund

Project	Total Budget £'000	Council's Share of Budget £'000	Cumulative spend to 2019/20 £'000	Spend 2020/21 £'000	Total Spend £'000	Variance (favourable) / adverse £'000	Commitments £'000
Business Growth							
Town Visioning & Investment work - the Economic Development Team will engage with key town stakeholders to create and maintain sustainable partnerships for the delivery of a range of projects and programmes that benefit the town's future development and growth. These vital partnerships in the form of Vision or Invest Boards will promote our places through a single voice to stimulate investment, support our businesses and create jobs, enhance and grow our cultural offer, and create opportunities to raise skills levels and aspiration in our communities, making our 5 key market towns desirable places to live and work in. (BDC - 21%, MSDC - 79%)	209	44	11	-	11	(33)	33
Community Capacity Building							
New engagement post within Communities to support the development of key sites. PROJECT COMPLETE	86	31	26	5	31	(0)	-
Community Capacity Building	314	64	-	46	46	(18)	18
Efficient Organisation							
Additional resources to enable Senior Planning Officer level to be released to support delivery of the planning transformation programme (BDC -50%, MSDC - 50%)	205	103	55	1	56	(47)	47
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%)	33	16	7	-	7	(10)	-
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%)	29	15	-	15	15	-	-
Public Realm - transition to in-house delivery	98	49	-	34	34	(15)	25
Housing Delivery/Business Growth							
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	475	259	194	-	194	(65)	43

Transformation Fund

Project	Total Budget £'000	Council's Share of Budget £'000	Cumulative spend to 2019/20 £'000	Spend 2020/21 £'000	Total Spend £'000	Variance (favourable) / adverse £'000	Commitments £'000
Environment							
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.	40	20	-	11	11	(9)	9
Sustainable travel officer post & licence for commonplace engagement software regarding cycling and walking routes Funding for the above post as approved by Cabinets and matched by the IECCG Wellbeing funding together with software license to enable stakeholder engagement	25	13	-	1	1	(12)	12
General Transformation - other projects							
Other items	286	17	17	-	17	-	-
Trees for Life (BDC - 40%, MSDC - 60%)	23	9	3	-	3	(7)	5
Sports strategy refresh	40	20	-	10	10	(10)	10
HROD - additional role. Part TF funded	14	7	-	7	7	-	-
Total	1,876	666	312	130	441	(224)	202

Earmarked Reserves

	Balance 31 March 2020 (£'000)	Transfers between (£'000)	Net movements 2020/21 (£'000)	Carry forward to 2021/22 (£'000)	Proposed to/(from) (£'000)	Balance 31 March 2021 (£'000)
Carry Forwards	153	-	(153)	571	-	571
Transformation Fund (TF)	538	(140)	581		373	1,353
Business Rates Retention Pilot (BRRP)	1,138	-	(396)		-	741
Business Rates & Council Tax	1,215	(140)	5,031		-	6,106
Climate Change and Biodiversity	-		-		200	200
Government Grants	204	-	(39)		-	164
Commuted Maintenance Payments	477	-	345		-	822
COVID 19	-	280	891		-	1,171
Elections Fund	20	-	20		-	40
Elections Equipment	35	-	-		-	35
Homelessness	241	-	(82)		-	159
Temporary Accommodation	75	-	74		-	149
Rough Sleepers	-	-	22		-	22
Planning (Legal)	263	-	-		59	323
Neighbourhood Planning Grants	76	-	(28)		-	49
Community Housing Fund	210	-	(31)		-	178
Strategic Planning	40	-	-		-	40
Joint Local Plan	118	-	(38)		21	100
Planning Enforcement	88	-	-		5	93
Well-being	275	-	(22)		-	253
Waste	9	-	-		78	87
Total Earmarked Reserves	5,176	-	6,174	571	736	12,657
Expenditure funded by TF or BRRP in 2020/21			526			
S31 grant & Enterprise Zone income carried forward in Business Rates & Council Tax reserve			(4,988)			
Net Movement per outturn			1,713			

Proposed Carry Forwards

Area	Amount £'000	Description
Community Development	49	To support project posts and system costs to meet demands associated with anti-social behaviour.
Policy & Strategy Health & Wellbeing	30	To support the Youth Social Prescribing work being developed with partners and to support school holiday programmes.
Community Safety-General	14	To support work post Covid 19 to enable activities that meet locally identified priorities and improve aspects of Community Safety and anti-social behaviour. To sign up to Grantfinder with Economic Development for a year. Continued support to Community Action Suffolk, Consortium agreement with Active Suffolk.
Development Management	50	2 year fixed term project support resource within Strategic Projects team.
Economy & Business	28	Projects could not be progressed as anticipated during 2020/21 due to the impact of administering the range of business grants throughout the year. To support projects worth approximately £29,000 already in progress.
Visitor Economy	20	To support other projects which align to the Economic Strategy and Recovery Plan and the development of a Visitor Economy Recovery Plan.
Planning Enforcement	27	To support the Enforcement transformation project and to provide resource on Pin Mill. Ongoing staff training in Enforcement.
Environmental Protection	14	To fund increase of Senior Environment Management Officer resource to progress climate change initiatives.
Organisational Development	40	To facilitate Covid recovery across the workforce.
Financial Resources	54	To fund project support for installation of new Finance system.
ICT	215	To resource roles in ICT and Customer Services to support the digital and customer transformation programme.
Various	31	Other carry forward items less than £10k
Total	571	

2020/21 Capital Programme

CAPITAL PROGRAMME 2020/21	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Contractual Commitments	Uncommitted Carry Forwards	Variance after Carry Forwards (favourable) / adverse	Explanation of major variances
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund Housing								
Mandatory Disabled Facilities Grant	760	696	1,456	709	747	-	-	The grant allocations brought forward have been spent in full. 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	63	-	37	-	
Empty Homes Grant	100	67	167	25	-	142	-	
S106/CIL Affordable Housing Grants	-	-	-	195	-	-	195	Grants to housing associations to facilitate affordable housing schemes will be funded by S106/CIL.
Grants for Affordable Housing	-	400	400	-	-	400	-	Schemes to utilise this budget are being considered.
Total General Fund Housing	960	1,163	2,123	992	747	579	195	
Environment and Projects								
Replacement Refuse Freighters - Joint	298	-	298	298	-	-	-	
Recycling Bins	65	-	65	72	-	-	7	Greater than expected demand for bins for garden waste and due to new build.
Total Environment and Projects	363	-	363	370	-	-	7	
Community Services								
Planned Maintenance / Enhancements - Car Parks	50	32	82	3	-	79	-	Underspend due to lack of resources to carry out condition surveys at each car park. To be carried forward to 2021/22.
Total Community Services	50	32	82	3	-	79	-	
Economic Development and Regeneration								
Belle Vue	-	4,000	4,000	-	-	2,000	(2,000)	The full budget of £4m is no longer required and £2m is requested to be carried forward into 2021/22 due to the changing nature of the scheme as reported to Cabinet on 5th July.
Total Economic Development and Regeneration	-	4,000	4,000	-	-	2,000	(2,000)	

2020/21 Capital Programme

CAPITAL PROGRAMME 2020/21	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Contractual Commitments	Uncommitted Carry Forwards	Variance after Carry Forwards (favourable) / adverse	Explanation of major variances
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sustainable Communities								
S106/CIL Play Equipment	-	-	-	21	-	-	21	To be funded from CIL
Play Equipment	50	27	77	-	-	77	-	Capital projects on hold due to Covid. To resume in 2021/22
Community Development Grants	117	105	222	143	79	0	-	2020/21 has seen a large increase in capital grant allocations. All of the current budget has been allocated so the carry forward will be required to fund these projects in 2021/22.
CCTV Cameras	-	-	-	8	-	-	8	To be funded from CIL
Total Sustainable Communities	168	132	300	173	79	77	30	
Leisure Contracts								
Kingfisher Leisure Centre Improvements	-	780	780	102	-	627	(51)	A review has been undertaken of the budgets for Leisure services and applied as appropriate between the refurbishments projects and ongoing improvements.
Hadleigh Pool and Leisure Improvements	-	353	353	-	-	353	-	
Kingfisher Leisure Centre Refurbishment	627	(119)	509	559	-	-	51	Kingfisher Leisure Centre has been completed. Hadleigh Pool is expected to be completed early 2021/22. Both are subject to final sign off with the contractors.
Hadleigh Pool and Leisure Refurbishment	351	1,217	1,568	1,223	-	346	-	
Total Leisure Contracts	979	2,231	3,210	1,884	-	1,325	-	
Assets and Investments								
Planned Maintenance / Enhancements - Corporate Buildings	36	-	36	93	-	-	57	Works at Wenham Depot to enable the Building Services team to relocate from Creeting Road Depot.
South Suffolk Business Centre	-	-	-	2	-	-	2	
Strategic Investment Fund	-	3,000	3,000	-	-	3,000	-	As part of the strategic asset management plan suitable projects will be investigated and taken forward
Regeneration Fund	64	6,347	6,411	-	-	6,411	-	
Regeneration Fund - Former Council Offices	-	194	194	13	-	181	-	
CIFCO - further investment	8,666	8,452	17,118	19,301	-	-	2,182	Investment completed in 2020/21. Brought forward from 2021/22.
Total assets and Investments	8,766	17,993	26,759	19,408	-	9,592	2,241	
Total Customers, Digital Transformation and Improvement	200	248	448	48	-	150	(250)	There has been little scope to progress new projects in the year and some equipment purchases have been funded through Covid grants.
Total General Fund Capital Spend	11,485	25,799	37,284	22,879	826	13,802	223	